The Global Economic Crisis and the Future of Migration: Issues and Prospects

What Will Migration Look Like in 2045?

Bimal Ghosh

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Also by Bimal Ghosh

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Bimal Ghosh

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Remembering Manjula,
Now far away, yet always so close; and
To: Swati and Rex
For their loving and constant support

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Preface

More than four years ago the world was afflicted by the worst economic crisis since the 1930s. At the height of that crisis, in 2009, several international organizations, including the International Organization for Migration (IOM) and the Hague Process on Refugees and Migration (THP), became increasingly concerned about the impact of the crisis on international migration. Out of this concern, the two organizations asked me to carry out a comprehensive analysis of how exactly the economic crisis would affect the origin and destination countries and what should be the policy responses to the issues involved in both short and long term.

In 2011, my book, *The Global Economic Crisis and Migration: Where Do We Go from Here?* came out in compliance with the IOM/THP joint request. In writing a foreword to the book, William Swing, Director General of the IOM and Peter Sutherland, United Nations Special Representative on Migration and Development said in part[1]:

> The corrosive effects of the Great Recession ... are driving changes in migration policies and patterns – changes that can significantly influence social peace, inter-state relations and the pace of global economic recovery. Yet these migration issues have thus far received little attention, with recession-related policy debates and public discussions mostly focused on financial rules and reform. Into this void comes Bimal Ghosh's new book – which bridges the policy gap and offers a fresh outlook on the future of migration.

I have been encouraged by the response the book has since received and I am thankful to all those who have cared to write or speak to me personally in this connection. Why should I then write another book on the economic crisis and migration? It seems worthwhile to explain the reasons.

Since the publication of my previous book in 2011 (with December 2010 used as the cutoff date) there has been no lessening of the pressure on the world migration system. Indeed, in many ways the strain

[1] See annex for the full text of the Foreword.

on the system has increased. Anti-immigrant parties and lobbies have been gaining strength; and migration policies have become more restrictive and inward-looking. In many parts of the world, the immigration climate has become markedly tense. Public polls (May 2012) in 15 European countries,[2] for example, revealed that while migrants in general rated their wellbeing worse than the native-born in these countries, the newcomers (those who arrived in the previous 12 months) were more likely to hold this negative feeling. At the same time, host societies were becoming less tolerant of migrants. Results of a survey (published in August 2011)[3] by London-based Ipsos research firm, in nine European countries showed that as many as 56 per cent of people felt there were too many migrants on their soil and only 17 per cent thought immigration had a positive effect. In austerity-bitten Europe, there is evidence of a growing anti-immigrant feeling, as reflected in a warning from Human Rights Watch that xenophobic violence has reached alarming proportions in parts of Greece.

With all this, as the risk of mismanaging migration was rising, I started wondering if it would not be useful to revisit these issues and write a new book. I was in fact thinking of a book, which would update and complement my previous work with new data and fresh thoughts. In addition, and more importantly, it would address in depth the new migration challenges, in terms of both risks and opportunities, that were being unleashed by more recent political and economic developments – developments that were unknown or less conspicuous at the time that I was writing my previous book on the subject.

The uprisings in the Middle East and North Africa (MENA), now widely known as the Arab Spring, are among those developments. The mass revolt over lack of political freedom and economic opportunities which first started in December 2010, in Tunisia has now swept through a good part of the region. The spirit underlying these uprisings has spread even beyond the Arab world and may have inspired or encouraged protest movements of a varied nature and with diverse demands across regions. Regardless of the final outcome of the Arab Spring uprisings, they will have a profound impact on migration both in the MENA region and beyond, creating new opportunities as well as risks. I thought it was time that these were carefully discerned and fully analysed.

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[2] *Gallup World*, May 2012, "In Europe, migrants rate worse than natives."
[3] "Global View on immigration," *Ipsos*, August 2011.

I also thought of another, and even more powerful, precursor of change in world migration, especially South–North and South–South flows: the rebalancing of the world economy. The prolonged global economic crisis has accentuated the rebalancing process driven by slow economic growth or stagnation in rich countries alongside significantly higher rates of growth and a more positive future economic outlook in an increasing number of emerging economy countries. This economic rebalancing and associated geo-political changes may well be an important watershed in modern history. The changes and the uncertainties they bring would also play a key role in reshaping the existing configuration of world migration. And the trend would be reinforced by the continuing spread of labour-saving technology and changes in way of life in rich countries as well as by recent demographic trends in both advanced economy and many developing countries.

I had touched on this latter issue in my previous book, but the discussion was not in sufficient depth or detail. I felt it was important to bring into sharper relief how the new political and economic trends, including the underlying structural changes, are likely to influence world migration in the coming decades. These changes, I thought, were not receiving the attention they deserve. Some analysts were in fact assuming that once the (supposedly short-lived) economic crisis is over, world migration will continue to flow as in the past. This is because, according to their hypothesis, the principal structural factors such as economic and demographic asymmetry between rich and poor countries that have been driving much of the contemporary migration will remain the same. This static or "business as usual" approach worried me.

I also found it troubling that in dealing with the impact of the ongoing economic crisis on migration, some analysts were focusing too narrowly on the recent headline figures on new migration entries. Admittedly, relative to the depth and gravity of the economic crisis, these figures for new flows showed a somewhat small (though not negligible) decline; it was also less than previously anticipated. Unfortunately, this seems to have led these analysts to overemphasize the "resilience" of migration and conclude that migration has remained unaffected by the economic crisis. Clearly, this narrow approach ignores the changes not only in the composition and direction of the new flows but also the changes in the causes and conditions underlying them. In doing so, it fails to explore adequately the economic, social and human implications of these changes. I could not escape the feeling that this narrow approach – like the static "business as usual" approach I have just mentioned – was likely to give wrong signals to policy planners and lead them astray. I pondered these thoughts – and may I add – agonized over them for several months.

The present book is the outcome of these reflections. It also complies with the wishes of those friends and colleagues who had read my previous book and have been urging me to update and enlarge in a new book the discussion already contained in the 2010 publication.

The book addresses several issues, such as those related to the Arab Spring, which are highly volatile and continue to evolve so fast that they exclude all possibilities of bringing the readers right up to date. Given the schedule of production, I have tried to use the latest information available, with January 2012 as the cut-off date.

The book opens with an introduction that highlights the need to delving deep into the real significance of the recession-driven changes in world migration. It alludes to many structural changes that are set to reshape the configuration of human mobility over the coming three decades and the uncertainties associated with them and sets the stage for the detailed discussion that follows in three parts of the book.

The first part (Chapters 1–5) deals with the background of the recession-driven changes in migration patterns and practices, examines the effects of these changes on origin and destination countries and the world society, and then puts forward a set of policy and operational measures to meet the challenge that they entail. This part of the book draws heavily on my previous book on the global economic crisis and migration.

Part II of the book (Chapters 6–8), is devoted to the future of world migration. It opens with Chapter 6, which deals in some detail with the Arab Spring and the consequences of the conflicts on migration in the Middle East and North Africa and beyond: this is done from short-medium- and long-term perspectives. A full-length discussion on the future of global migration follows in Chapter 7, which also presents a profile of what global immigration may look like by 2045. This chapter makes special reference to new South–North and South–South movements in the context of the rebalancing of the world economy, and changing demographic, technological and cultural trends. Chapter 8 takes on the follow-up discussion of the changing landscape of South–South migration, and provides insights into the growing economic and migratory links within the South.

Building on my previous writings, the third and last part of the book (Chapter 9) provides an outline of a new global architecture, based on a common and cohesive set of norms and principles, to deal with the present malaise in the migration system and make future movements more orderly, predicable and humane. It urges G20 leaders to spearhead the drive to build this new architecture and set the course for further action jointly by the United Nations and other international agencies concerned.

Although several organizations have continued to show a keen interest in this book, in writing it I have deliberately avoided drawing financial support from any one of them; and responsibility for the views expressed in it rests with me alone.

As I recall, my first association with Macmillan Press dates back to 1997. I am delighted to resume my happy partnership with it, now reborn as Palgrave Macmillan Publishing. I would like in particular to thank Taiba Batool, senior commissioning editor, for her close interest in the project; to Ellie Shillito and Vidhya Jayaprakash for their constant vigilance on the production process and its time schedule; and to the Newgen staffs who worked so hard to make the script ready for printing on time.

* * *

The book is dedicated to my family: that speaks of the living memory of my lost wife, Manjula, and tells the story of the love and support I enjoy from my daughter, Swati (Reina) and my son, Atish (Rex). With his greater familiarity with computer technology, Rex also rescued me from the welter of confusion in which I was entrapped on several occasions as I was fixing the charts and tables of the book. Many thanks, Rex.

Geneva and Washington, D.C.
November 2012

List of Abbreviations

ACP(s)	Asian, Caribbean and Pacific countries
ADB	Asian Development Bank
CIS	Commonwealth of Independent States
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
GDP	gross domestic product
GCC	Gulf Cooperation Council
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
LDCs	least developed countries
MENA	Middle East and North Africa
MDG	millennium development goal
NGO	non-governmental organization
NIROMP	New International Regime for Orderly Movement of People
PWC	Pew Research Center
OECD	Organisation for Economic Cooperation and Development
UNDP	United Nations Development Programme
WTO	World Trade Organization

Introduction

More than four years ago, caught in the deepest and worst of all recessions in decades since the 1930s, the world economy was sliding to the edge of the abyss. The slide was arrested as nations joined hands, concerted their actions and mounted an unprecedented global rescue programme. The world economy is now struggling hard to come out of the morass of the economic decline and leave the crisis behind. The risks of a setback, however, still persisted; and despite the fledging signs of recovery and growth, many were concerned about both the continuing and new headwinds. They were uncertain about the sustainability of the recovery. Some were even fearful of a double-dip recession. In the USA a Gallup poll in April 2011 found that 29 per cent of those queried thought that the economy was in a "depression" and 26 per cent thought that the original recession had persisted into 2011. The eurozone is already projected to fall into a mild recession in 2012. (See Chapters 1 and 7 for more details).

On 23 September 2011, as the world's financial leaders were gathering in Washington D.C for the board meetings of the IMF and the World Bank as well as for the G-20 finance ministers conference, the *Financial Times* in London headlined "Financial Institutions Stared into the Abyss" and on the very next day it cried out, "Global economy pushed to brink."

As the world economy stands at a crossroads, the focus in the policy debate on the economic crisis has been shifting towards the risks of a double-dip recession and the shape and sustainability of recovery, including two-track growth separating advanced and emerging economies, the former lagging behind the latter. Issues of public debt and fiscal deficit, austerity and growth, job creation, banking and financial reform, rebalancing the world economy, adjustment of exchange rates, inflationary pressures in emerging economies and the like – have continued to dominate the global agenda. The long litany of issues does not, however, include the post-recession challenge of migration and its future governance. So far policy makers have taken little notice of it. In effect, migration remains in the back burner of post-recession policy making.

And yet, the current global economic decline and insecurity are not a uni-dimensional problem that can be addressed in isolation. These have aroused powerful human emotions and generated social turbulence. In February 2009, the US Director of National Intelligence, went to the extent of telling Congress that instability caused by the global economic crisis had become the biggest security threat facing the United States, outpacing terrorism (*The New York Times,* 2009a).[1] A poll conducted by Harris Interactive in the midst of the recession (March 2009) showed that a majority of people in six major Western democracies expected a rise in political extremism in their countries as a result of the economic crisis (*The New York Times,* 2009m).[2] It also found widespread expectation of unrest, with strikes and demonstration forecast by 86 per cent of those in the six countries.

Not surprisingly, the economic malaise has already become closely intertwined with a series of social upheavals – such as the unrest in debt-ridden peripheral countries in the eurozone, the political uprisings – dubbed the Arab Spring – in the Middle East and North Africa, and the protest movements of malcontents now spreading fast across countries and regions.

These events touch on issues such as joblessness, poverty and inequality, wages and incomes, interpenetration of labour markets and mobility of people, including government policies and public attitudes concerning migration. These are issues that can seriously influence social institutions, respect for human rights and internal peace, interstate relations and the pace of global economic recovery. And the effects could well be profound and long lasting.

It is particularly striking how disorderly and sudden movements of people linked to current political upheavals and the economic crisis, combined with the opportunistic needs of political leaders, can put

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1 "Job Losses Pose a Threat to Stability Worldwide," *The New York Times,* 15 February 2009.

2 Ibid., 7 May 2009. "Economic Crisis Raises Fears of Extremism in Western Countries," *The New York Times,* 7 May 2009, http://nytimes.com/2009/05/07poll.html

powerful pressures on some of the established institutions. In Europe, for instance, the arrival of a total of some 43,000 migrants from Tunisia to Italy, mainly in the island of Lampedusa, sent a shock wave across the European Union and threw new challenges to the Schengen Agreement on free movement of people – a collective agreement which embodies one of the fundamental principles on which the European Union is based.

In normal times, the event would have passed almost unnoticed in the rest of Europe. But it was not to be so this time. As a Member of the European Parliament recently put it, these recession-driven changes were creating "unbearable pressure on EU institutions from angry voters in national elections and indeed on (leaders of) member states who often answer an angry electorate with attacks on the EU" (*Financial Times*, 20111.)[3] In the sombre financial and political climate, the matter was so blown up that some were even fearful of an unraveling of European integration.

This Lampudesa episode is not an isolated event. It is symbolic of two conflicting and worrisome trends. It reveals how the ravages of the prolonged economic crisis have created a tense social and political climate in many migrant-receiving countries and made them increasingly inward-looking and unduly panicky about new arrivals. At the same time, the event is also indicative of how economic hardships and political upheavals have helped to build up new emigration pressures in many countries, including some of the erstwhile migrant-receiving ones, and propelled people to leave their homeland in a disorderly and irregular manner and even risk their lives.

The economic meltdown is reshaping the existing migration pattern in many different ways, the long-term consequences of which are yet to unfold fully. In several countries, it marks a change in their recent economic and migration history, with far reaching implications for the future. Ireland, for instance, had left far behind its history of famine and mass migration in the mid-nineteenth century and emerged as the "Celtic tiger" with a vibrant economy. As investments increased, businesses flourished, and exports expanded, it attracted immigrant workers from abroad, and the country welcomed them. It soon became an immigration country.

[3] Claude Moraes, Member of European Parliament, "Letters," *Financial Times,* 3 June 2011.

But with the deepening of the economic crisis, the situation radically changed. It is not just the foreign workers who were leaving or had already left the country, but an increasing number of Irish nationals, too, have been doing the same in search of better opportunities abroad. Ireland's migrant stock representing nearly 20 per cent of total population in 2000 dropped to 10 per cent in 2010, and in terms of annual flows, Ireland has once more become an emigration country. Spain, which prior to the crisis was hosting large numbers of immigrant workers, saw its migrant stock dwindle from over 14 per cent of total population in 2000 to 4.4 per cent in 2010. Even more worrisome, recent indications are that an increasing number of Spaniards, including skilled and professional people, are anxious to leave the country for better opportunities abroad. If there has not yet been a larger outflow, that is largely because opportunities elsewhere, too, are hard to come by.

Portugal had made significant economic progress, including in closing income inequality from 2004 until the onset of the recession in 2008. But the situation has now changed. As austerity is enforced, economic growth is stalling, inequality has been rising, and workers are fleeing abroad, especially to Brazil where the number of Portuguese nationals holding two-year work visas more than tripled in just the first nine months of 2011 from 2010. And many more are waiting to do the same (2011 aa).[4] Before the crisis, a small country like Iceland rose high as credit flowed in and its economy boomed. But as indebtedness soared and the credit dried up, it faced a brutal meltdown and saw outflows of many of its promising youth. The country has now lost one-tenth of its entire population.

After it joined the European Union, Latvia became one of the world's fastest growing economies. As the recession harshly hit the country, it was constrained to accept, as part of an international bailout arrangement, a stringent austerity programme. After three years, economic growth has now returned. But the cost has been heavy, and the country has changed in many ways. Not only has the economy become smaller by 25 per cent, but the country has also lost 5 per cent of its entire population in the last three years. From 2004 to 2008, the net emigration averaged 16,000 a year. As the recession and the austerity started to bite, the average shot up to 40,000 a year; the flow consisted of whole

[4] "Portugal's Poor Suffer as Austerity Bites: Flight to Brazil for Workers Seeking Employment," *Financial Times,* 23 December 2011.

families, including many young and educated people with no intention to come back. According to Michael Hudson, an economics professor at the University of Missouri, what could further encourage such massive outflows was a bank practice of demanding personal liability from borrower's entire family as co-signatories of a mortgage contract. Trying to collect repayment of high levels of existing loans would lead to further emigration of whole families, emptying the country, according to Professor Hudson (*Financial Times*, 2011ab).[5]

An emigration culture has now developed in Latvia. The same number of people as in the crisis years – around 40,000 – may have left in 2011, although the economy grew by 4.5 per cent. A pessimistic perception now seems to have taken hold and even the well-educated and skilled people seemed to feel they had no future in the country. The government is now faced with a challenge to ensure that that there are enough working-age people to provide a labour force needed for new investment and growth and to fund the pension system. It is of course not certain that all potential migrants will find suitable opportunities abroad and some may finally be constrained to stay in, nursing a feeling of despair.

Just as the economic crisis has been pushing people away from their homeland, it is also making it more difficult for them to do so. This is not just because of new restrictions on immigration in the destination countries, but also because of the aspiring migrants' lack of personal resources or access to credit needed to finance the move. More paradoxically, in some ways it is also restricting their freedom of movement even within their own country. In normal times jobless workers in the USA, for example, would move to areas where there was work, but many of them are now trapped into staying put as their houses are worth less than they owe on them.

When large numbers of people in a country lose hope about their future and that of their children, and feel impelled to leave their homeland, or want to do so but cannot due to lack of opportunities for legal entry, it ceases to be only an economic problem. Just as it entails human hardships and anguish, it also enfeebles the social fabric of a country, adversely affects the psyche and self-confidence of a nation, and makes harder for it to rise again and leap forward. The situation is almost dramatic, especially for countries which for years had been welcoming

[5] "Latvians Vote with Feet on Austerity," *Financial Times,* 7 November 2011.

foreigners to help develop their economies, enrich their culture, and participate in their prosperity.

The underlying economic problem, then, needs to be addressed not as an isolated issue but along with its wider social and institutional ramifications, including those related to migration. And this cannot be done by any single country or by individual countries' isolated action.

Unfortunately, however, the existing migration system which is essentially based on unilateral management of migration by each country is ill equipped to deal with the task in such circumstances. As we will be discussing in this study, the situation calls for new visions and approaches, including a common framework for mutual cooperation and coordinated action. Isolationist and inward-looking policy measures, based on panicky and knee-jerk reactions, can only make the situation worse for all.

Headline migration figures and the realities of recession-driven changes

Among some of the few analysts who have examined the post-recession migration issues, some have expressed the view that world migration has remained almost unaffected by the recession. The view is based on the argument that, despite the severity of the crisis, the headline figures of migration and remittance flows have shown only relatively small declines. Realities suggest that this view is simplistic and misleading. A critical assessment of the real effects of the crisis on migration cannot be done simply by looking at, and comparing the headline figures of the flows during and prior to the crisis. It also calls for an-depth and insightful analysis of the hard realities underlying the new recession-driven flows. Headline figures reveal little about any changes in the causes, conditions, and composition of the new flows. And yet changes in these contextual realities can profoundly influence the nature and effects of migration even if the over-all numbers of migrants remain the same.

This explains why in order to assess the effects of the recession on migration, it is important to look not just at the numbers of new migrants but also to find answers to such questions as: Who are the new migrants? Why are they moving? How are the origin and destination countries responding to the movements? It is well known that when migration takes place as a matter of migrants' free choice and their orderly and predictable movement meets the real needs and interests of the origin and destination countries, the results are mostly beneficial.

However, as mentioned above, much of the recession-related new flows are driven by despair and deprivation – more under duress than as a matter of free choice. In many cases unplanned, unpredicted, and almost forced departure of large numbers of so many people, including skilled and enterprising youth, are depleting the human resources of the sending countries and casting dark shadows on their future growth.

As the outflows of some of the best and brightest workers from Spain and Portugal to Germany continue to grow, some are also worried about the loss of investment made over the years on their training. As Cesar Castel, director of operations of the Spanish branch of Adecco, a Swiss recruitment agency, sadly remarked, "It is a huge loss of investment.... On average it cost us 60,000 euros (US$ 80,000) to train each engineer, and they are leaving"(*The New York Times*, 2012a).[6] A no less worrisome aspect of the situation is that it has started creating a backlash in Southern Europe and placing a strain on the basic principle itself of free movement of labour within the European Union. Somewhat paradoxically, conditions in the destination countries worldwide – at least some are only reluctant receivers – are not always propitious enough to make an effective use of the migrant's full potential. At least some of them are only reluctant receivers, and "de-skilling" or occupational downgrading of migrants is not infrequent. These realities clearly contradict the notion that nothing has changed in migration as a result of the recession.

Changes in the composition of the migration flows also matter in other ways. As will be discussed in Chapters 2 and 4, in the wake of the recession labour migration has fallen rather sharply, while there has been a relative increase in new entries through family reunification and humanitarian channels. Many of these migrants are either too old or two young to participate in the workforce. Even those who are of working age have low employment potential as their entry was not through labour migration channel. Clearly these recession-driven changes in the composition of the flows have important implications for employment and integration policies of the receiving countries.

Further, migration is not just about new flows. Issues related to the existing migrants are no less important. Experience shows that in times of economic crisis host society's tolerance of foreigners declines just as its "taste for diversity" wanes. Past experience across countries also

[6] "Brain Drain Feared as German Jobs Lure Southern Europeans," *The New York Times,* 30 April 2012.

suggests that though normally migrants' wages and working conditions tend to catch up with those of the native-born workers over time, this hardly happens in times of economic crisis: migrants then tend to suffer more in terms of job losses and deterioration of wages and working conditions. The discussion in Chapters 3 and 4 of the book show that the current crisis, too, has led to similar changes in the host society's attitude towards migrants as well as in the working and living conditions of migrants. As these recession-driven changes directly affect migrants and their welfare, they need to be seen as constituting yet another rebuttal of the notion that "nothing has changed in migration" as a result of the crisis.

Perils of a "business as usual" approach to migration

In a similar manner, but with a longer term perspective, some other analysts have argued that the effects of the recession on migration, however striking, are only temporal and that over time they will continue to be shaped as usual by structural factors, including labour market and demographic asymmetry between countries, and disparities in the world economy. This may be partly true. And yet it could be perilous to foresee a "business as usual" scenario for migration in the post-recession years, to ignore the potential pitfalls that it entails, and thus to disregard the need for better management of human mobility in the wake of the recession and beyond. There are several inter-related reasons why it is so.

History shows that some of the seemingly short-term policy measures taken during an economic crisis could have an enduring effect. It took several decades for international migration to recover from the impact of the unduly restrictive immigration measures that countries like the USA and France had taken before and during the Great Depression of the 1930s and the social climate created by these actions. During the years 1900–1914, the average annual flow of permanent immigrants in the USA had reached 800,000, but it fell to 400,000 in the decade prior to 1929 and did not return anywhere near the pre-1900–1914 annual average till the year 1990. Experience also shows that when the network links between potential migrants and the diasporas abroad are weakened, and the channels of labour market information dry up, orderly flows of migrants could be derailed and dampened even when labour demand across countries increases following economic recovery. If we refuse to learn from past mistakes, we run the risk of repeating the same.

Likewise, if migration is badly managed during an economic crisis leading to abuse of migrants' labour and human rights alongside a rise in irregular flows, it could become a source of social conflicts and interstate tension. Host countries could then be unduly reticent to admit new immigrants for many years to come: the scars may not disappear too soon.

Even more importantly, it is misleading to assume that the structural factors, such as the demographic and labour market asymmetry or the disparity in incomes between rich and poor countries, that have hitherto largely influenced South–North migration would always remain exactly the same. Just as the human society constantly evolves and changes, so do nations and their demographic and economic characteristics and cultural moorings. And this can lead to a realignment of economic and migration links between different groups of countries.

As we will discuss in detail later in Chapters 7 and 8 of this study, many of the structural factors that influenced the configuration of international migration, especially South–North movements, over the past decades are now set to undergo significant changes. New patterns of global migration are in the process of emerging. The book argues that as a consequence of these changes, there will be much less tension, especially in South–North migration by 2045, on condition that the ensuing changes are wisely and multi-laterally managed. This is discussed in detail in Chapter 7 of this study and is briefly recapitulated below.

First, in a growing number of labour-abundant developing countries, rates of women's fertility and population growth are falling fast while in several rich countries, the opposite is happening, with the fertility rates slowly rising towards the replacement level of population growth. If these two trends hold, the demographic asymmetry will be playing a diminishing role in South–North migration, especially after 2035–40.

It is well known that migration already accounts for a large part of net population growth in a number of rich, low-fertility countries. In the initial period through their higher birth rates, migrants also help rich countries avoid having their total fertility rates fall below the replacement level, although eventually they also become used to local practices and cultural moorings and tend to opt for smaller families.

As will be discussed in Chapter 7, some analysts have also argued that new migration from the South is likely to help in narrowing the existing demographic asymmetry between rich and poor countries in another way. Given the growing transnational links between countries and the motivation and profile of the new migrants of the "youth-bulge" generation, it is likely that they may act as effective agents to convey many of the host countries' ideas, values, and practices – including those related to smaller families – to origin countries. In doing so, these migrants might contribute to the transition from high to low birth rates in poor countries.

Second, although the huge income differential between rich and poor countries is not going to disappear any time soon, the gap is narrowing as wages and incomes are rising fast in a growing number of emerging economy countries. Economies in many of these countries are forecast to grow at double the rate for the rich countries in the coming years. Unlike the rich countries, they do not carry a heavy debt burden and they enjoy better economic fundamentals. As people in many in of the emerging countries which are also major migrant senders to rich countries in the North are becoming more hopeful about their country and their own future and that of their children, at least some of the potential migrants of the South may well be inclined to stay at home, especially in view of declining opportunities in the North. This will reduce the pressure for migration to the North in the future.

Third, rapid economic growth, as now projected for an increasing number of countries in the South, will open up many new possibilities of South–South economic co-operation through trade, investment, and exchange of skills and technology. Although this will also entail competition and at times inter-state tensions and rivalry, over-all, the logic of economic gains will prevail. Linked to these economic activities, there will be an increased flow of people, especially in the form of short-term visits and temporary assignments of businessmen, and technical and professional personnel between fast-growing middle-income countries, boosting South–South migration. All developing countries are, however, not likely to grow at the same speed, nor do they have the same resource endowments or the same economic characteristics. This diversity will also create additional opportunities for two-way migration flows between and within the groups of middle- and low-income countries as both groups (with a few exceptions) will be moving towards higher levels of growth.

In short, there will be increased South–South migration, which will take some of the erstwhile immigration pressure away from the North. Significantly, in contrast with the sluggish or stagnant economic growth in rich countries, the dynamism of some of the fast-growing emerging economies is also likely to attract, as has already started happening on a limited sale, some new migration flows from the North to the South. This will mark a partial reversal of the trend that has endured over decades.

Fourth, the increasing use modern technology and automatic devices both in the wider economy and in households in rich countries will continue to reduce their demand for low-skilled migrants. Change in lifestyle and cultural mores in these countries, including the self-reliant traits and practices of the younger generations, will reinforce the falling demand of low-skilled labour. At present, given the restrictions on legal entry of low-skilled immigrants, the unmet demand for such low-skilled labour encourages their inflows through irregular channels. This often becomes a source of inter-state tension. With a falling demand for low-skilled labour in the North, this is likely to be less of a problem in South–North migration, although the pressure for irregular migration within the South may increase.

The brief analysis above highlights the contours of the many structural changes that are set to reshape the configuration of international migration over the coming three decades. The long-term scenario does not portend that there will be less migration. On the contrary, it will keep on rising. But its composition and directions will vastly change. In its 2011 report on migration (OECD, 2011a) the OECD recognizes that future migration movements are "unlikely to mirror completely the pattern of the past" (OECD, 2011a).[7] It does not, however, spell out the main reasons for this.

Meanwhile, over the near- to medium-term, the situation will be difficult. The pressure for migration will be far greater than what the destination countries, whether in the North or the South, will be willing or able to accommodate. In the North, the on-going economic crisis will make many rich countries uneasy to play the role they have played in the past as receivers of migrants. As mentioned above, several of them will see an increasing number of their own nationals anxious to seek opportunities abroad. As concerns the South, young men and women of the "youth bulge" generation, who will have less family burden, will expect not just jobs but better jobs than their parents may have had or tried to have. Even the fast-growing developing countries may find it hard to create enough high level jobs to meet the aspirations of the youth in the near to medium term.

[7] It does, however, briefly mention changes in the global economy resulting from the rise of the emerging countries and geo-political tensions and uncertainties in several parts of the world as causal factors but assumes that the current demographic asymmetry will remain the same. OECD, *Migration Outlook,* 2011, Paris

Based on recently gathered data, a research paper by Gallup's Migration Unit reflects the tense migration situation (Gallup, 2011).[8] According to this paper, despite a slight decline between 2007 and 2010, 630 million persons (14 per cent of global population) wish to move abroad permanently, with 48 million planning to move in next 12 months, including 19 million who were actually preparing for it. Even when allowances are made for the gap that often exists between what people say or desire and what they actually do, the numbers seem staggering. They are clearly indicative of the huge migration pressure that continues to exist across countries and regions at a time when opportunities for legal entry are dwindling. These are disturbing signals of potential turbulence in world migration in the near to medium term before it finds relative stability in the long run – starting around 2035–40.

In brief, intertwined with changing global economic and political trends and events, the transition of world migration to future stability is not likely to be always smooth or linear in nature. Economic and political shocks or temporary turbulence can make the trajectory of change even bumpier for human mobility than can be anticipated now.

The present fragmented and unilateral migration policies and practices will be inadequate to respond to these changes in migration just as the "business as usual" approach will lead the policy makers astray, with unhappy consequences. As with the global financial sector, a new global regime, more coherent and multilaterally coordinated as well as more transparent and predictable, is what is critically needed. The prolonged economic crisis has heightened this need and added to its urgency. Chapter 8 of this study suggests the ways in which this new global architecture for migration can be built.

[8] http://www.gallup.com/poll/148142/international-migration-desires-show-signs-cooing; Neil Espinosa, "Key insights on global migration," Gallup Migration Unit, Washington D.C. 2011

Part I

The Economic Crisis and Migration

1
The Great Recession and Its Distinctive Features

How different is it from its predecessors?

"Man cannot bathe twice in the same water in a running stream" – is an old saying, attributed to Heraclitus, the Greek philosopher, dating back to 500 B.C. No matter who said this first; it holds sway. History is indeed like a running stream, as it has always been. If it repeats itself, it does not do so in exactly the same way; "at best it rhymes," as Mark Twain put it. Since before the Great Depression, the world has seen several economic crises. But no two of them have been exactly alike. The recent recession is not an exception. History can nonetheless be useful in understanding the present, and keep us alive to the differences and similarities between current events and their predecessors. We can also learn from history how we can avoid some of the mistakes made in the past and not repeat them. As a recent report by the UK-based Chartered Financial Analyst Society tersely, even if somewhat hyperbolically, warned, "Financial amnesia disarms individuals, the market and the regulator. It causes risk to be mispriced, bubbles to develop and crises to break."

How then does the present crisis differ from the Great Depression or from the more recent recessions?

A striking feature of the 2008–2009 downturn is the unprecedented speed and spread of its contagion effect, which flows from the nature of the current phase of economic globalization. It is markedly different from the economically shallow and geographically narrow pre-First World War globalization on the back of which the Great Depression took place and dominated the early 1930s.

During the earlier phase of globalization, the core of the global economy was still confined within a few countries, and their links extended mostly to colonial peripheries. Now, not only has the core economy itself become wider and diversified, but an increasing number of countries, both large and small, are actively engaged in the global economy. The group of seven most industrialized countries (G 7) is becoming over shadowed, though not completely dethroned, by the Group of 20, which now includes so many emerging economies from around the world, and accounts for nearly 90 per cent of the world GDP and 80 per cent of world trade. Emerging economies alone now represent more than one–third of the global output at market prices and may account for as much as half within the next several decades. Their sovereign funds have become a major source of global investment.

New groupings of countries such as the BRICs (Brazil, Russia, India, and China and, more recently South Africa), which hold 40 per cent of the world's currency reserves and also account for about 45 per cent of world population and 25 per cent of global GDP, are seeking at least symbolically to throw their weight around. A string of other countries, including Indonesia, Turkey and Mexico, have become important players in the global economy. Developing countries as a whole now account for 38 per cent of world GDP at market exchange rates and about 54 per cent in terms of purchasing power parity. Their exports edged about half of the world total in 2010, compared to 27 per cent in 1990, and imports jumped to 47 per cent. They also attracted over half of all inflows of foreign direct investment worldwide (*The Economist* 2011a)[1] (further discussed in Chapter 7).

The spread and speed of the contagion effect of the crisis and the closely interwoven global economy

If the geographical scope of globalization has changed, so has the nature of economic integration, including the speed and intensity of cross border transactions, making the system closely interlocked. In the earlier phase of economic integration, a number of countries established economic links mainly through an expansion of primary exports and flows of foreign direct investment (FDI) in the primary sector; this included transport – steamships and railways – needed for trade in

[1] *The Economist,* "Economic Focus/Why the Tail Wags the Dog," 6 August 2011. The figures for developed countries relate to countries which were original members of the OECD, excluding Turkey; all other countries , including the emerging economies, are grouped as the developing world.

primary goods (Ghosh, 1999).[2] That economic landscape has now radically changed, with a complex web of production and supply links extending to manufacturing and services sectors, helped by rapid technological progress. Profound changes in communication and information technology have virtually abolished the distance in time and space, increasing tradability and facilitating immediate delivery of a wide range of services, including those in the financial sector.

Other developments such as the 24–hour opening of the global money market and rapid expansion of e-commerce have followed. Global data traffic nearly tripled in each year during 2008–2009 and is set to double annually over the next four years as more people are seeking mobile internet access via laptop and smart phones (2010e).[3] Some five billion people are using mobile phones around the globe; even Africa, less integrated than other major regions, has 600 million mobile phone users – more than America or Europe.

Financial markets, in particular, have become closely integrated. The stock of foreign assets and liabilities relative to GDP has risen five times in the past 30 years in rich countries and twofold in emerging economies. At the same time, the speed and intensity of financial transactions have dramatically increased. Just before the present crisis, every 24 hours over 3 trillion US dollars were flowing across borders, and this figure has since been hovering around the US$ 4 trillion mark. Innovation of exotic financial products, including credit derivatives and mortgage-backed securities, helped in making the financial market incredibly agile and potentially volatile. Securitization of mortgage-backed debt led to a massive expansion of loans. While world GDP amounted to some 65 trillion dollars, the derivatives market, according to one estimate, had reached 600 trillion dollars. In terms of number of persons and intensity of movement, human mobility, too, was at a record high. Every minute at least 13 persons, on average, were crossing borders on the planet, not counting many more people – tourists, temporary service providers, and others – who normally are not considered migrants.

Internal economic integration has progressed in a large number of countries alongside the interpenetration of markets across countries. A

[2] Bimal Ghosh, "Challenges and Opportunities of Economic Globalization," paper presented at the Bundesanstalt für Arbeit workshop, Frankfurt, Germany. April 1999.

[3] Forecast by Ericsson, as quoted in "Data Traffic Outstrips Mobile Voice Calls," *Financial Times,* 24 March 2010.

complex web of linkages has thus made the world economy so densely interwoven that the malfunctioning of any small part of it can affect the system, sending shock waves almost everywhere.

Given this fast-moving and densely inter-woven economic landscape, it is no wonder that what had started as a sub-prime mortgage downturn in the housing market in the USA could so quickly move to its credit market and its banking system. Between 2000 and 2007, the average mortgage debt of US households rose from two-thirds of disposable income to more than 100 per cent. In Britain, households' mortgage indebtedness increased from 83 per cent to 138 per cent; and debt binges, though smaller, took place in a number of other rich countries, including France, Italy, and Canada. The biggest build-up of debt was in the financial sector. In the eurozone, for example, total financial sector debt doubled from 1999 to EUR 20 trillion on the eve of the financial crisis – or, to put it differently, from 155 per cent to 222 per cent of the total annual income of the entire eurozone (*Financial Times,* 2011a2).[4]

The crisis then spread to manufacturing and soon thereafter to nearly all of the real economy, driving millions of people both homeless and jobless, along with a sharp fall in output, income, and trade. Within a short span of time, the downturn became one of the most severe global recessions in decades. In the last quarter of 2008 and first quarter of 2009, the rate of downturn in the advanced economies was similar to the GDP free-fall in the early stages of the Great Depression (*Financial Times,* 2011b).[5] More recently, a study by Barry Eichengreen and Kevin H.O'Rourke found that global trade, industrial production and the stock market had all seen a steeper decline in 2008–2009 even as compared to 1929–1930 (Echengreen and O'Rourke, 2010).[6]

And this time the geographical spread became much wider. Not surprisingly, those who had imagined, or hoped, that the economic downturn would remain confined to advanced economies were soon proven wrong. Even some of the fastest growing countries like Brazil, China, and India witnessed declines in growth and faced some serious economic difficulties with ominous social consequences. As Robert Skidelsky put it, up until mid-2008 there was considerable Schadenfreude in emerging

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4 Martin Sanbu, "A Time for Forgiveness," *Financial Times*, 24–25 September 2011.

5 Nouriel Roubini, "The Risk of a Double-dip Depression Is Rising," *Financial Times,* 24 August 2009, London.

6 Barry Eichengreen and Kevin H. O'Rourke, "A Tale of Two Depressions: What Do the New Data Tell Us?" Vox.EU.org, February-March 2010.

markets as they saw the giants of the world economy topple (Skidelski 2009).[7] But after mid-2008, their confidence, too, started to fade. Sub-Saharan Africa, though least integrated with the global economy, was unable to escape from the contagion fallout, and the poor were among the hardest hit.

It is not just the changed economic landscape that makes the recent recession different from the Great Depression. An asymmetry in the sequence of events surrounding the two crises also made them different.

Although the Depression began with a tightening of monetary policy in 1928, accelerating the American stock market collapse in 1929, many of the international economic linkages established across nations during 1870 and 1913 had been already weakened or severed. The situation was worsened by a litany of protectionist measures that followed. This included, as already noted, restrictionist immigration policies – notably the US measures in the early 1920s – that were introduced during and after World War I (OECD, 2009).[8] And it took some three years before the USA was ready to take any effective remedial action. As David Kennedy puts it, "down to the last weeks of 1930, Americans could plausibly assume that they were caught up in yet another of the routine business cycle downswings" (Kennedy, 1999).[9]

On 5 September 1929, economist Roger Babson, then a solitary and often disdained figure, reiterated his doomsday cry: "Sooner or later a crash is coming, and it may be terrific." As the stock market showed its first signs of fragility, President Herbert Hoover, turned to Thomas W. Lamont, senior partner of J.P. Morgan & Co, for reassurance. Only five days before the market virtually imploded on Black Thursday, 24 October 1929, Lamont had sent his reply: "The future appears brilliant"(*The New York Times,* 2009h).[10] From September 1930 to May 1933, Herbert Hoover continued with his half-hearted, and mostly laissez-faire, policy, while the US economy headed towards a GDP decline of 27 per cent and unemployment soared to 25 per cent. In September 1929 the hugely inflated Dow Jones index had peaked at 381; in 1932 it

[7] Robert Skidelsky, *Keynes: The Return of the Master,* 2009 Public Affairs, New York.

[8] OECD, International Migration Outlook. SOPEMI, 2009, Paris.

[9] David Kennedy, *Freedom from Fear: The American People in Depression and War (1929–1945).* Oxford University Press.

[10] Ron Chernow, "Everyman's Financial Meltdown," *The New York Times,* 23 October 2009.

declined to 41.2, a drop of 90 per cent (Skidelsky 2009).[11] By 1931 the recession had already turned into a serious depression.

And when action finally came, it was mostly uncoordinated and local, not global. In his first inaugural speech President Roosevelt declared, "Our international trade relations, though vastly important, are in point of time and necessity secondary to the establishment of a sound national economy. I favor as a practical policy the putting of first things first" (*The American Presidency Project,* 1938).[12] And an adviser to President Roosevelt famously put it, "the crisis is global, but action must be local." A breakdown of the international system was soon to follow. In the words of Charles Kindleberger (1973)[13]:

> The world economic system was unstable unless some country stabilized it as Britain had done in the nineteenth century and up to 1913. In 1929, the British couldn't, and the United States wouldn't. When every country turned to protect its national private interest, the world public interest went down the drain, and with it the private interests of all.

By contrast, the recent recession did not start in an unduly protectionist environment, nor was it immediately accentuated by restrictive measures. If anything, market forces, especially in the financial sector, were in many ways allowed excessive freedom to run amok, sowing the seeds of backlash, breakdown of confidence, and economic meltdown. True, there were some ominous new signs of protectionism, but they gained further ground only after the recession had already set in. And, at least in policy rhetoric, though not necessarily in action, most nations remained committed to shunning protectionism. The emphasis, especially in Europe and the developing regions, was more on regulatory reforms to curb the market excesses and improved transparency.

There are important institutional differences too (IMF, 2009).[14] For instance, in the absence of any deposit insurance schemes during the

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[11] Robert Skidelsky, op. cit.

[12] *The Public Papers and Addresses of Franklin D. Roosevelt* vol. ii: *The Year of Crisis, 1933, The American Presidency Project,* Random House, New York, 1938.

[13] Charles P. Kindleberger, *The World in Depression, 1929–1939,* University of California Press, Berkeley, 1973.

[14] IMF, *World Economic Outlook: Crisis and Recovery.* April 2009, Washington D.C., Charles P. Kindleberger, *The World in Depression,* 1993, Ben Bernanke, "Nonmonetary Effects of the Financial Crisis in the Propagation of the Great Depression", *American Economic Review,* 73(3), June 1983; Christina Romer,

Great Depression, as people became concerned about the solvency of their banks, there were frantic runs on them; the deposit base of the banks was eroded. In the USA, four waves of such runs led to the failure of one-third of all banks, and the panic soon spread to other major economies – notably Austria and Germany. In the present crisis, this was largely prevented because of the existence of deposit insurance schemes. The erosion of liquidity and credit stemmed from defaults in the subprime mortgage markets and the falling net worth of intermediary institutions. Further, in the present crisis the existing, flexible international monetary system has not been an obstacle to effective reflationary policy responses. In the 1930s, rigid adherence to the regime of gold exchange standard and related policy failures prevented governments from taking timely action for expansionary monetary adjustment (IMF, 2009).[15]

A more coordinated response than during the Great Depression

A most important difference in the situation this time is the much shorter delay within which governments intervened to fight the recession and the relatively concerted manner in which they have been doing so. As one journal put it, it was "the biggest, broadest and fastest government response in history" (*The Economist,* 2009c).[16] This was not the case in 1929–1933, when there was a virtual breakdown of the international system.

Admittedly, as we will further discuss in this study, this time too there were important differences in approach and consequent tensions between governments, notably between the USA and most of Europe, in dealing with the crisis. The USA and Britain (in the initial stage before the change of government) were more aggressive in using both fiscal and financial means to fight the recession and speed up recovery. By contrast, most of the rest of Europe, though not all, was showing more concern about fiscal stability on fears that that excessive deficit financing could lead to unmanageable inflation. The issue of an exit strategy from excessive monetary liquidity had thus become a subject of inten-

"Lessons from the Great Depression for Economic Recovery in 2009," presented at the Brookings Institution, Washington, DC, 9 March 2009.

[15] IMF, April 2009, op. cit.

[16] "The Great Stabilisation," *The Economist,* 19 December 2009.

sive debate. Nonetheless, the countries followed basically a similar path and the differences were more a matter of emphasis than of substance.

Despite some initial discordant posturing and even bickering, in their summit meetings in London (April 2009) and Pittsburg (September 2009), G20 leaders made significant advance towards macro-economic policy coordination to face the crisis and adoption of a common strategy, including "shared policy objectives" to secure sustainable recovery. As part of the process, they agreed to set out national policy frameworks by January 2010 and conduct "cooperative mutual assessment" of country performances.

Although in subsequent years G20 was found to be more wavering, these joint decisions at the height of the recession clearly marked a remarkable departure from what had happened during the Depression of the 1930s. True, at the Toronto meeting in June 2010, differences had surfaced again among G20 leaders as they debated the common strategy for further economic recovery. Some were emphasizing the urgency of fiscal consolidation and more aggressive debt management while others felt that, given the continuing fragility of the global economy, growth-oriented fiscal and monetary policies should continue to be in place. However, G20 leaders found, at least temporarily, a compromise in a common flexible approach that allowed governments to pursue fiscal consolidation at a pace that was consistent with growth. Cooperative assessment of national policy frameworks was maintained and policy coordination, if somewhat enfeebled, was not dead.

The deepest and most global recession of all since the 1930s

If several of the characteristics of the recent recession differed from those of the Great Depression, how does it compare with the more recent global recessions? In April 2009, using the standard statistical methods the International Monetary Fund (IMF) identified four major troughs in the past 50 years – in 1975, 1982, 1991, and the one in 2009 – each of which involved declines in world real GDP per person. Other economic turbulences, for example those of the 1997–1998 and 2001, were not included since the world GDP per person did not decline. In 1997–1998, many emerging economies, particularly in Asia, had sharp economic declines but growth in rich countries held up, and world real income per person did not fall. Conversely, in 2001 many rich countries suffered mild economic downturns but the growth in major emerging economies such as China and India remained robust. In both cases, the impact of the downturn was mainly confined in certain geographical areas, and was less global.

For its analysis the IMF looks at the most recent and previous recessions by applying a set of indicators of global activity – real GDP per person, industrial output, trade, capital flows, oil consumption and unemployment (see Table 1.1.).[17] Although all these episodes share a common pattern of contraction, they also reveal that the 2008–2009 recession was the severest of all. All indicators at the peaks of the recessions revealed a sharper decline in 2009 than the average of the three previous downturns. The difference was particularly striking for trade, capital flows, and output per person.

Another striking feature of the situation is that the geographical spread of the downturn expanded sharply over the four global recessions. The 2008–2009 recession stood out as the most global and was the most synchronized as nearly all the advanced economies and most emerging and developing countries were affected. Significantly, on 10 March 2009, in a speech in Tanzania, Dominique Strauss Kahn, then IMF managing director, called it a "Great Recession,"[18] the term now widely used to describe the crisis.

The Road to Recovery

Is global recovery around the corner? What kind of recovery?

Or, is it a double-dip recession?

Since about the middle of 2009, there had been a growing belief among economists and inter-governmental agencies (including the IMF, the European Central bank (ECB), and the European Commission) that the world economy was likely to recover in the course of 2010. In the USA, technically, the recession was declared to be over. At the time there was, however, no clear consensus on the shape of the recovery or how robust it was likely to be. Opinions remained sharply divided. Since economists are fond of indicating their views on the nature of an economic recovery by using the shapes of different alphabets, one analyst

[17] Based on the estimates and forecasts of peaks of the four recessions.

[18] Speech at a meeting of African political and financial leaders on 10 March 2009 in Dar-Es-Salaam. Note that there is no strict definition of "Depression" and that the spread and severity of the present crisis dwarfed the commonly accepted US definition of a recession as at least two consecutive quarters of falling gross domestic product.

Table 1.1 Comparison of recent recessions
Global recessions: Selected indicators of economic activity (Percentage change, unless otherwise indicated)

Variable	**1975**	**1982**	**1991**	**Projected 2009**	**Average [1975,1982, 1991)**
Output					
Per capital output (PPP[1]–weighted)	–0.13	–0.89	–0.18	–2.50	–0.40
Per capital output (market-weighted)	–0.33	–1.08	–1.45	–3.68	–0.95
Other macroeconomic indicators					
Industrial production	–1.60	–4.33	–0.09	–6.23	–2.01
Total trade	–1.S7	–0.69	4.01	–11.75	0.48
Capital flows[2]	0.56	–0.76	–2.07	–6.18	–0.76
Oil consumption	–0.90	–2.87	0.01	–1.50	–1.25
Unemployment[3]	1.19	1.61	0.72	2.56	1.18
Components of output					
Per capita consumption	0.41	–0.18	0.62	–1.11	0.28
Per capita investment	–2.04	–4.72	–0.15	–8.74	–2.30

Source: IMF, April 2009.

Notes: The 1991 recession lasted until 1993, using market weights; all other recessions lasted one year.
[1] PPP = purchasing power parity.
[2] Refers to change in the two–year rolling window average of the ratio of inflows plus outflows to GDP.
[3] Refers to percentage point change in the rate of unemployment.

jokingly remarked that soon there won't be enough alphabets left for the economists to play the game.

At one extreme, a number of economists thought that positive output growth in the second quarter of 2009, followed by the gathering pace of manufacturing activity in August, in several countries including the USA, China, France and Germany, and the upcoming need for restocking the inventories (that had been aggressively de-stocked) were strong evidence of a powerful – possibly a V-shaped – recovery of the world economy. At the other end, there were sceptics who saw many clouds looming and felt that these temporary blips did not indicate a trend of sustainable growth. As William White, one of the few economists who had predicted the recession, ominously remarked, "The world has not tackled the problems at the heart of the economic downturn, and is likely to slip back into recession ... [G]overnment actions to help the economy in the short run might be sowing the seeds of future crises" (*Financial Times,* 2009p).[19] "The only thing that would really surprise me is a rapid and sustainable recovery from the position we are in," White added. He was in fact predicting a W- shaped recovery or a so-called double-dip recession (one downturn followed by another on the road to recovery).

Some other economists were taking a more nuanced view of the situation as they analysed the emerging green roots of growth alongside brown roots of economic stagnation. In view of the lingering weaknesses in the world economy they were foreseeing a sluggish or anaemic performance – a U or L-shaped recovery – growth remaining below the pre-recession trends – for at least a couple of years.

A variant (though slightly different) of this view was that for a few quarters in the future, there could well be a relatively sharp economic upturn as a rebound from the depth of the decline, triggered by a variety of financial and fiscal stimulus plans. Some initial signs of this were already discernable in the USA, parts of the eurozone, and much of Asia in the second half of 2009. However, according to these analysts, the recovery would then slowdown when the stimulus packages would be withdrawn and the world economy would still struggle to continue to recover from the ravages of the recession and repair the fiscal deficits. In other words, according to this view, the initial recovery might appear to be relatively sharp but it would soon be followed by a sluggish trend – half of a W-shape recovery, showing the sharp initial uptake, followed by a straight line mirroring slow growth for several years. (It would look more like a broken square root sign $\sqrt{\ }$).

In examining the prospects and shape of recovery, the IMF in its October 2009 World Economic Outlook affirmed that economic growth had turned positive but warned that the process would be slow and sluggish. By suggesting that "risks to the outlook remain on the downside," it lent credence to those taking a more cautious view of the upturns in the world economy since mid-2009.

In a similar vein, in October 2009 many of policy makers in the US Federal Reserve Board seemed to have "expressed uncertainty about the likely strength of the upturn." So did the European Central Bank (ECB) which suggested that the recovery "will probably be gradual." As one economist put it, the eurozone was driving ahead "with the handbrake

[19] Cited in "Leading Economist Fears Double-Dip Recession," *Financial Times,* 15 September 2009.

on" (*Financial Times,* 2009z).[20] According to the European Bank for Reconstruction and Development (EBRD), after a sharp contraction of a likely 6 per cent in 2009, Eastern Europe was expected to have a fragile and patchy recovery in 2010, with some economies continuing to decline in the year.

In November 2009 the OECD, too, expressed a cautiously optimistic view of recovery and growth. It stated that "overall, unprecedented policy efforts appear to have succeeded in limiting the severity of the downturn and fostering a recovery" But it warned that "radical policy action will be required in the years to come to restore sound macroeconomic balance, healthy growth and low unemployment" (Financial Times, 2009ab).[21] In general, economists seemed to agree that much of the recovery and rebound in global demand was due to temporary effects of firms' restocking in industrial countries and government sponsored stimulus spending, including investment surge in China, and that there was still a bumpy road ahead.

In January 2010, the IMF was more optimistic as it saw a 4 per cent increase in global output for 2010 (an upward revision of three-fourths of a percentage point from its estimate in October 2009), with a projected growth of 4.3 per cent in 2011 (see Table 1.2). In most advanced economies the recovery was expected to be sluggish by past standards, but it would be relatively vigorous in the developing and emerging economies. In the USA output expanded at an annualized rate of 5.7 per cent in the fourth quarter of 2009 – a 6.9 per cent growth since the third quarter of 2009. Growth in emerging and developing (including emerging) countries was expected to rise about 6 per cent in 2010 and it was projected to accelerate further in 2011.

The IMF also expected a stronger than expected rebound in capital flows. Early in 2010 the International Institute of Finance predicted that net private sector capital flows to emerging economies would jump to $722 billion in 2010 from $435 billion in 2009. Global trade, too, was bouncing back, as reflected in the data released by the Bureau for Economic Policy Analysis, a Dutch research institute, which showed the volume of goods trade worldwide rose by a record rate in the fourth quarter of 2009 – 6 per cent higher than in the third quarter. Meanwhile,

[20] Jörg Krämer, chief economist, Commerzbank in Frankfurt, cited in "Eurozone Crawls Out of Recession," *Financial Times,* 14–15 November 2009.

[21] Jorgen Elmeskov, acting head of the OECD's economics department, cited in "OECD Predicts a 'Modest' Recovery and Rising Job Losses," *Financial Times,* 20 November 2009.

as already noted, big emerging economies like China and India were accelerating fast, leading the recovery. A forecast by Merrill Lynch was suggesting, in line with the IMF forecast, a growth rate of 6 per cent in 2010 for emerging market economies as a whole.

However, these upbeat forecasts did not come without warnings of headwinds. A degree of unease still overshadowed the new sense of relief. The IMF called it a stimulus-based "policy driven, multi-speed recovery" and expressed concerns over several potential risks, despite the significant rebound in capital flows, trade and private demand. These included continuing high unemployment, limited access for consumers and small enterprises to bank credit, rising government deficits and sovereign debt and high borrowing costs for individuals and companies. As the richest nations in the Group of 7 carried a sovereign debt burden of $30 trillion, the policy makers were facing the difficult and politically sensitive task of balancing two, at least seemingly conflicting, demands: meeting the ailing economies' continuing need for government backed stimulus funding, on the one hand, and scaling down the huge, and still growing, public debt, on the other. There was also the nagging problem of the gap between surplus and deficit countries alongside a looming risk of asset price bubbles linked to inflows of capital to emerging economies, and the need for rebalancing the world economy.

In the USA, for example, many economists attributed the increase in growth in the last two quarters of 2009 to inventory replacement. They were concerned that consumer spending was not sufficiently robust and that there were hardly any signs on the horizon for job recovery robust enough to put the economy on a sustainable upward spiral. Despite the slight fall in unemployment, at least 14.8 million remained totally jobless, and more than 40 per cent for over six months. Many economists were also doubtful about the sustainability of the pace of growth and saw it more as a blip than a trend. Paul Krugman, for example, recalled as an analogy the experience of Japan where preliminary reports in early 1996 showed the economy was growing at an annual rate of 12 per cent prompting claims that the country had entered a phase of self-propelled recovery. But it turned out that Japan was only half way through its lost decade (*The New York Times,* 2010b).[22]

In Europe, although in February 2010 the head of the eurozone, Jean-Claude Juncker, announced a growth rate of 1 per cent for 2010; the

[22] "That 1937 Feeling," *New York Times,* 4 January 2010.

fact that it grew only by 0.1 per cent in the last quarter of 2009 was raising fears of a double-dip in certain quarters.[23] A murky job outlook in Europe and the USA led Arnab Das at Roubini Global Economics in London to characterize the situation as "a recovery but…a weak, U-shaped recovery," with "still an enormous slack in the market."

In China, despite an increase of 45.7 per cent in its export trade in February 2010 from a year earlier, beating forecasts, Zhu Guangyao, assistant finance minister, warned in March of an unpredictable global economic situation and suggested waiting until at least the third quarter of 2010 before deciding whether to withdraw government-provided stimulus to the economy. Also significant was a similar warning in the same month by China's commerce minister that a full recovery in exports trade might be two to three years away. And, in a potential sign of future volatility China's official purchasing manager's index had fallen in each of the preceding two months (*Financial Times,* 2010d).[24] Although India was forecasting a growth rate of 8.75 per cent in the fiscal year beginning April 2010, economists were worried about a fiscal deficit of 6.8 per cent and the pressing need for infrastructure development alongside reforms in education, health and financial sectors to sustain recovery and growth.

On the issue of rebalancing the world economy, by May 2010 there were some incipient and still tentative signs that China might be willing to accept a slow rise of renmenbi while encouraging increased domestic consumption. But a number of constraints facing both China and the USA remained (see Box).

Box: Rebalancing the World Economy: Constraints Facing China and the USA

Both China and the USA faced a number of embedded constraints affecting both supply and demand which suggested that progress towards rebalancing the world economy was likely to be slow.

On the supply side, it was not easy for a country like China with an economy deeply entrenched in export promotion for both growth and job creation, to suddenly switch the gear towards domestically oriented production and the internal market. Moving too fast carried economic costs as well as political risks. For the USA, the switch towards exports may be somewhat less difficult, but not totally cost free, either. Three academics Robert Dekle,

[23] According to the Eurostat, Germany's economy was stagnant; Italy's fell by 0.2 per cent and the French economy grew by a meagre 0.6 per cent during the last quarter of 2009.

[24] "China Exports Rise Seen as Sign of Robust Recovery," *Financial Times,* 11 March 2010.

Jonathan Eaton and Samuel Kortum argued that even in an ideally flexible world the switch would mean a contraction of the US economy by 0.4 per cent in real terms.(1)

Also, although America's current account deficit shrank from 6 per cent of GDP in 2006 to 3 per cent in 2009, its capacity to export critically depended on its own competitiveness and productivity growth, on the one hand, and the demand as well as exchange rates of its trading partners, on the other. Few of these, especially the demand from the rest of the rich world, afflicted by the economic downturn, were likely to change significantly any time too soon.

On the demand side, private consumption in China has long been low accounting for only 37 per cent of the gross domestic product, compared with 71 per cent in the USA prior to the crisis, according to McKinsey Global Institute. Although more recently Chinese consumption has been rising rather fast, inadequate social safety nets, combined with past experience of periods of economic hardship and deep-seated cultural traits strengthening the propensity to save, would set limits to consumption.

As for the USA, it is true that anti-thrift institutions and policies were in retreat; that instead of pushing credit cards companies like American Express were encouraging customers to use their debit (charge) cards; and that the consumer binge had clearly ended.(2) Not surprisingly, the US-based Pew Research Center, found that personal savings that had dropped to 2 per cent in 2007 went up to 4 per cent in 2009. Even so, the immediate need to use stimulus spending in order to boost consumer demand through job creation and wage growth precluded the possibility of raising any time soon the level of saving to, say, 9 per cent as it had averaged between 1950 and 1980. In fact, a model developed by the US president's Council of Economic Advisers predicted that it would eventually settle between 4 and 7 per cent.(3)

(1) "Global Rebalancing with Gravity: Measuring the Burden of Adjustment," NBER working paper 13846, March 2008. The authors note "At the extreme, US GDP falls by 30 per cent relative to the world's. Because of the pervasiveness of non-traded goods, however, most domestic prices move in parallel with relative GDP, so that changes in real GDP are small

(2) "Time to Rebalance," *The Economist,* 3 April 2010.

(3) Ibid.

* * *

In short, although since the third quarter of 2009 economic growth had turned positive, global recovery was expected to be sluggish in a still fragile and unbalanced world economy, with demand dampened, credit still limited for consumers and small and medium industries and joblessness continuing to persist. Several of these negative elements were closely interlinked, with strong feedback between them.

Despite a relatively promising start in 2010, by mid-year the situation worsened. The signs of deceleration were gaining ground on a broad font. Global trade, for example, came under new strain. With continuing slow growth and unemployment high, many rich countries were resorting to import restriction – from anti-dumping measures to tariff increases. The WTO found that between October 2010 and April 2011, G20 nations had imposed 122 new restrictions affecting about 0.5 per cent for world imports, – more than twice as many in the period between May and October 2010.

The slowdown continued in 2011, and the prospects did not look particularly encouraging. Those who had anticipated a rebound of the economy resulting mainly from stimulus spending by governments and restocking by companies followed slow growth seemed to be right.

By late 2011 the world economic outlook became much darker than in the first two quarters. In a quick succession of negative events – the political stalemate over deficit reduction in the USA and downgrading of its credit rating in August – dampened the hopes of a robust recovery of the US economy. Europe, too was confronted with a litany of new difficulties – such as a rapid spread of the contagion effect of Greece's debt crisis to Italy, in addition to Spain and Portugal, a lack of coherence in the EU policy statements to manage the debt crisis and the consequent erosion of its credibility in the financial market. Worsening the situation was the actual or anticipated credit downgrading of most eurozone countries as well as of a number of major European banks.

All these combined to darken the future of the global economy, including the emerging economies. In November 2011 global liquidity crunch led the US Federal Reserve Bank to make a coordinated move to ease global liquidity, which helped but the fundamental problems of bank lending and deficit and debt management remained unabated.

By the end of November 2011 several companies that operated in the troubled eurozone were already preparing contingency plans for a possible break-up of the eurozone. An increasing number of economists feared that the world was about to plunge into a double-dip recession. In Britain, growth had been stagnant for a year. And, with the debt reduction and recovery plan going off course, it looked as though Britain might still be repairing the hole in public finances in 2017 – 10 years after the meltdown in Britain's economy was heralded by the collapse of the Northern Rock bank. As someone jokingly remarked, the recovery would be as good as Japan's lost decade.

In the past the USA recovered from recessions with a growth rate of 6 to 8 per cent. But this time since the recovery began, the economy had grown at a rate of around 3 per cent. In December 2011 the chairman of the Federal Reserve Bank thought the US economy was growing but only at a slow pace and worried about the impact of the European debt crisis on the US economy. It was estimated that the eurozone crisis could knock off 1 per cent of the US growth, from 2.5 per cent to 1.5 per cent in 2012.

As banks in western Europe restricted cross-border loans, and credit shrank, eastern and central Europe, which rely heavily on the eurozone for its export market and a source of foreign direct investment and short-term financing, faced the hardest time since the aftermath of the fall of communism. There was a growing fear that this would stifle growth and countries could fall into a recession as they did in 2008–2009. Poland, the only country in the region to escape the 2009 recession, was benefiting from the downturn as west European investors, especially in the services sector, moved into Polish cities to reduce costs. The European Commission was forecasting a 2.5 per cent growth, compared with 0.6 per cent for the EU as a whole. But a renewed EU recession could radically change the situation. In January 2012, the European Bank for Reconstruction and Development reported the first net capital outflows from the region since the 2009 crisis. It also cut the region's projected growth rate for central Europe and the Baltic states to 1.4 per cent from 1.7 per cent it was forecasting in October 2011.

A forecast by the Organization for Economic Cooperation and Development (OECD) indicated a reduction in the underlying fiscal deficit of the eurozone by 1.4 per cent between 2011 and 2012 as compared with 0.2 per cent of the GDP in the USA. However, the danger for the eurozone was that even if its austerity program proves successful in reducing the deficit, the simultaneous retrenchment of the public and private sectors ran the risk of stifling growth and leading the region to deep and prolonged slumps.

By late 2011 there were signs of a slowdown even in the erstwhile fast-moving emerging economies. China's GDP growth was 9.1 per cent in the third quarter of the year, but its predicted growth rate in the first quarter of 2012 came down 7.7 per cent. Although its exports grew by 16 per cent from a year earlier, it was forecast to fall below 10 per cent in November 2011. At the same time China's manufacturing activity contracted for the first time in almost three years in November 2011, fuelling concerns over the gloomy global economy (*Financial Times,* 2011ac).[25] The fear of a global slowdown led China to ease restraints on

[25] "Fall in Chinese Manufacturing Output Fuels Concerns over Global Economy," *Financial Times,* 2 December 2011.

its monetary policies and kicked off a new round of monetary expansion. At the beginning of 2012, a spokesman for China's National Bureau of Statistics, Ma Jiantang, warned that China faced a "gloomy, highly complicated and a severe international environment this year" (*Financial Times,* 2012a).[26]

In India the growth rate dipped below 7 per cent in the second quarter of 2011 – the slowest rate of growth in two years. Growth in the fiscal year of 2011 was expected to be nearer 7 per cent than 8.5 per cent the official target rate for growth in the 2012 fiscal year (*Financial Times,* 2011, ac). Industrial output dropped 5.1 per cent, the first fall in two years, driving the rupee down and showing the vulnerability of emerging markets to the eurozone debt crisis. The Asian Development Bank forecast in December 2010 that East Asia's growth in 2012 would drop to 7.2 per cent, but in the worst case scenario to 5.4 per cent a year.

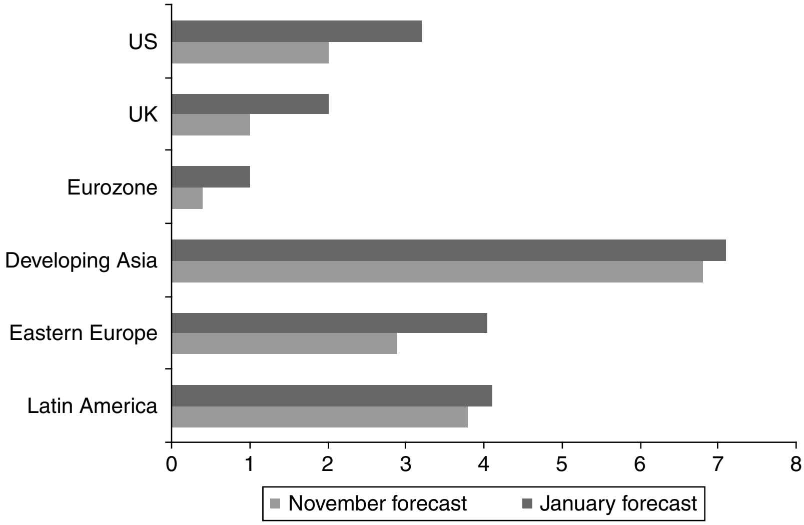
Turkey's economy surged at an annual rate of 8.2 per cent in the third quarter of 2011, but the figures also revealed huge current account deficit and the risks of hard economic landing in 2012. Goldman Sachs predicted a "technical recession" in late 2001 and early 2012, while City group questioned the sustainability of the country's stellar growth. Although, compared to its recent past, Latin America was doing rather well, there was no dearth of signs of fragility. For instance, Brazil's economy, which grew 7.5 per cent in 2010 and served as a power house, stalled in the third quarter of 2011, with its annualized growth falling to 2.1 per cent.

In January 2012, adding to the growing concern, the World Bank warned that developing countries should be prepared for a global economic downturn analogous to that of 2008–2009 if the European debt crisis escalated.

On the job front, which, as we will be discussing in this study, is of particular importance in the context of migration, the signs were far from reassuring. In October 2011 the International Labour Organisation (ILO) warned that the world economy was on the verge of a "new and deeper job recession" that would delay recovery and could spark social unrest in dozens of countries. Two-thirds of advanced economy countries and half of emerging economy countries, it added, were experiencing a slowdown in job creation at a time when global unemployment was already at a record level. The OECD came out with similar misgivings about the future of the global employment situation.

[26] "Chinese GDP Growth Rate Falls," cited in *Financial Times,* 18 January 2012.

Figure 1.1 Consensus forecasts for real GDP growth in 2012
Sources: Consensus Economics, FT.



On 28 November 2011, as these clouds were gathering over the global economy, the OECD's Economic Outlook reported a grim picture of the future and added that "a large negative event would most likely send the OECD area as a whole into recession, with marked declines in the US and Japan and prolonged and deep depression in the euro area." The emerging economies would not be immune. In less than three weeks later, on 16 December 2011 the managing director of the IMF, Christine Lagarde, issued a still starker warning: The global economic outlook will be lower, and in certain parts much lower than we had initially envisaged. "There is no economy in the world – whether low–income countries, emerging markets, middle income countries or super advanced economies that will be immune to the crisis that we see not only unfolding but escalating." The global economy faces, she added, "the prospect of protectionism isolation and what happened in the 1930s (Depression)". Echoing this, the IMF's World Economic Outlook, updated in January 2012, made a downward revision of the 2012 global output by 0.7 per cent relative to its projection in September 2011. It lowered the projected growth to 3.3 per cent, and grimly observed, "Financial conditions have deteriorated, growth prospects have dimmed, and downside risks have escalated" (Table 1.2).

Table 1.2 World Economic Projections, January 2012
Overview of the World Economic Outlook Projections (percentage change noted otherwise)

	Year over Year						Q4 over Q4		
	Projections				Difference from September 2011 WEO Projections		Estimates	Projections	
	2010	2011	2012	2013	2012	2013	2011	2012	2013
World Output[1]	5.2	3.8	3.3	3.9	–0.7	–0.6	3.3	3.4	4.0
Advanced Economies	3.2	1.6	1.2	1.9	–0.7	–0.5	1.3	1.3	2.1
United States	3.0	1.8	1.8	2.2	0.0	–0.3	1.8	1.5	2.4
Euro Area	1.9	1.6	–0.5	0.8	–1.6	–0.7	0.8	–0.2	1.2
Germany	3.6	3.0	0.3	1.5	–1.0	0.0	1.8	0.7	1.6
France	1.4	1.6	0.2	1.0	–1.2	–0.9	0.9	0.5	1.3
Italy	1.5	0.4	–2.2	–06	–25	–1.1	–0 1	–2.7	0,9
Spain	–01	0.7	–1.7	–O.3	–2 8	–2.1	02	–2.1	06
Japan	4.4	–OS	17	16	–06	–0.4	–0.9	1,9	1.5
United Kingdom	2 1	0.9	0.6	20	–1,0	–04	OS	1 0	24
Canada	3.2	2.3	17	2.0	–0,2	–0.5	2.1	1 7	2.0
Other Advanced Economies [2]	5.8	3.3	26	34	–1,1	–0.3	2.S	3.2	3.5
Newly Industrialized Asian Economies	8.4	4.2	3.3	4.1	–1.2	–0.3	3.8	4.3	3.8
Emerging and Developing Economies[3]	7.3	6.2	5.4	5.9	–0.7	–0.6	5.9	6.0	6.3
Central and Eastern Europe	4.5	5.1	1.1	2.4	–1.6	–1.1	3.4	1.4	3.0
Commonwealth cf Independent States	4.6	4.5	3.7	3.8	–0.7	–0.6	3.2	3.5	3.7

Russia	4.0	4.1	3.3	3.5	–0.8	–0.5	3.5	2.8	4.0
Excluding Russia	6.0	5.5	4.4	4.7	–0.7	–0.4	...	...	...
Developing Asia	9.5	7.9	7.3	7.8	–0.7	–0.6	7.4	7.9	7.6
China	10.4	9.2	8.2	8.8	–0.8	–0.7	8.7	8.5	6.4
India	9.9	7.4	7.0	7.3	–0.5	–0.6	6.7	6.9	7.2
ASEAN-5[4]	6.9	4.8	5.2	5.6	–0.4	–0.2	3.7	7.4	5.0
Latin America and the Caribbean	6.1	4.6	3.6	3.9	–0.4	–0.2	3.9	3.3	5.0
Brazil	7–5	2 9	3.0	4.0	–0.6	–0.2	2.1	3.9	4.1
Mexico	5.4	4 1	3.5	35	–0.1	–0.2	4.1	3.1	3.6
Middle East and North Africa (MENA)[5]	4.3	31	3.2	3.6	...	...	...	...	...
Sub-Saharan Africa	5.3	4.9	5.5	5.3	–0.3	–0.2	...	...	...
South Africa	2.9	3.1	2.5	3.4	–1 1	–0.6	2.4	3.0	3.7
Memorandum									
European Union	20	1.6	–0.1	1.2	–1.5	–0.7	–0.4	0.3	1.7
World Growth Based on Market Exchange Rales	4 1	2.8	2.5	3.2	–0.7	–0.4	...	...	...
World Trade Volume (Goods and Services]	12.7	6.9	3.8	5.4	–2.0	–1.0	...	...	...
Imports									
Advanced Economies	11.5	4.8	2.0	7.7	–1.0	–1.0	...	...	...
Emerging and Developing Economies	15.0	11.3	7.1	7.7	–1.0	–1.0	...	...	...
Exports									
Advanced Economies	125	55	2.4	4.7	–2.8	–o.8	...	...	...
Emerging and Developing Economies	13.8	9.0	6.1	7.0	–1.7	–1.6	...	...	...

In short, by 2011 the crisis in the eurozone had led to change of government in as many as seven European countries as their economies braced for a period of severe austerity and a likely slump. Almost US$ 6.3 trillion was wiped from global stock markets in 2011 alone as the financial crisis reverberated across the world. The USA remained burdened with an unprecedented amount of debt, with bold decisions to address the issues thwarted by a political stalemate, hardened in the run-up to the 2012 presidential elections. The malaise in the advanced economies was casting shadows on the emerging economies which were striving to withstand the gathering storm. Job creation was slow at a time when global unemployment was a record high level.

Some occasional blips of growth and scattered good news of job growth notwithstanding, as the year 2011 ended, the outlook for the future remained uncertain. Advanced economies were a long way from a sustainable recovery from the worst recession in decades it underwent in 2008–2009, while new doubts were looming about the capacity of the emerging economies to pull out the rest of the world from the economic morass.

2
Migration and Economic and Social Realities

Migration has always closely interacted with the prevailing social and economic realities in countries of origin and destination. The movements invariably entail both benefits and costs, and these are often differentially shared between and within countries. Generally, however, in times of prosperity or economic reconstruction, destination countries welcome migrants. Migration allows destination countries to meet the rising labour demand, restrain wage-push inflation, boost consumption and place the economy on an upward swing. And with some rare, and largely ineffective, exceptions as experienced in the past, labour-abundant sending countries respond positively to such demand in order to lessen their burden of unemployment and earn much-needed foreign exchange in the form of remittances. Driven by the supply-push of labour, they tend to become more proactive in times of economic distress and high unemployment, but less so when times are bad in destination countries, and try to reabsorb the returnees.

When the erstwhile destination countries run into economic difficulty but some others are flourishing and opening up job opportunities, migration would be diverted to new destination countries. In the wake of the first oil crisis of 1973, Western Europe somewhat suddenly banned all labour immigration. At the same time, however, the economies of oil-producing Gulf States were opening up, creating some five million new job opportunities. Migrants, especially from Asia, often helped by their governments, quickly changed their trajectory and massively moved to the Gulf States.

But what happens when economic woes afflict all potential destination and sending countries at the same time as part of a severe global economic crisis, as was the case in 2008–2009?

When this happens, the situation becomes more complex, and it makes it much more difficult to foresee changes in the configuration of migration or how these changes are likely to influence future growth and global recovery. For sure, past experiences can give us some useful leads, but they can also be false or misleading unless tested against the new economic and social trends. For, as we have seen, each economic crisis has its own characteristics: if the most recent recession is markedly different from the Great Depression, it also stands far apart from previous recessions in the past 50 years, especially as concerns the spread, depth and speed of the economic downturn. A plausible assessment of the impact of the on-going crisis on migration and its future consequences must therefore start with a closer look at the economic and social ramifications of the recession and their dynamics, including in particular changes in jobs and incomes (Ghosh 2010),[1] which play a critical role in shaping international migration, particularly labour migration and other flows associated with it. This is attempted in the next sections.

Joblessness, wage stagnation and declining incomes

The economic downturn was taking a heavy toll on labour markets in both rich and poor countries, creating joblessness, wage stagnation and widespread economic insecurity. Since the end of 2007, the number of jobless persons in the world has continuously soared to reach over 200 million. Employment in advanced economies, including the European Union, was most seriously affected. The International Labour Organisation (ILO) reckons that 55 per cent of the total increase in global unemployment between 2007 and 2010 occurred in this group of countries, although it accounted for only 15 per cent of the world's labour force. Employment declined 2.2 per cent in 2009 and a further 0.9 in 2010. Employment in industry declined by 9.5 million between 2007 and 2009. Unemployment was projected to decline in 2011, but it was estimated to still remain at 15 million – or 50 per cent – higher than prior to the crisis in 2007, according to the ILO.

In October 2011, the agency warned that the world economy was on the verge of a "new and deeper job recession" that would delay recovery and could spark social unrest in dozens of countries. Two-thirds of

[1] For details on recession-driven changes in global trade, capital flows and development aid, see Ghosh 2010.

advanced economy countries and half of emerging economy countries, it added, were experiencing a slowdown in job creation at a time global unemployment was already at a record level. The ILO further observed that, on current trends the world would create only half of the 80 million jobs needed over next two years. It would take at least five years for employment to return to pre-crisis levels – one year longer than it had forecast in 2010. In its 2012 report, it depicted a gloomier picture of the job situation (ILO, 2012).[2] The world faced an urgent challenge of creating 600 million productive jobs, over the next decade in order to generate sustainable growth and maintain social cohesion, the agency said. Globally, some 1.1 billion people were either unemployed or living in poverty, it added.

The employment outlook foreseen by the Organization for Economic Cooperation and Development (OECD) for its member countries was hardly more assuring. It noted in its report that job growth, which was stalling even before the present crisis, had hardly improved (OECD, 2011a).[3] During the crisis, the unemployment rate in the OECD countries had reached the peak at 8.8 per cent. It declined slightly to 8.2 per cent in the second quarter of 2011. However, the stark reality was that there were still 44.5 million unemployed people in the OECD countries in July 2011, some 13.4 million more than prior to the crisis. Even more disquieting, as further discussed below, young people, (aged 15 to 24) were the hardest hit by joblessness. As the job situation and its future outlook hold a key to trends in labour migration and associated flows some more detailed, country/region specific, information on the job situation is provided below.

Employment in specific countries and regions

In the USA, the depth and extent of joblessness were in many ways unprecedented in the post-war period. According to the Department of Labor, during the last recession, in 2001, the number of jobs lost slightly exceeded the number of job openings. In contrast, at the beginning of 2009, the ratio was a little more than two to one, and by September 2009 it jumped to six to one. The pace of increase in unemployment, which engulfed all 48 states, was never experienced before in the past several decades. As of September 2009, the number of people officially

[2] ILO, Global Employment Trends 2012, Geneva 2012
[3] OECD, 2011 OECD Employment Outlook , Paris 2011

unemployed – 15.1 million – was greater than the population of 46 out of the 50 states. By September 2009, US joblessness had already edged up to 9.8 per cent; and to 10.2 per cent by the end of October, bringing the number of jobs lost to 7.3 million since December 2007.

The situation then marginally improved, and by the end of 2010, it stood at 9.8. per cent. But there was no escape from concern about the job market as in January 2010 the overall toll of the crisis was revised upwards at 8.4 million since December 2007. In May 2011, the unemployment rate was 9.7 per cent and it hovered around that level for most of the period (with occasional relatively small variations) until October 2011 when unemployment slightly declined to 9 per cent and some 80.000 new jobs were created in the month. The broadest measure of unemployment – including part-time workers who want full time jobs and those who would like a job but has given up looking – fell from 16.5 per cent to 16.3 per cent. But that did little to boost confidence as economists were expecting at least 100.000 new jobs and as the US Federal Bank chairman Ben Bernanke lowered its growth rate estimates while raising estimates of unemployment.

In November 2011, the employment report brought a little bit of positive news with the creation of 120,000 jobs and, somewhat surprisingly, a drop in the unemployment rate from 9 to 8.6 per cent. The job reports for the previous months were also revised slightly upwards. But the analysts were not impressed as the headline figures showing the drop in unemployment was partly due to the fall of in the labour force of 315,000, the biggest since January 2011. As many discouraged workers gave up looking for jobs, the overall labour force participation rate fell to 64 per cent from 64.2 per cent – just 1 per cent shy of being the lowest since 1984.

In December 2011 the four week moving average of claims for unemployment benefits fell to some 380,000 (a three-year low since July 2008). Further, 200,000 new jobs were created in December, and the unemployment rate for November fell to 8.5 per cent. These, combined with positive manufacturing data and a small rise in consumer confidence, raised some hopes that the US job market might be turning the corner more than two years after the end of the Great Recession. But soon thereafter, first-time claims for unemployment benefits rose to 399,000 and retail sales rose less than expected. And with households still trying to reduce their debt and the fall in estimated annualized growth in the third quarter of 2011 from 2 per cent to 1.8 per cent, most analysts remained cautious about the outlook for 2012.

Many economists thought a monthly gain of at least 300,000 jobs for a sustained period was needed to make a real improvement in the unemployment situation. In June 2011 the Brookings Institution made an estimate of the number of jobs needed to restore the pre-recession level of employment. Allowing for growth in the labour force and assuming job creation at the highest rate achieved during the past decade, it reckoned it would take 12 years to close the gap.

In the European Union, too, the unemployment rate was running high. It was 9.6 per cent at the end of 2010, affecting more than 23 million people. In the eurozone, it reached the highest level in more than 12 years at 10. 1 per cent, compared with 9.9 per cent at the end of 2009 and 7.7 per cent in 2008. Europe typically lags behind the USA in avoiding job losses. According to some analysts, this is mainly because of the flexibility in the US labour market allowing US companies to make deeper job cuts during an economic downturn. The practice of job shedding is also more widely accepted in the USA than in Europe, where shorter hours and shifts and similar labour hoarding schemes are more in use. During the present crisis, however, unemployment in both Europe and the USA had reached 10 per cent in November 2009, and in the EU it was still hovering around 9 per cent at the end of 2011.

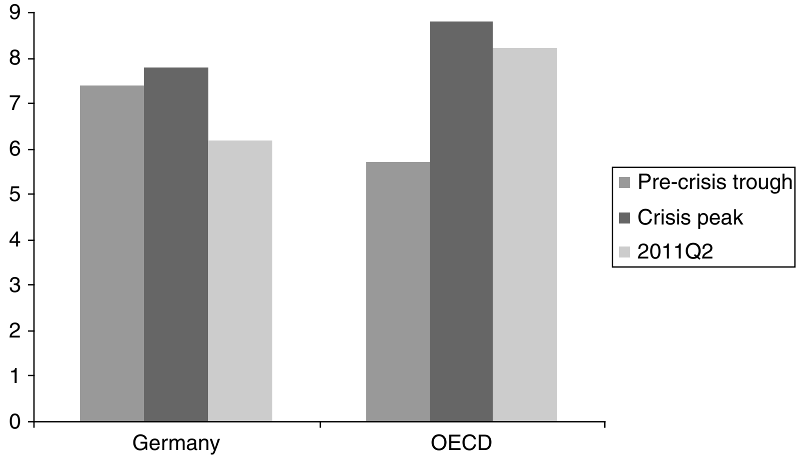
In Britain the jobless total rose in October 2011 to its highest level in 17 years at 8.3 per cent, up from 7.7 per cent in May 2011, and involved some 2.8 million people. Jobless claims rose by 5,300. While youth unemployed reached a record high at 21.3 per cent (see below), older workers, aged above 65 years, were badly affected, showing the biggest fall in that category since records began in 1992.

Since the recovery, Germany had kept the rate of unemployment at a relatively low level. It stood at 7.2 per cent at the end of 2010, compared with 7.8 per cent at the end of 2009, when it had reached the peak. The situation made further steady improvement along with economic growth since early 2011 and in April its total unemployment fell below 3 million, the lowest since 1992, and the unemployment rate dropped to 6.2 per cent. (See figure 2.1). But in October 2011 it rose to 6.9 per cent at a total of 2.94 million people, amid fears that with the mounting debt crisis in the eurozone, its largest economy had hit a slow patch, but in December it fell again to 6.8 per cent.

In France, it was estimated in November 2011 that the country might have already lost 200,000 jobs during that year alone, with the unemployment rate reaching 9 per cent. The number of jobseekers rose to a 12-year high of 2.8 million. A further 1.4 million people in part-time

Figure 2.1 Unemployment rate during the recent downturn, Germany and the OECD average

Source: OECD Main Economic Indicators Database.



or partial work were seeking full time jobs. In Spain, unemployment was over 23 per cent, a 14-year high, with 5 million jobless people, in November 2011. In debt-ridden Greece, over-all unemployment reached 20.9 per cent, and female unemployment 24.5 per cent at the beginning of 2012.

The situation in other regions was hardly any better. In Central and South-Eastern Europe and the CIS region, unemployment reached the highest regional rate in the world at 10.4 per cent in 2009, and no significant change was projected.

In the Middle East, the economic crisis interrupted the downward trend in the regional unemployment rate. It was expected to reach 10.3 per cent in 2010, with little change foreseen for the immediate future. As for the oil-exporting Gulf States, much of course depended on the movement of oil prices. Although, with the exception of Bahrain, most of them were less affected by the recent Arab uprisings, there were fledging signs of unrest in some of them, including Saudi Arabia and United Arab Emirates, alongside a rise in unemployment.

Although North Africa was not hit by the crisis as hard as some of the other regions, the pre-crisis high rate of unemployment in countries like Egypt, Tunisia, and Morocco persisted. The economic dislocation and uncertainty created in the aftermath of the recent Arab uprisings have sharply worsened the situation, with rising unemployment and a build up of new pressures especially among the youth for migration abroad. (See Chapter 6 for additional information on the situation in North Africa and the Middle East).

Although the economies of South Asia largely held up well during the crisis, these countries were unable to escape completely from the ravages of joblessness. Most of them also carried a backlog of unemployment, underemployment as well as vulnerable employment. India was able to maintain a high growth rate, but it could not avoid job losses. The country was estimated to have lost, already by February 2009, half a million jobs in export–related sector alone due to the recession; by 2010 the country's unemployment rate was 10.8 per cent.

In contrast with most other regions, the labour market in East Asia recovered relatively quickly from the recession, although youth unemployment remained a major challenge. In South Korea, however, the number of unemployed rose to 924,000 in February 2009, up 13 per cent compared with the same month in 2008. Despite its high growth rate, China, too suffered. In December 2008, a Chinese official was quoted as saying that 10 million people had been laid off so far due to the crisis, and several officials had warned of the risk of social unrest if unemployment rose any further (*Financial Times,* 2009a).[4] In a similar vein, in January 2009 an article in a magazine published by the official Xinhua news agency cautioned, "Without doubt, we are now entering a peak period for mass incidents" (Xinhua News, 2009).[5] At a cabinet meeting in the same month, Prime Minister Wen Jiabao reportedly said, "The country's employment (situation) is extremely grim"(*The New York Times*, 2009 b).[6]

In March 2009, according to the National Statistics Bureau, half of the 140 million internal migrants returned to their villages for the New Year, of which 14 million remained in villages and 11 million were jobless in cities (*Migration News,* 2009b).[7] Another report, based on a survey by agriculture ministry, put the unemployment figure for rural internal migrants who returned home jobless as a result of the crisis at a much higher level of more than 20 million (excluding those who remained in

[4] "World Trade Flows Suffer as Oil Price Plunges," *Financial Times,* 14 January 2009.

[5] "20 Million Jobless Migrant Workers Return Home," *Xinhua News,* 2 February 2009.

[6] "China Fears Tremors as Jobs Vanish from Coast," *The New York Times,* 23 February 2009.

[7] Cited in *Migration News,* 16(2), April 2009.

cities after made redundant) (Financial Times, 2009d).[8] Overall, China had an unemployment rate of 6.1 per cent in 2010 but the concentrated unemployment in certain groups of workers or areas was causing concern.

In contrast with most other regions, South-East Asia and the Pacific saw a slight decline in the unemployment rate which was estimated to edge down from 5.2 per cent in 2009 to 5.1 per cent in 2010, although the situation varied between individual countries. Japan, for instance, had a low rate of unemployment at 4.5 per cent in November 2011. The ILO foresaw little changes in the region's over-all unemployment rate in 2011. As mentioned below, this was also a region where both vulnerable and youth unemployment continued to be a major challenge.

Sub-Saharan Africa continued to struggle with its pre-crisis high rates of unemployment. The problem was compounded by an increase in vulnerable employment and gender inequalities. Women had a much higher share in both vulnerable employment and working poverty than men, with female working poverty rates exceeding male rates in 22 out of a panel of 27 countries. South Africa, which already suffered from high unemployment, was set to lose a quarter of a million of jobs, undermining government plans to cut the unemployment rate to 14 per cent by 2014.

In Latin America and the Caribbean, following a sharp contraction in GDP and a concomitant expansion of vulnerable employment, the economies expanded strongly in 2010. The outlook for 2011 was a modest decline in the region's unemployment rate.

Global trends in labour recruitment: Employers' increasing reliance on temporary staff

A December 2009 report based on a survey in 35 countries by Manpower, the UK-based recruitment agency, saw a glimmer of hope as employers in as many as 25 of these countries expected net hiring in 2010 (Manpower, 2009).[9] However, at the beginning of 2011 the agency noted that employers in both Europe and the USA were becoming more reliant on temporary staff. The fledgling signs of economic recovery prompted companies to increase headcount, but many preferred the flexibility of

[8] In an interview given to the *Financial Times* on 1 February 2009, Mr. Wen Jiabao, the Chinese premier, used a much lower figure of 12 million. "Downturn Causes 20 M Job Losses," *Financial Times,* 3 February 2009.

[9] Manpower Employment Outlook Survey, December 2009. For additional details see Ghosh, 2010, p. 37.

temporary workers. This suggested, the agency added, employers were unsure about the durability of the recovery. A few months later, in June 2011, a report released by the agency – which surveyed 63,000 employers in 39 countries – reversed its 2009 findings and saw little prospects for job growth in the near future worldwide. In the USA, the number of employers who planned to hire exceeded those who planned to cut staff only by 12 per cent. Hiring intentions were also flat in Mexico and Argentina, while the number of job cutting plans increased in Brazil, Peru and Panama. The report further noted that in Asia the pace of hiring would slow in India, Taiwan (China), Singapore and Japan. In Europe, job creation was dragged down by the eurozone debt crisis. Employers in Italy, Ireland, Spain and Greece were planning to cut jobs.

Why headline numbers do not reveal all the woes of unemployment

Headline figures and the hidden unemployment

If the headline figures for unemployment level especially in rich economies continued to be disappointing, they did not necessarily reveal the full picture of joblessness or all the hardship and perils that it entailed. An important reason for this that in many cases, as in the USA, the headline unemployment rate may not include part-time workers or those who wanted full time employment but could get only part-time jobs. In February 2009, when the US headline unemployment rate was around 9.5 per cent, the number of part-time workers had risen by almost 80 per cent over the previous 12 months to 8.6 million, a record high. But these were workers not included in the headline unemployment figure. If these were included, the number of the unemployed, according to the US Labor Department, would be 17.5 per cent – or one in six – at the end of October 2009 (US Department of Labor, 2009).[10] Even when there was some improvement in employment situation, a significant part of it was in the form of temporary employment – as many employers were still testing the waters.

The oft-quoted job-loss data also failed to take into account 1 million people who once worked in residential construction or new job-seekers – some 2.8 million during the recession – such as school and

[10] This refers to the broadest measure, the so-called U6 as distinct from the so-called U3 number that includes only those out of work who are still looking for jobs.

college graduates, stay-at-home-parents, including retired persons, who wanted to go back to work. If the short-shift work system, under which working hours were reduced, with cut in wages (further discussed later in this chapter and also in Chapter 4) were not in operation, the same work would probably be done in the normal work week with 3.5 million fewer staff, driving the unemployment rate still higher.

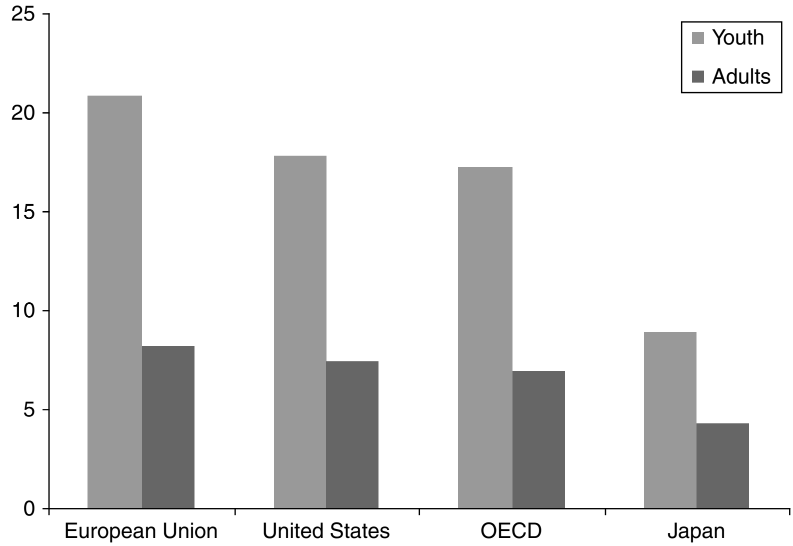
Further, there is the question of discouraged workers – or people who have decided to stop looking for work out of despair. In the USA, for example, the unemployment rate would be still higher if these discouraged people who had dropped of workforce – estimated at 570.000 people in August 2009 – were included in the unemployment count. In 2012 the ILO estimated that there were 29 million of such discouraged workers worldwide and that if these workers were included, the global unemployment figure would reach 229 million people, instead of 200 million.

Youth unemployment: A high level of youth unemployment was another woeful aspect of the job situation worldwide. Prolonged economic inactivity of young people due to unemployment carries with it potentially serious consequences over the long- term because of its corrosive scarring effects on their self-confidence, aspirations and future career. It also inhibits the future development of a country's human capital.

The ILO estimates that the number of unemployed youth, aged 15–24, in the world was 12.7 per cent at 74.8 million in 2011 – an increase of 4 million since 2007. Although the situation had slightly improved from 2009, when the youth unemployment rate was 12.8 per cent, it was still well above the 2007 level of 11.8 per cent. Also, these slightly improved unemployment rates understate the extent of real hardship experienced by young people as a result of the crisis. This is because quite a number of discouraged young people had left the job market and were not included. Based on long-term trends, the ILO reckons that as many as 1.7 million youth may have done so as they lost all their hopes of getting jobs.

In the OECD countries as a whole, young people, (aged 15 to 24) were the hardest hit by joblessness (Figure 2.2). In the first quarter of 2011, youth unemployment had reached 17.3 per cent, compared with 7 per cent for the adults (aged 25 and above). Youth who were not in employment or in education faced a higher risk of labor market and social exclusion. In the fourth quarter of 2010, 12.6 per cent of all youth aged 15–24 in the 30 OECD countries were in this group. In the USA, youth

Figure 2.2 Youth and adults' unemployment rate
Source: OECD stimates based on National Surveys.



unemployment rose to reach 18.4 per cent, compared with 9.3 per cent in 2000; and in Britain it rose to reach 19.3 per cent, compared with 10.4 per cent in 2001. In October 2011 at least one million youth were jobless. In Central, South- Eastern Europe and the CIS region, youth unemployment rose sharply in 2009, with 20 per cent of the economically active youth remaining unemployed in 2010.

In the developing regions, too, youth unemployment has emerged as a major social and economic challenge. The fact that the youth constitute a very large segment of both working age and total populations in these countries underlines the extent and gravity of the situation. Youth bulge has been a most striking feature of population growth in certain regions such as the Mashreq group of countries, where according to recent estimates as many as 57 per cent of the population was under 24 years of age. In Nigeria some 43 per cent of population was under the age of 15.

In the Middle East, the youth unemployment was almost four times the adult rate; and in North Africa, youth unemployment reached an alarming rate of 23.6 per cent in 2010. Youth unemployment in these regions was the highest in the world (further discussed in Chapter 6.) In Latin America and the Caribbean, the average unemployment rate was 6.8 per cent. Youth unemployment, by contrast was 14 per cent.

In South-East Asia and the Pacific, youth were 4.7 per cent more likely to be unemployed than the adults. Although East Asia recovered relatively quickly from the 2008–2009 recession, youth unemployment remained high at 8.3 per cent in 2010, which was 2.5 times the rate for adults.

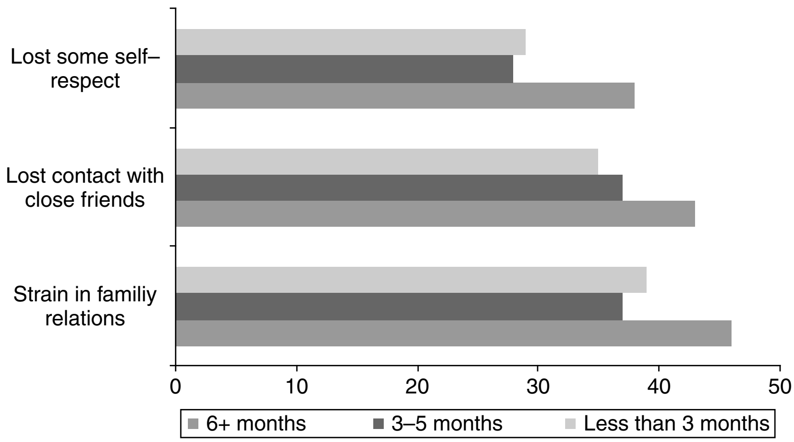
The threat of entrenched unemployment. Another worrying feature of the crisis-related unemployment situation concerns the steep rise in the proportion of workers who have been unemployed for a year or more in a growing number of countries. Such prolonged inactivity often leads to labor market exclusion as the workers become out-of-touch and their aptitude and skills suffer and the risk of their falling into poverty increases. A US Congressional Budget Office study in 2007 found that after being out of work for long, one in four drops out of the workforce entirely. For those who eventually find work, productivity and skills were found eroded, with the result they were paid on average 20 per cent less. Entrenched unemployment also demoralizes individuals who tend to lose self confidence and hopes for the future. (See Figure 2.3.)

In the OECD area, before the crisis long-term unemployment affected 4 out of 10 unemployed people in Germany and France. But it was much less of a problem in countries like Spain and Britain; and it affected one in ten unemployed in the USA. Under the impact of the crisis the picture has now changed. In Spain, more than 40 per cent of the unemployed have been out of work for more than a year; and in the USA, already , at the beginning of 2010, the average length of time the jobless

Figure 2.3 Effects of entrenched unemployment, USA, May 2010

Source: Pew Research Center.

Note: Figures based on respondents age 18-64 who are currently unemployed or who were unemployed sometime during the recession; n=810.



have been out of work had reached 31.2 weeks, the longest period since 1948. Long-term unemployment has now tripled, with one in three unemployed drifting into it (OECD, 2011a). In developing countries, too, this is a complex problem. In China, for example, what to do with long-term unemployed rural workers is a serious issue. In most of these countries it takes the form of chronic underemployment in rural and urban informal sectors.

Vulnerable and temporary employment. The rise in vulnerable employment, which adds to economic insecurity and often contributes to poverty, is another disturbing aspect of the employment situation. An estimate made by the ILO in 2011 put the number of workers in vulnerable employment in 2009 at 1.53 billion or 50.1 per cent of all workers worldwide

In South-East Asia and the Pacific, the number of workers in vulnerable employment may have risen to 173.7 million in 2009, an increase of 5.4 million since 2007. As already noted, in Latin America and the Caribbean the rise in share of vulnerable employment, led by the economic crisis, was the first increase in the region since 2003. In sub-Saharan Africa, large numbers of workers were in vulnerable employment and more than three-quarters of them and their families were below the poverty line of US$2 a day (further discussed below).

Temporary employment: During an economic crisis employers tend to rely more on temporary workers in order to avoid long-term commitment. Since temporary workers can be more easily laid off, this gives employers more flexibility in adjusting their staff strength and skill profile to the pace of economic recovery, including any technological change. The downside, however, is that it inhibits training and upgrading of the staff and affects their loyalty to the firm. A high turnover of staff may also contribute to instability and loss of efficiency in its operations. No less important, temporary employment makes workers, especially migrant workers who are already in a weak position in a foreign land, more vulnerable to exploitation and discrimination (further discussed later in this chapter and in Chapter 4).

Given that even after the end of the recession, the recovery this time has not been sufficiently robust, and that many are still fearful of a double-dip, it is not surprising that employers have displayed a cautious stance in staff recruitment with continued preference for temporary workers. This was reflected in the high level of temporary employment among workers in general and migrants in particular in most OECD countries. Migrants' share in temporary employment exceeded that of the nationals by 50 per cent or more in a number of these countries.

In Spain, almost 48 per cent of migrants were on temporary contracts already in 2008. In the USA, in March 2010 when the employment figure showed a slight improvement, a significant part of it was in the form of temporary employment – as many employers were still unsure of the future.

When joblessness goes hand in hand with poverty, inequality and conflict

Poverty. Rising unemployment, and downward pressure on earnings in the informal sector and in other vulnerable or precarious jobs, triggered or exacerbated by the recession, seriously aggravated global poverty. Lack of adequate social safety nets in many poor countries, especially those heavily dependent on remittances, made the situation worse.

In January 2009, the ILO projected that between 40 and 50 per cent of men and women globally would be unable to earn enough to lift themselves and their families out of poverty line of $2 a day in 2009.[11] Increase in vulnerable or precarious jobs would be a major contributing factor in raising the number of working poor. (See Figure 2.4 ,showing the increase.)

Compared to the pre-crisis trend figure, there were around 40 million more working poor earning US$ 1.25 or less in 2009. Some 1.1 billion workers, living with their families were below the poverty line of US$2 a day. In its 2011 report which reviewed the available data for the full year of 2010 saw little improvement in the situation. It estimated the number of workers in vulnerable employment at 1,53 billion or 50.1 per cent of all workers worldwide.

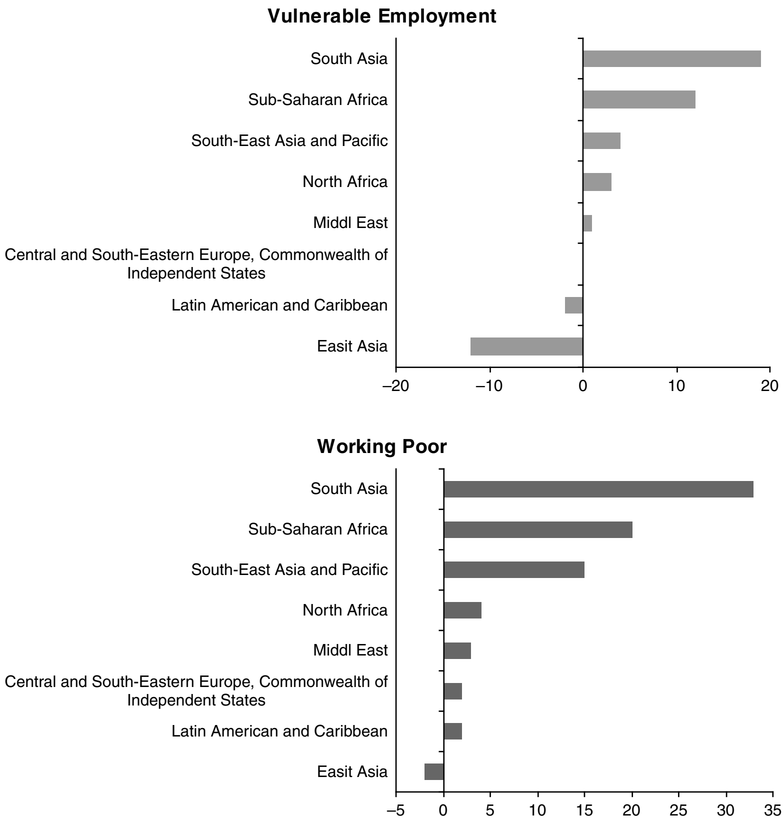
Throughout the recession, the World Bank was warning about growing poverty due to joblessness and declining growth. In 2009 it estimated that a 1 per cent decline in growth drives an additional 20 million to poverty in developing countries and suggested that a total of 65 million additional people were likely to fall below the $2 a day poverty line in 2009; of this figure, it added, 45 million were already there in April 2009.[12] In September 2009, the World Bank further suggested that by the end of 2010 the crisis would push almost 90 million additional people into extreme poverty.

[11] ILO: Global Employment Trends. Geneva, January 2009. The estimate was based on the worst case scenario of economic growth for 2009.

[12] The number mentioned by the World Bank President, Robert Zoellick, at the time of the April 2009 G-20 summit in London was 65 million.

Figure 2.4 Increase in vulnerable employment and working poor (In millions: change from 2007 to 2009)

Source: ILO, 2009.



The rise in food prices between 2005 and 2008 further aggravated human hardship as the poor in developing countries spend a disproportionately high proportion of their income – 50 per cent or more – on food. It thus increased the share of the population of several regions in extreme poverty by 1 per cent, derailing progress towards Millennium Development Goals (MDG). Over 38 years have elapsed since Henry Kissinger, then US secretary of state, told the first world food conference in 1974 that no child on earth would go to bed hungry within 10 years. Today, one billion people are doing exactly that; and every 6 seconds a child is dying due to hunger-related causes. Significantly, at the recent summit on food security (Rome, November, 2009), the proposal to set a timeline for the eradication of hunger was taken off the pledge (*Financial Times,* 2009x).[13] And two years later, in 2011 little was done by G20 meeting to tackle food prices, although France had made food security a center piece of its G20 presidency.

South Asia, the Middle East, and East Asia suffered the most from the hike in food prices, which sparked food riots in countries from Bangladesh to Haiti. In India, a poor monsoon and a faltering agriculture sector, set against the backdrop of global economic crisis, led to food shortages and a surge in food prices, encouraging increased industrial strikes and prompting the authorities to launch country-wide raids on food hoarders. According to some analysts, a poor monsoon and a 2 per cent fall in agricultural output knocks off percentage point from India's GDP growth (*Financial Times*, 2009m).[14]

In Africa, the impact was less severe as the rise in food prices was lower than in some other regions. Nevertheless, the region did not escape the onslaught of poverty propelled by the recession. The UK-based OXFAM, for example, estimated the average income of the 391 million Africans living on less than US$1.25 a day was to take a dramatic hit of 20 per cent. The drought in the Horn of Africa in 2011, the worst since the mid-1980s, has seriously worsened the situation, imperilling 13 million people. In conflict-torn Somalia, now also an UN-declared famine area, one in every two persons was at risk of starvation, according to the World Food Programme.

Although since July 2008 food prices had declined, they still remained well above the levels of the 1990s, and many foresee a significant rise in the coming years. As Jacques Diouf, then director-general of the UN's Food and Agriculture Organisation, crisply warned, given the past neglect of agriculture, global recovery carried new risks of price surge of food commodities. In October 2011, the FAO's food price index showed that despite the decline earlier in the year the prices were still 5 per cent higher compared with 2010. FAO warned that the agricultural commodities prices would remain high well into 2012 and continue to be extremely volatile. However, there was a welcome relief in December 2011 when the threat of food price inflation receded, with the FAO's food index reaching its lowest level in more than a year. However, the problem of future volatility remained. Already in January 2012, as

[13] "Target to Reduce Hunger Taken off Summit Pledge," *Financial Times,* 12 November 2009.

[14] "Hoarders Raided in India as Prices Soar," *Financial Times*, 28 August 2009.

severe drought spread through crop growing areas of Argentina and Brazil, there were new fears that food prices might soon rise again.

Rich countries were not spared. In the USA, for example, the poverty rate climbed from 12.5 per cent in 2007 to 13.2 per cent in 2008, the highest level since 1997, and was then expected to rise further in 2009 due to the increase in joblessness (US Census Bureau, 2009).[15] According to the US Census Bureau, about 40 million US residents in 2009 lived below the poverty line, defined as an income of $22,025 for a family of four. The food stamps use was at record high. It was already feeding 37 million people, one in eight American, including 14 million – one in four – children (*The New York Times,* 2009 j, 2010a).[16] This number, which had risen by 46 per cent since 2006, seemed to be climbing further. About six million people – roughly one in 50 – lived in households with a reported income that consisted of nothing but a food stamp card.

Already a third of the Hispanic children and more than a third of Black children were living in poverty and analysts at the Washington-based Economic Policy Institute thought that without an aggressive new intervention by the federal government, the poverty rate for these children could reach 50 per cent. An Associated Press report in December 2011 on US census data found that "a record number of Americans – nearly 1 in 2 have fallen into poverty or are scrapping by on earnings that classify them as low income (*The New York Times,* 2011a)."[17]

A report issued by Brookings Institution in November 2011 found that after declining in the 1990s, the country saw the number of poor people grow by 12 million, driving the total number of Americans in poverty to a historic high of 46.2 million. In an extreme-poverty neighborhood – where at least 40 per cent of individuals live below the poverty line – the number of poor people rose by one-third from 2000 to 2005–2009 (Brookings Institution, 2011).)[18] In the same month

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[15] US Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2008, Current Population Reports P60–236,* September 2009, U.S. Census Bureau, Washington, DC. Although the accuracy of the census, which suffers from certain flaws, is open to debate the data present a good measure of the long-term trends.

[16] "Hunger in America," 2010, "Feeding America," Chicago, January 2010; "Across U.S., Food Stamps Use Soars, and Stigma Fades," *New York Times,* 29 November 2009; "The Safety Net: Living on Nothing but Food Stamps," *The New York Times,* 3 January 2010.

[17] "Inconvenient Income Inequality," *The New York Times,* 6 December 2011

[18] "The Reemergence of Concentrated Poverty: Metropolitan Trends in the 2000s," Brookings Institution, 3 November 2011.

(November 2011) a supplemental poverty measure (S.P.M.) used by the US Census Bureau showed that that while the official 2010 poverty rate was 15.2 per cent , the new SPM rate was 16 per cent.

What is more disturbing is that without the government's special assistance programmes, several of which were introduced or expanded under the stimulus programme, the poverty rate would be significantly higher. Roughly 2.7 million jobless people, many already poor, were set to lose their unemployment benefits in the second quarter of 2010 if the US administration's proposal to extend the date of payment had not been approved by Congress. Despite political acrimony and protracted legislative debate the bill finally went through in July 2010; and in December, after similar acrimony it was extended again but only by two months.

If unearned income tax credit – a tax credit for low-to-moderate income workers designed to offset social security taxes and encourage work – was not included in the SPM index, the poverty rate would go up from 16 per cent to 18 per cent; and for children from 18.2 per cent to 22.4 per cent. Similarly, in the absence of Supplemental Nutritional Assistance Program for food stamps, the over-all poverty rate would move up from 16 to 17 per cent and for children from 18 per cent to 21.2 per cent. If, with the stimulus spending coming to end, such special assistance is withdrawn, as was being advocated by most Republican presidential candidates, the poverty rate was sure to go up.

Even before the recession, it had been far from certain that the Millennium Development Goals (MDG) time table on poverty alleviation – halving world poverty by 2015 – would be fully met. The recession-induced increase in poverty made the situation more uncertain and the challenge more daunting. More so, since, as discussed later in this chapter, even in the unlikely event that the world economy starts gaining steam in 2012, there would almost inevitably be a significant time gap between output recovery and labor market recovery in terms of jobs and earnings (further discussed later in this chapter: Time lag between output recovery and employment recovery). And, for the reasons discussed in Chapter 3, a high proportion of migrants will continue to be among the worst sufferers.

Joblessness and inequality. In times of economic crisis, joblessness tends to hit harder those who are already poor. This aggravates the extent and depth of poverty in both rich and poor countries. A significant proportion of migrants belongs to these poorer groups. In the USA, a most recent investigation by the Center for Labor Market Studies at Northeastern University revealed how joblessness and income inequality tend to be closely correlated (Center for Labor Studies, 2010).[19] The study divided American households into 10 groups based on annual household incomes and then analysed labor conditions in each group during the fourth quarter of 2009. The richest group with household incomes of $150,000 or more had an unemployment rate of 3.2 per cent during that quarter. The next richest, with incomes of $100,000 to 149,999, had an unemployment rate of 4 per cent. By contrast, the poorest group with incomes of $12,499 or less had an unemployment rate of 30.8 per cent, and the group slightly less poor, with incomes of 12,500 to $20,000 had an unemployment rate of 19.1 per cent.

If the picture looks disquieting, it worsens when data about underemployment – which would include those part-time workers who would like to work full time and those who have given up looking for jobs but would take a job if available – were taken into account. In the poorest group, the unemployment rate would then jump to 20.6 per cent as against 1.6 per cent for the richest group – a 13 times difference. The study showed that the middle income groups also suffered, but the worst sufferers were the lower income groups.

A new Pew Research Center survey finds that in the USA, two-thirds of the public believe there are "very strong" or "strong" conflicts between the rich and the poor – an increase of 19 percentage points since 2009. The public sees more conflict between economic classes than it sees between other groups in society – including immigrants and the native born; blacks and whites; and young and old.

In May 2011, an OECD report said that the gap between rich and poor in OECD countries has reached its highest level for over 30 years. In the USA, the average income of the richest 10 per cent of the population had risen around 14 times and that of the poorest by 10 per cent. An October 2011 report from the Congressional Budget Office found that, from 1979 to 2007, the average real, after- tax household income of 1 per cent of the population with the highest income rose 275 per cent; for the rest of the top 20 per cent of earners by 65 per cent, while it rose just 18 per cent for the bottom 20 per cent (further discussed in Chapter 4).

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[19] Andrew Sum and Ishwar Khatiwada, "Labor Underutilization Problems of U.S. Workers across Household Income Groups at the End of the Great Recession: A Truly Great Depression among the Nation's Low-income Workers amidst Full Employment among the Most Affluent," Center for Labor Studies, Boston, February 2010.

In Europe, austerity measures in countries like Portugal have hit the poor disproportionally hard and may have widened income inequality. A recent study by the UK-based Institute for Social and Economic Research says that these measures were clearly regressive, causing poorest families to give up a larger share of their disposable income than wealthier households. Concern is now growing that the austerity budget for 2012, the harshest in decades, along with record unemployment and a contracting economy, will further widen the income gap. The creation of a class of "new poor" is likely to be among the disquieting results – people who earn marginally too much to qualify for welfare payments and tax exemptions but not enough to meet the rising costs or their mortgage payments. This class could suffer more than those officially below the poverty line because they do not qualify for the social support they need.

The crisis–driven inequality seems to be affecting the fate even of newborn babies. A recent UNICEF study shows that although in all 26 countries examined by it, the mortality rate for children under 5 years of age has declined by 10 per cent, the gaps between child mortality rates in richest and poorest segments of the population has either increased or remained stagnant.

Some economists have argued that extreme inequality inhibits growth and could help asset price bubbles and contribute to financial fragility and economic crisis. Research by the IMF, for example, showed that income inequality has a negative effect on growth. It made a big difference in growth, it added, no matter what other variables were in the growth model.

Joblessness, poverty and conflict: Poverty often breeds violence and violence makes a country poorer. The 2011 World Development Report, the flagship publication of the World Bank, brings out in some detail the close inter-linkage between poverty and conflict. In times of economic crisis, competition for jobs and economic opportunities, especially in poor countries, becomes fiercer and tends to become violent. Protests during the 2007–2008 food price crisis were more frequent, and often more violent in poor countries with fragile governments. While in rich countries, protests of the malcontents *(indignados)* against austerity, inequality and corporate greed, especially in the financial sector, have not been completely peaceful, violence has remained relatively restrained.

What makes the difference between the two groups of countries more important is the frequency of violent conflicts in many poor countries. As a culture of violence thus takes hold, economic growth suffers, creating more poverty. The World Bank reckons that 1.5 billion people live in countries affected by political violence, organized crime or some other form of low-intensity conflicts. No poor violent country has achieved a single of the millennium development goals (MDGs), set by the United Nations. The report concludes, as a rule of thumb, that countries affected by large-scale violence lose almost 1 per cent in poverty reduction each year.

As will be discussed in Chapter 4, migrants, especially low-skilled migrants, often suffer from discrimination. They could also be easy victims of a double trap of poverty and violence. Anti-immigrant lobbies tend to take advantage of an environment of violent conflict to victimize migrants, even when the migrants themselves may have nothing to do with the cause of the conflict. In Libya the situation of the poor and already vulnerable sub-Saharan migrants during the recent conflict (discussed in Chapter 6) is a poignant illustration of this. Some of these migrants were forced to join the Qaddafi forces; many others had little to do with the conflict. And yet, when the war ended, both groups, including the non-belligerent migrants, were subjected to harsh treatment by opposition militias and civilian groups. The ethnicity of the migrants may well have played a part.

Why is job recovery so important?

If credit was constrained and banks were not lending enough either to business or consumers, as was the case in the USA and the eurozone, during the recession and damped subsequent recovery, what were the reasons behind it?

True, despite generous government bailouts many banks were just limping along for quite some time during the recession. But even the banks that had the financial wherewithal – such as Goldman Sachs and JP Morgan in the USA which made combined profits of $ 7 billion in the third quarter of 2009 – were making money more from trading complex financial products than through lending.[20] Similarly, in the eurozone, bank lending to business remained negative between February and August in 2009, and loans to households showed little growth over 2008, despite ECB president Jean-Claude Trichet's appeal to banks to provide the credit to oil the wheels of recovery.

[20] Business financing fell to $1.411 trillion, $179 billion less than a year earlier (2008), and consumer lending by commercial banks stood at $834 billion in August 2009, $45 billion less than at the end of 2008.

If constraints imposed on banks were contributing to the slowdown of bank lending, a more basic problem was the falling consumer confidence and consumer demand. Even if banks are willing and have the necessary wherewithal, they cannot lend unless there is effective business and consumer demand. But businesses are not likely to borrow and invest unless they can be reasonably sure of effective consumer demand. Also, in the absence of a significant improvement in jobs and earnings, consumers would be hamstrung either to spend to raise the level of demand or save to de-leverage their debt. Boosting consumer demand on a stable and sustainable basis requires programmes for direct job creation; temporary incentives such as rebates for home buying and cash for clunkers are not enough and may even have some perverse effects. Some economists, Jeffery Sachs, for example, likened such temporary incentives to "offering one more drink on the government account to overcome mass hangover."

As mentioned above, part of the growth in 2009 was also due to adjustment in inventory levels – restocking of shelves helps to boost output, but the effect of such action fades soon. And if the increase in consumer spending is at the cost of the personal saving rate – as was the case in the USA where in the third quarter of 2009 it fell to 3.4 per cent from 4.9 per cent in the second – then it will not help the household debt problem. Hence, the critical importance of job recovery (further discussed in the next section).

Some analysts were setting store, in the more recent upsurge, in export trade, especially in Asia, as an engine for recovery. But export-led recovery cannot last long if the private demand, both business and consumer, in the rest of the world economy falters. It would then restrain the growth of the export-oriented countries themselves. As the IMF put it, "if signs of renewed external environment weakness were to rise, the positive feedback loop triggered in Asia could shift into reverse." The European Union was already worried that the huge expansion of China's industrial capacity fed by massive stimulus spending could threaten a surge of cheap exports and lead to a protectionist backlash (*Financial Times,* 2009ae).[21]

At the same time, a sudden outburst of just business demand, fuelled by an influx of at least partly speculative foreign capital, as was happening recently in Latin America and Asia, could raise the spectre of future

[21] "Europe Warns China on Trade Backlash Threat," *Financial Times,* 27 November 2009.

asset bubbles.[22] This needs to be managed, [without prejudice to sound consumer demand,] by adopting counterbalancing fiscal and monetary policies, especially to discourage speculation.

In Asia there was a potential danger of asset bubbles as the economic upswing and excessive monetary liquidity portend to be accompanied by rising equity and housing prices. If untamed on time, this could "threaten again to destroy livelihoods and trap millions of people in poverty" (*Financial Times,* 2009ad).[23] By the beginning of 2010, China had started putting some brakes on bank loans and excessive monetary liquidity to avert the danger. Meanwhile, Brazil had already introduced a 2 per cent tax on capital inflows to equity and bond markets, Colombia's central bank announced it would buy dollars to stem the rise of peso and Peru was pondering limits on foreign exchange exposure of its banks. India was raising interest rates.

In the USA the recession technically ended in June 2009, but the situation in the job market has not improved much. As discussed above, in many countries, especially in Europe, unemployment has increased, and the outlook did not look too good. Slowdown in bank lending has continued to be a problem particularly for small enterprises; these enterprises create more jobs and rely more on bank lending than big companies.

In November 2011, Andrew Haldane at the Bank of England estimated that in the United Kingdom lending to small businesses has been shrinking by about 10 per cent a year, with banks blaming a lack of demand and businesses, finding the interest rates too expensive (*Financial Times,* 2011m).[24] In the eurozone, the banks' holding of deteriorating sovereign debts and the need for re-capitalization has contributed to the slowdown in bank lending, restraining both job creation and growth. In December 2011, financial markets were focussed on the risk of a second credit crunch.

There is now a growing concern that as austerity starts biting, the economies contract and joblessness continues, low demand and low bank lending will go hand in hand with slow growth, and high unemployment, and reinforce one another. But even in the USA, where the banks in general are in a better position, lending to small enterprises

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22 In 2009, reversing the erstwhile trends, emerging markets as a whole saw a record $89 billion inflow of foreign capital.

23 "Heed the Danger of Asset Bubbles," *Financial Times,* 25 November 2009.

24 "UK Central Bank Director in Call to Ease Rules on Small Business Loans," *Financial Times,* 14 November 2011.

has suffered due to the lack of robust business confidence and consumer demand, both linked to the uninspiring job situation.

For reasons discussed in the next section, a prolonged stagnation in rich countries' labor markets, in terms of jobs and wages, seemed most likely. This portends a slow pace of economic recovery, and slow recovery does not help job growth. It then turns into a stubborn vicious circle.

Time lag between output recovery and employment recovery: How would it affect labor markets and migration?

Past experience shows that labor market recovery lags behind economic recovery by several years (see Figure 2.5). A recent paper by Carmen Reinhart and Kenneth Rogoff, spanning the experiences of financial crises over centuries, seemed to confirm this by suggesting that the joblessness caused by the typical financial crisis could continue for 4 to 5 years (Reinhart and Rogoff, 2008).[25]

Also, as the US experience shows, the time for job market recovery to materialize seems to have increased in recent years, with the pace of job growth slowing down with each economic recovery. Both the 1991 and 2001 recessions lasted eight months, but the job market recovery took 30 months for the 1991 recession and 48 months for the 2001 recession (Irons, 2009).[26] Before 1990, it took an average of 21 months to regain the jobs shed during a recession. Also, significantly, in the last two recoveries since the 1980s, it took substantially more economic growth to achieve comparable increases in employment than in the previous ones. Europe, too, has had similar experiences. As Ronald Janssen at the European Trades Union Confederation put it, "In the last decade it was thought you needed around 1.5 per cent (growth) to stabilize

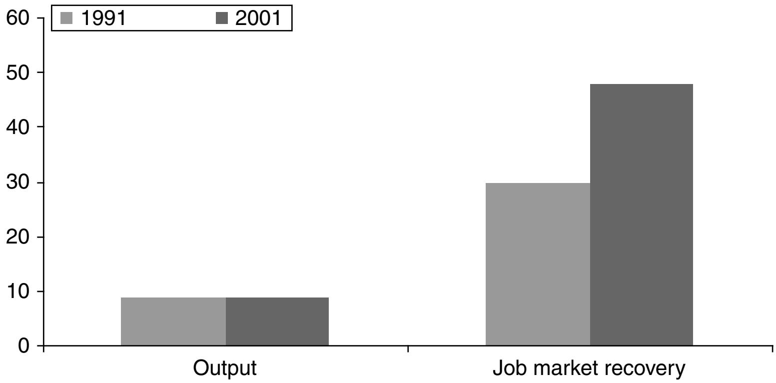
[25] Carmen Reinhart and Kenneth Rogoff, "This Time is Different: A Panoramic View of Eight Centuries of Financial Crises," NBER Working paper no. 13882, March 2008.

[26] J. Irons. "How Long Would a Job-market Recovery Take?" Economic Policy Institute, Washington. Some have estimated that the time lag on the two previous occasions was 31 and 46 months, respectively. According to some experts, the basic functioning of the US economy itself has changed in ways that slow down the pace of job growth even during economic expansion. The number of private sector jobs increased about 3.5 per cent a year during periods of economic expansion in the 1950s, 1960s and 1970s. During expansions in he 1980s and 90s jobs grew 2.4 per cent annually; and during the last decade the growth was just 0.9 per cent a year.

Figure 2.5 Output recovery vs. job recovery

Note: Duration of output recovery and job market recovery after 1991 and 2001 US recessions (in months)

Source: J. Irons, 2009.



employment; In the (present) recovery , the figure could be closer to 2.5 or 3 per cent"(*Financial Times,* 2010l).[27]

In analysing the most recent trends in the US labour market, most experts believed that this time, too, significant new hiring would take many more months if not years to emerge (see Figure 2.6). Heidi Shierholz at the Washington D.C.- based Economic Policy Institute, for example, was conjecturing that (US) unemployment would remain "elevated for four years to come" (*The New York Times,* 2009e).[28]

On 3 June 2009, Ben Bernanke said that job recovery in the USA might take 2–3 years. This was echoed in November by Janet Yellen, president of the Federal Reserve Bank of San Francisco, who thought unemployment "could well stay high for several years to come."[29] A similar view was taken by Richard Trumka, president of the AFL-CIO, the country's largest labour union, who thought that (absent new large-scale construction projects) real job creation could be delayed until 2012. Most analysts seemed to agree that in the absence of job growth, consumer

[27] Cited in "Temps Leading the Way Out of EU Recession," *Financial Times,* 2 June 2010.

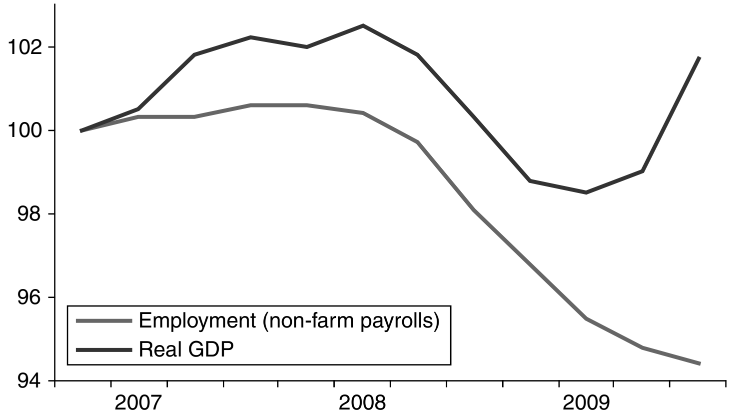
[28] "In Unemployment Report, Signs of a Jobless Recovery," *The New York Times,* 5 September 2009.

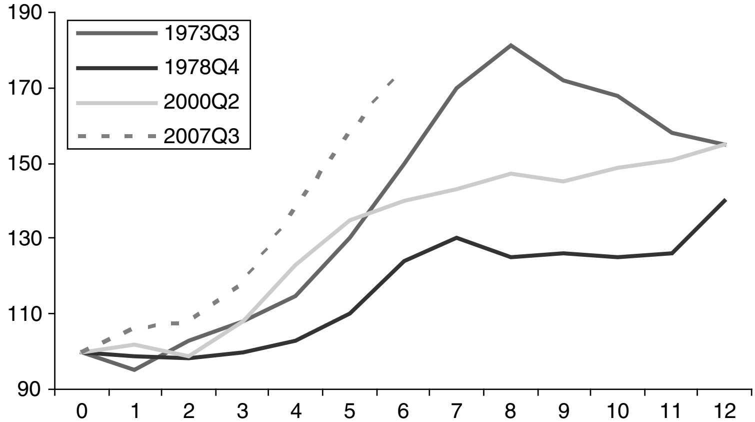
[29] Cited in "Fed Dove Warns of L-shaped US Rebound," *Financial Times,* 11 November 2009.

Figure 2.6 A jobless recovery, USA

Sources: FT/Datastream.

Note: 100=unemployment rate at preceding business cycle peak.





demand would be a laggard, and would constitute a defining feature of slow recovery (*The New York Times*, 2009i).[30]

Since then employment figures across countries, as noted earlier in this chapter, have confirmed these prognostics about the slow pace of job recovery. True, the continuing low rate of economic growth has not helped job creation. But there are also some special reasons why job

[30] Cited in "U.S. Unemployment Rate Hits 10.2%, Highest in 26 Years," *The New York Times,* 7 November 2009.

recovery generally lags behind output recovery, and why it is likely to be so in the present crisis.

First, most employers start their normal staff recruitment again once they are convinced that the post-recession recovery would be sustainable. For the recent recession, as of September 2009, this was not clearly the case in the majority of rich countries. Many employers were afraid that once the impact of the massive aid under the various government stimulus plans and monetary easing waned, economies could slide back. As discussed earlier, most employers, like economists, were considering that the incipient recovery was still too fragile to justify restarting normal staff recruitment. Fearful of a "double-dip" or "W" shape recovery, some were being even more cautious.

Second, in a number of countries public sector schemes – like the short-shift scheme in Germany, and "chômage partiel" in France – were helping private employers, often complementing employers own programmes, to either retain part of the staff that would otherwise be retrenched or work out temporary layoff arrangements. More than twenty countries, mainly European, introduced or expanded short-time work schemes during the recent recession. In the wake of a new upsurge of joblessness, France was pondering in November 2011 a revamping and amplifying of such schemes. Un-utilized staff resources thus gave companies the possibility of dealing with incremental output growth without taking additional full-time new staff on their payroll.

Because of the prolonged nature of the crisis and lingering uncertainty, employers continued to be uneasy about taking on permanent staff. In the past, firms hired temporary workers at the start of a recovery and gradually took on more permanent staff. According to Manpower, the global recruitment agency, this time the environment was different. Employers were mindful of the huge cost of downsizing they already had to incur at the beginning of the recession and were afraid that if it turned out to be a double-dip recession, any wrong decision on hiring would badly hurt their business. They were therefore reluctant to take on permanent staff (Reuters, 2011).[31]

The continuing slack in the labor market would also make it easy for employers to recruit temporary and part-time workers at short notice, if necessary. In Germany, for example, many industry groups sought production and staff flexibility by hiring more temporary workers and using external service companies. In France, hours billed by temporary

[31] Reuters, 11 November 2011.

staffing agencies rose 4 per cent in February and 12 per cent in March 2010. Hours worked by temporary staff rose by 24 per cent in Germany and by 20 per cent in Italy in March 2010.

As in the past, this might imply that even as economic growth resumes, workers may lag behind in terms of jobs, wage growth, and wealth or sustainable upward mobility. This in turn would constrain consumer demand. And since consumption is one of the main drivers of the economy, faltering consumer demand would slow down the pace of economic recovery itself, creating a vicious cycle.

Third, the situation becomes even more worrisome for another, even more fundamental, reason. It has been noted that experiences in both the USA and Europe of previous jobless recoveries since the 1980s showed that it is likely to take substantially more economic growth to achieve comparable increases in employment than in previous recovery phases. Technology plays an important part in making this happen. Increased use of technology improves labour productivity, and with higher productivity, less labour is needed for same amount of output. Put differently, more economic growth is needed to create the same number of jobs.

Related to the above is an important structural change which goes beyond the immediate impact of the crisis. Economic activities in modern economies are becoming increasingly skill-intensive, with skilled labour serving as a complement to technology, especially in the information- and knowledge-based operations. In a number of these activities, automatic devices have replaced labour. Technologies, operated by a limited number of skilled workers, are replacing a much larger number of low or semi-skilled workers in a number of other economic activities. Many hardware companies are adding skill-intensive, high-value software services or are switching to the latter by abandoning their labour-intensive hardware activities that have lower profit margins.

Some labour-intensive jobs are disappearing. In the USA, for example, by the year 2018 the manufacturing industry will lose 1.2 million more jobs, and the mining and extraction industry will shed another 104 000 jobs while the utility services will see 59,000 job losses, according to the Bureau of Labor Statistics. In some middle class (white-collar) jobs, falling demand is causing both downward pressure on wages (see below), as well as partial disappearance of the jobs themselves.[32]

[32] An analysis by the US-based Street Authority suggests that by 2018 one out of three people will be out of jobs who are engaged as farmers and ranchers,

As Nobel laureat Michael Spence observes, "The abundance of under-employed labor in the world economy has in a sense delayed the arrival of labor-saving technology. But this will end in the century" (Spence, 2011).[33] It may even be earlier than that. Skilled workers, who act as a complement to technology and manage its operation, with a high level of productivity may not suffer, but low-skilled workers do. Capital intensity and high labour productivity can augment competitiveness, but not employment.

On-line market places – like the mobile app stores run by Apple – are in some ways reducing the number of workers and physical shopping places. Technological breakthroughs in robotics and artificial intelligence – such as Google's self-driving cars which are sensitive and responsive to surroundings and IBM's Watson computer which is empowered with artificial intelligence to understand language and answer questions – have the huge potential of replacing low skilled labour, while opening up some new positions for skilled workers.

Technology has been automating tasks people don't want to do, and it has also been raising productivity, requiring less people to work. US manufacturing output rose 3.9 per cent a year between 1997 and 2007 (*Financial Times*, 2011c).[34] However, productivity grew by 6.8 per cent annually in the same period, reducing jobs. In the past, technological advances have accompanied employment growth. This has not been the case in recent years. As James Manyika, a director at McKinsey Global, notes, the past decade marks the only 10-year period in the past 80 years when employment in the USA has risen as productivity has risen. He believes "shortage of innovation" – transformative enough to create markets and industries capable of putting more people to work – is the main cause of the current conundrum (see Figure 2.7: Productivity and Employment).

All this implies a relative decline in the demand for low- or semi-skilled labour as a production input, and makes low-skilled workers increasingly more vulnerable to joblessness. A much higher rate of growth than in the past may be consequently needed to bring down overall unemployment to the pre-crisis level. But such robust economic

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postal mail sorters and processors, assembly line supervisors, truck drivers and semi conductor processors.

[33] Michael Spence. *The Next Convergence* (Excerpt), 2011 http:/www.thenext-convergence.cm/component/content/article/218

[34] John Gapper, "America's Turbulent Jobs Fight," *Financial Times,* 29 July 2011.

growth will remain elusive unless job market and consumer demand start bouncing back. As recently as 31 January 2010, an editorial in *The New York Times* crisply put it. "No Jobs, No Recovery." Breaking the circle in a most judicious way and ensuring that growth in output and jobs reinforce each other would be one of the most challenging tasks for the policy makers (further discussed in Chapter 4).

Decline in labour demand and downward pressure on wages and incomes: why do migrants suffer more?

Slack in labour demand, coupled with increased use of temporary workers and shorter work hours schemes, largely explains why even with some recent output growth alongside significant staff reductions, wages of companies' existing personnel in rich countries were not rising or rising much more slowly than in the pre-recession years. In the USA, for example, although average monthly wages were 3.1 per cent higher in May 2009, compared to May 2008, month-to-month increases in April and May 2009 were only 0.1 per cent, and wages for manufacturing workers fell 0.1 per cent, according to the Labor Department. (Wages and benefits in 2009 rose by a meagre 1.5 per cent.)

Even in the case of the rise in hourly rate, average weekly earnings were adversely affected as employers slashed working hours; in September working time was edged down by one-tenth of an hour, to 33 hours (US Department of Labor, 2009).[35] Payroll data released in September 2011 showed workers were working fewer hours for lower wages, with average hourly earnings down 3 cents an hour at USD$23.09 and the average work week 0.1 hours shorter at 34.2 hours. Further, even when there were slight increases in hourly earnings, the gains were adversely affected by the headline change in inflation. (see also Chapter 4). In another sign of long-term pressure on middle-class wages, an important source of consumer demand, median family income fell in 2008 to $50,300, compared with $52.200 the year before, wiping out the income gains of the previous three years, and (adjusted for inflation), turning it lower than the median family incomes a decade earlier. The US real median income may have fallen by 10 per cent in 2010, compared to its peak in 2000.

[35] US Labor Department, *Monthly Employment Situation Report,* September 2009.

In Britain, research at the Bank of England shows that during the recent recession real wages rose by just 0.1 per cent, compared with a 7.3 per cent rise in the 1990s. Wage stagnation also largely explains why during the 2008–2009 recession, employment fell by just 1.9 per cent (adding to existing unemployment), although the economy contracted by 6.2 per cent. That compared with a 3.4 per cent drop in employment in the early 1990s recession, when output fell only by 2.5 per cent. The Bank warned that this was one reason why there were still great risks of further increase in unemployment in Britain should production and demand did not return as quickly as companies expected.(*Bank of England Quarterly Bulletin,* March , 2009).[36]

The trend towards slow growth in wages was not confined to rich countries alone. As the discussion in Chapter 8 will show, wages and incomes in most parts of the developing world, though still far below those in rich countries, have been rising quite fast. Even so, the pace of the increase has not remained completely unaffected by the impact of the global downturn. For instance, in a review of conditions in 45 middle income countries, the World Bank found that the crisis had an even greater effect on quality of employment – more specifically in terms of wages and hours of work – -than on the number of jobs. Likewise, a recent ILO survey of 54 countries revealed that reductions in hours of work were a common response to the downturn in such diverse countries as Argentina, China. Colombia, Indonesia, Jordan, Mexico, the Philippines, and Viet Nam (ILO, 2009c).[37]

The stagnation of wages in most industrial economies, especially Anglo-Saxon economies, may also be the reflection of a general trend of falling labour share of national income relative to the share going to the owners of capital in the form of profits and interest. Their situation becomes worse in times of economic crisis when the overall labour demand declines. According to one estimate, US wages which had a post-war average share of 63 per cent of national income now account for 58 per cent. If wages were maintained at the same level as a percentage of national income, workers would have earned an extra US$ 740 billion in 2011, or about US$ 5000 per worker. The ascendancy of technology relative to labour, as discussed above, is clearly one reason for this.

The rapid spread of information and communication technology as discussed in the preceding section reduces the bargaining power of

[36] Bank of England, *Quarterly Bulletin,* 50(1), March 2010.

[37] ILO, "Protecting People, Promoting jobs: ILO Report to G-20 Leaders Summit," Pittsburg, September 2009.

organized labour as an increasing number of workers use the flexibility of working at home or away from a central worksite. Rapid pace of change of technology also implies an increase in workforce turnover. This, too, weakens workers' bargaining power. Another contributing factor in depressing wages is the entry of some two billion additional workers from developing countries in the international labour markets in the form of outsourcing and trade as a result of globalization.

The Washington-based Economic Policy Institute advances yet another reason for workers' declining share in national income and stagnation in wages. It refers to a changing attitude of the corporate sector linked to the pursuit of profit. The Institute argues that historically, the labour share tends to rise in times of recession as companies generally hold on to workers, sacrificing profits. But during the 2008–2009 recession, labour share did not go up in the USA. It fell, and when the recovery began it kept falling. According to Lawrence Mishel, president of the Institute, profits in the corporate sector were 25–30 per cent higher than before the recession, despite substantial unused capacity and high unemployment. Andrew Smithers of London-based Smithers & Co. consultancy thinks this reflects a change in the corporate behaviour

Figure 2.7 Productivity and employment
Source: The Conference Board/FT.

linked to a profit–oriented culture based on bonus and share options of business executives.

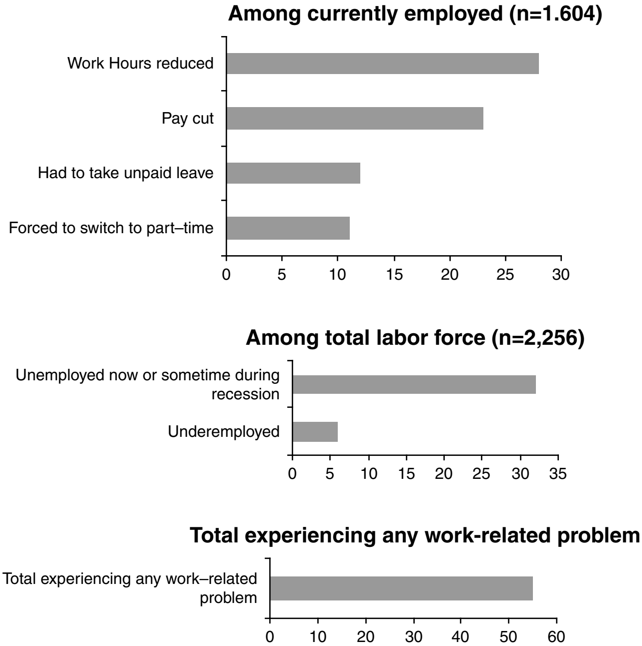
It is most likely that a combination of factors, several of which are closely interrelated and go beyond the present economic crisis, explain the decline in jobs and incomes as outlined above. These include: rapid technical technological change, global trade and interpenetration of labour markets, workers' organizational weakness and waning bargaining power, and the predominance of a profit-oriented corporate behaviour. Whatever may be the underlying reasons, both wage stagnation and job losses can slow down the pace of recovery and even if these help in keeping short-term profits, it would also affect corporate profits in the long run. And, clearly it hurts workers, especially low-skilled, low-wage workers, including, in particular, labour migrants. The longer-term societal implications of these trends, extending beyond the present crisis, deserve closer attention from both organised labour and industry. Despite the commendable analytical work being done by organizations such as the ILO and the OECD on the global employment situation, the structural and cultural aspects of the issue as outlined above have remained inadequately explored so far.

Changes in labour markets affect migrant and non-migrant workers differently

Just as a crisis brings about changes in labour markets in terms of jobs and wages, as well as in poverty and inequality, it also reshapes the distribution of workers among sectors, as well as among age groups and genders. Although most of these changes have a negative impact on the total workforce (Figure 2.8), migrants and non-migrants are not necessarily affected in the same way. The effects on workers also varies between rich and poor countries.

In rich countries, job losses were particularly severe in male-dominated construction, finance, and manufacturing industries. In the USA, for example, between the end of 2008 and the middle of 2009, jobs openings had declined 47 per cent in manufacturing, 37 per cent in construction, and 22 per cent in retail. In general, immigrants in these countries had a disproportionate presence in these most affected sectors, and they were therefore the worse sufferers. This might have led to a shift of migrants' occupations to less affected, and in many cases less attractive, sectors, including agriculture, as happened in Spain; in some countries, as in the Czech Republic and Italy, many opted for self-employment.

Figure 2.8 Effects of the recession on labour conditions in the USA
Note: Percentage of each group of US workers who experienced the following problems
Source: Pew Research Center.



The fact that immigrants are generally more mobile than local workers was helping the process. This probably also helps to explain why migrant employment held up relatively well in a number of OECD countries, especially in such sectors as education, health, and domestic services. A worrisome snag in the situation is that there is no guarantee that laid-off migrant workers themselves can take up the new jobs. To the extent that they fail to do so, there is a risk of long-term unemployment for specific categories of migrant workers, especially for low- and middle-skilled migrants.

The concentration of immigrants in sectors more sensitive to economic fluctuations is not the only reason why migrants tend to suffer more from joblessness than nationals. There are at least three other important reasons for this.

First, many of them hold temporary jobs which are often the first to be cut. They also generally have less secure contractual arrangements which are easier and less costly to terminate. Based on data from past recessions, the OECD has estimated that the cyclical sensitivity of temporary jobs is twice that of total employment (OECD, 2010c).[38] As noted earlier in this chapter, in many OECD countries there was a high concentration of migrants in temporary jobs, with their share exceeding that of the nationals by 50 per cent or more. This added to their vulnerability.

Also, compared to nationals, migrants in many OECD countries tend to have a shorter tenure in the job on average. This, too, makes them more vulnerable to retrenchment during an economic crisis. Data collected by the OECD revealed such difference between migrants and nationals in a number of countries, including Austria, Belgium, Portugal, the United Kingdom, and particularly in Ireland, Spain and Finland. As of 2008, in Ireland and Spain, for example, between one third and one fourth of migrant workers had been recruited in the previous 12 months, compared with 15 per cent for the nationals.

Second, in times of economic downturn, just as employers can try to save labour costs by shedding jobs (as they have been doing especially in the USA), they can also do so by reducing the number of hours worked. Such labour hoarding is useful to companies as it helps them avoid loss of human and social capital, and new recruitment and training costs. The schemes are therefore mostly applicable to permanent workers. Since a high proportion of migrant workers hold temporary jobs, they are less likely to be covered by these labour hoarding schemes. The adjustment to lower labour demand in these cases tends to take the form of retrenchment, contributing to increased joblessness among migrant workers. Another reason may well be the skill composition of immigrant workers. In most OECD countries, immigrants are overrepresented among low skilled workers. And they are more vulnerable because their productivity is low and in most cases they can be more easily replaced. There is enough empirical evidence to confirm this.[39]

Finally, the selective lay-off of migrant workers may also be influenced by prejudices and discrimination against migrants, especially when an anti-immigrant feeling runs high and the protection of labour rights of migrants is weak (further discussed in next chapter).

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[38] OECD "Moving Beyond the Job Crisis," *Employment Outlook*, 2010, Paris.

[39] See, for example, Davis, Steve, John Haltiwanger and Scott Schuh, *Job Creation and Destruction,* Cambridge, MA: MIT Press Cambridge, 1996, and Hoynes, Hilary, *The Employment Earnings and Income of Less Skilled Workers over the Business Cycle,* NBER Working Paper 7188, June 1999.

The recession will also have an effect on the labour force composition in terms of gender and age. In many rich countries the worst affected industries, as mentioned above, were male dominated, while women were predominant in less vulnerable sectors such as education and health services. In the USA, 9 in every 10 construction workers were male, as were 7 in every 10 manufacturing workers. Not surprisingly, in the USA, though men made up half the work force, they accounted for over three quarters of job losses since the recession began. In the past, the rates of male and female unemployment were about the same. In Ireland, the unemployment rate of male workers increased from 4.8 per cent to 9.3 per cent, while the unemployment rate of female workers increased from 4.3 per cent to 5.5 per cent between the second quarter of 2007 and the fourth quarter of 2008.

As immigrant women entered the labour market in many of these countries to help compensate for income losses of male family members, there was an increase in their participation rate in Canada, the USA, and the member states of the EU-15 (OECD, 2010a).[40] And yet in most OECD countries, the unemployment rate among foreign-born women increased at a slower rate than that of their male counterparts.

In emerging and developing countries women, including female migrants, were more vulnerable in labour-intensive and export-oriented sectors such as clothing and garment-making, footwear, and food processing, as well as microchips and electronic products. In these countries female workers engaged in these sectors, including female migrants, were more vulnerable.

The crisis was having an impact on the gender distribution of the workforce, both immigrant and non-immigrant, between sectors. In countries such as the USA, as men lost their jobs in the worst-affected sectors, many of them looked for low-wage and, often less stable, jobs in sectors hitherto dominated by female workers, such as health care and education. This would in some cases affect the competitive position of female workers, both domestic and foreign. Also, since women earn on average 20 per cent less than men, families that solely rely on the income the women bring in were facing financial strain (further discussed in the next chapter). Acceptance of lower wages and other conditions, probably conflated with female migrants' increased labour force participation rates mentioned above, also helped them in increasing

[40] OECD, "The Crisis and Its Impact on Migrant Employment and Movements: Drawing Lessons for the Recovery Phase," DELSA/ELSA/WP2 (2010)3, 1 June 2010.

their employment, while keeping their unemployment rate lower than for their male counterparts.

As for non-migrant female workers, just as the downturn was pushing some of them out of work, it was also driving some back to the workforce. In the USA, for example, some of the educated women who had left work to stay at home were driven back to the job market either because their husbands were laid off or had fears of being laid off or because of their falling fortunes due to cuts in their husbands' salaries or decline in the value of their investment (*The New York Times,* 2009f.)[41]

It is difficult to indicate the extent to which the shift may have affected male workers. However, in the USA, the Bureau of Labor Statistics found that among women with college education aged between 25 and 44 years and living with a spouse, the proportion of those who were working or looking for work increased to 78.4 per cent in the first half of 2009 from 76 per cent in the same period of 2007. The proportion of men of the same age group and with similar labour market characteristics declined slightly from 97.4 to 97.1 per cent during the same period. In any case, these shifts in the labour markets are not expected to have a more than only a marginal effect, if any, on migrant workers.

While increasing unemployment in rich countries has affected all age groups, the fastest increases in most cases (as in the USA) were among those between 60 and 64 years and those between 20 and 24. On the other hand, there is evidence that some of the older people, who had retired, were being driven back to the workforce because of the economic downturn.

Among the migrant groups particularly affected by the crisis were the young migrants While, as discussed, youth unemployment was a serious problem for both migrant and non-migrant populations, conditions were much tougher for the foreign-born youths. As of 2009, the unemployment rate of the foreign-born aged 15–24 reached 15 per cent in the USA, 20 per cent in Canada, and 24 per cent on average in the European Union, with a rate as high as 41 per cent in Spain (OECD 2010a).[42] (This is discussed further in Chapter 4.)

Changes in the age composition and in the participation rates in the labour market affect the over-all employment/unemployment situation. But when these changes run in opposite directions for migrants and

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[41] For some details, see "Recession Drives Women Back to the Work Force," *The New York Times,* 19 September 2009.

[42] OECD, "The Crisis and Its Impact on Migrant Employment and Movements," op. cit.

non-migrants, they are also affected differently. An increase in employment can very well co-exist with a higher rate of unemployment when the increase in employment falls short of the increase in working age population and in the labour market participation rates.

In a number of OECD countries, the working age migrant population fell during the recession. The rate of migrant unemployment in these countries would have been higher than it was if the proportion of working age group had remained constant or increased. Several other countries that saw an increase in migrant employment also experienced an increase in the migrant population aged 15–64 between 2008 and 2009. The increase in total employment thus had little effect in lowering migrants' unemployment rate.

On the other hand, the ageing process of the local population in several OECD countries led to a decline in the number of persons of working age. Their lower participation rate kept their unemployment rate lower but showed a decline in their total employment. In comparing the unemployment situation of migrants and non-migrants in a given country, it is therefore important to take due account of the changes in demographics and participation rates of the two groups.

As will be further discussed in this study, the rise in youth unemployment among migrants, combined with changes in the labour market characteristics of total migration flows to rich countries – including a relative increase in the number of entries through family reunification and humanitarian channels that suggested a low employment outcome – will continue to be a source of concern in the coming years.

Recession-driven changes in world labour markets, more specifically in employment and earnings, as well as in poverty and inequality as discussed in this chapter, help us in better understanding the shifts in world migration, especially labour migration and the migratory flows associated with it. These shifts are analysed in the next chapter.

3

The Crisis and Its Impact on the Pattern of Migration: Changing Trends in Flows and Stocks

The economic and social ramifications of the present crisis, especially its ravages in the job markets, as discussed in the preceding chapters, were having a significant impact on the future configuration of international migration. However, at the time of this writing, the continuing uncertainty about the shape of future recovery makes it difficult to foresee clearly its effects on migration. The difficulty stems also from the relative paucity of detailed information about what actually happened to migration during the past economic crises. The fact that, as already discussed, the contextual circumstances governing past crises vary widely only adds to this difficulty.

And yet it is possible, and indeed important, to discern some of the recession-driven changes in migration, and analyse the trends in related policy measures and their likely effects. This is important because the analysis could help avoid some of the possible knee-jerk, and often self-defeating, reactions in the form, for example, of panicky dismissal of immigrant workers by employers and draconian restrictions imposed by policy makers on new immigration. It can also be helpful in sharpening both government and public vigilance against possible abuse of the human and labour rights of migrants or the rise of ant-immigrant feeling that could lead to social conflicts and xenophobia and retard global recovery. All these considerations lead the discussion in this and the following chapters.

New immigration: alongside falling labour demand a restrictive immigration climate is developing in many destination countries, with dwindling opportunities for legal entry.

As the 2008–2009 recession led to a fall in overall demand for labour and the future looked uncertain, barring a few exceptions, a restrictive immigration climate gained ground in most destination countries, both developed and developing, and opportunities for legal entry continued to dwindle, especially for labour migrants.

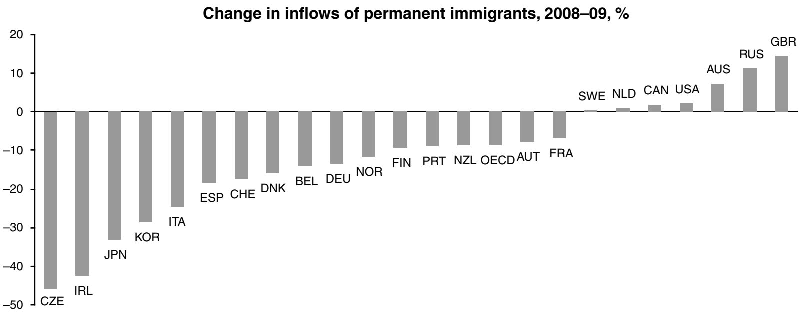
There were also some significant changes in the pattern and direction of new flows. As already noted (see Introduction), a few small countries which had become net receivers of migrants in recent years, such as Ireland, Iceland, and Latvia, witnessed large outflows of people, including their nationals, and became net senders of migrants. In Ireland, in the year to the end of April 2010, figures published by the national statistics office showed a 45 per cent jump in the number of Irish citizens leaving the country. Of the 76,000 people who left the country during the 12-month period, more than half – as many as 40,200 – were Irish citizens.

As the debt crisis deepened in Greece and extended to more peripheral countries, including Spain, Portugal and Italy, and austerity programmes started biting, there were some new flows from the worst affected European countries to other developed countries as well as to emerging economy countries. There were also some new South–South migration. Countries such as Spain and Portugal that had taken over from Germany and the Netherlands as major receivers saw a significant change. Just as these countries were reducing the numbers of new intakes of migrants, they were also experiencing increasing new pressures for emigration of their own nationals. Although the actual number of such movements has so far remained limited, many Portuguese nationals became anxious to move out to countries like Brazil, and large numbers of Spanish nationals to countries such as Germany, Mexico and Argentina.[1] According to official statistics, 118,000 Spanish nationals left the country in the two years to April 2010. In Italy, Confimpresse Italia, a business association, estimates that 120,000 young Italians, of whom 70 per cent are graduates, went abroad in 2009–2010.

Another striking change concerned new, and so far numerically limited, flows from rich countries into fast-growing emerging economy countries such as Brazil and China, further fuelling North–South migration and serving as a harbinger of a change, though not a reversal, of contemporary South–North migration (further discussed in Chapter 7).

[1] Many of those moving to Argentina had double nationality. They had originally migrated from Argentina to Spain, acquired Spanish nationality, and are now moving back to Argentina.

Figure 3.1 Declines in permanent migration
Source: OECD (2011), International Migration Outlook.



Although numerically too limited to bring any immediate change in the world's migrant stock (see later in this chapter), these recent flows marked new trends in international migration.

Juxtaposed with these new emigration pressures, inflows during and immediately following the recession to a number of countries, both rich and poor, slowed down. For instance, in the USA the number of foreigners admitted into the country declined from 1.3 million in 2009 to 1.04 million in 2010. The decline in the United Kingdom was from 505.000 in 2008 to 470,000 in 2009; in Spain from 692,228 in 2008 to 469,34292; in Sweden from 83,763 in 2009 to 79,036 in 2010; and in New Zealand from 63,910 in 2008 to 57,618 in 2010.

In its 2011 report on international migration, the OECD noted significant variations in the declining trends in different types of migratory flows to its member states in the wake of the 2008–2009 recession. The traditional settlement countries in the OECD, which set targets for permanent employment migration (Figure 3.1), saw a decline of inflows of permanent labour migration of nearly 7 per cent in 2009, following a fall of 5 per cent in 2008 (though it remained higher than it was prior to 2007). The fall in free-circulation movements within the European Union and in temporary labour migration was much sharper. They saw the steepest decline of 36 per cent and 17 per cent, respectively, for 2009, compared to 2007.[2] The decline in the number of temporary labour migrants in 2009 was particularly striking, given that, prior to the

[2] At the same time, the pressure for emigration has increased and as noted in Introduction, outflows of skilled immigrants having been causing concern, especially in Southern Europe.

crisis it had shown a decade-long average increase of 7 per cent annually. Seasonal workers, mostly low-skilled workers in agriculture, were the largest single category (one in four) of temporary labour migrants, followed by holiday workers (20 per cent) and intra-company transferees (6 per cent).

The crisis did not, however, have a significant impact on the number of persons seeking asylum which stood at 363,000 persons in 2009, and according to the preliminary data, remained at the same level in 2010. Family and humanitarian immigration policies as well as border controls were, however, tightened for several different reasons, both economic and security-related. Significantly, however, the decline in the number of labour migrants implied an increase in the relative importance of family reunion and humanitarian intakes in total inflows. Given the low employment potential of these migrants, it sharply enhanced the salience of their integration in the labour markets, especially at a time of difficult employment situation (further discussed in chapter 5).

Considering the severity of the economic crisis, migration flows have not declined as much as one might have expected. The OECD surmises that it may be partly due to the demographic and labour market needs of most of OECD countries. However, though seemingly logical, this is likely to be a less plausible reason, given the restrictive immigration climate in most parts of the region. As the OECD itself notes: "Recent elections, in the context of difficult economic conditions, have revealed a discomfort on the part of many voters with the prospect of increasing levels of international migration"(OECD, 2011b).[3] A more likely reason is that it takes time for many of the restrictive policy and regulatory measures to be put in place and made effective in practice. The fact that in the year 2010 there were more hopeful signs of a rapid recovery may also have led some governments to be relatively relaxed in enforcing the announced restrictive policy measures.

Governments can regulate labour migration in three main ways: fixing numerical limits or quotas, establishing labour shortage lists and introducing labour markets tests, including the requirement of a job offer prior to entry. Many governments have used these various instruments to reduce labour migration in response to the crisis (OECD, 2010a).[4] Examples abound; a few are cited below.

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[3] OECD, International Migration Outlook: SOPEMI, 2011, Editorial. , www.oecd/orgmigration/imo

[4] OECD, "The Crisis and Its Impact on Migrant Employment and Movements: Drawing Lessons for the Recovery Phase," 2010

Like most other traditional settlement countries in the OECD, Australia lowered the quota for permanent skilled migrants from 133,000 to 108,100 for 2009, and to 113,850 for 2010. Canada lowered its target for permanent economic migrants by about 2 per cent for the financial year 2008–2009, but raised it by 8.3 per cent for 2010. In the USA, data from the Department of Homeland Security suggested a slowdown in admission of certain types of permanent immigrants in 2009.

Sharp reductions were made in the shortage lists of most countries where the list provided an exemption from labour market tests. Within the OECD, the countries that did so included Australia, Canada, Ireland, New Zealand, Spain, and the United Kingdom.

A few countries (e.g. the United Kingdom, and the USA) also tightened the application of the entry programmes, based on labour market tests. And a number of countries saw the rate of rejections of applications for work permits rising due to the downturn. For instance, in Finland the rate rose from 10 per cent to 27 per cent even as the number of requests fell, and in Ireland it rose from 11 per cent in 2007 to 22 per cent in 2009. Some country-specific additional information, indicative of the recession-driven deceleration of migration inflows, is given below to depict the scenario.

The USA issued 50 per cent fewer visas for low-skilled seasonal workers in 2009 than in 2007 and reduced visas for intra-company transferees by 23 per cent during the same period. Admission of skilled migrants holding temporary H-1B visas slowed significantly. The Trouble Assets Recovery Program (TARP), 2009, banned aid-receiving companies from applying for H-1B visas for highly skilled foreign workers if they had recently lain off American workers. Although the caps for temporary migrants under H1-A and H1-B visas have not changed over the past few years and have always been oversubscribed, there was pressure to further lower the caps. In 2009 Senator Chuck Grassley of Iowa, for example, was urging curbs on the number of H-1B visas in view of the deteriorating unemployment situation.

The recession had no doubt reduced the demand from companies for H1-B visas, but by December 2009 the cap was reached, with more than enough applications received over eight months to allot the 65,000 visas available for the fiscal year 2010. However, according to official sources, over 25,000 business companies participating in the programme were to be audited for verification of the validity of their requests – more than five times as many audits as in 2009. In other words, aside from the TARP related restrictions, the enforcement of the existing caps was tightened.

There are several other indications of a decline in new labour immigration flows in the USA. Under the US system, employers must apply for certification of their job offer (showing that the offer meets the standards of prevailing wages and other conditions for a comparable job). Once the certification is received, they may apply for the relevant visas. In effect, between 2007 and 2009, there was a significant fall in certification applications for permanent employment visas as was also the case with the number of certifications actually issued under the H1-B programme for skilled workers and the H2-B programme for short-term workers. As in 2009 for H1-B visas, the actual visa requests for both types of temporary workers were slow to come by in 2010.

There was, however, at least one narrow immigration stream in the USA that gained a new life as a consequence of the recession. This concerns the US immigrant investor (EB-5) visa programme, which grants lawful permanent residence to foreigners who invest USD500.000 or USD 1 million, depending on whether the money is invested in targeted employment areas (where unemployment is at least 150 per cent of the national average) or in any US business and creates or preserves at least 10 US jobs. The number of approved EB-5 visas nearly tripled between the 2008 and 2009 fiscal years, from 1,443 to 4,218 according to the US State Department. Nearly 90 per cent of the EB-5 investors were estimated to have invested in rural or targeted employment areas.

Policy makers, including Senators Patrick Leahy and Jeff Sessions, were therefore active in promoting the programme as a tool to create jobs in the recession hit local economies (Muzaffar and Bergeron, 2009).[5] The programme however was still a temporary one, and despite the recent increase in its popularity, the number of visas issued in 2009 was still less than half of the annual allocation, and carried only a limited potential impact.

Over all, as the economy faltered and enlivened law enforcement, the USA saw a significant slowdown in immigration. The process already started in 2007, when the country added 500,000 migrants, down from more than 1.8 million the year before, according to the US Census Bureau.

Canada established a short list for applications to its skilled employment entry channel, and made it a requirement for those without sponsorship to have an occupation on the shortage list to be eligible. It

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[5] Muzaffar Chishti and Claire Bergeron, "Recession Breathes New Life into US Immigrant Investor Visa Program," *Migration Information Source*, 15 December 2009.

introduced a stricter review of requests for low skilled temporary workers. After having peaked in the second quarter of 2008, authorization of temporary foreign workers fell by 57 per cent through the third quarter of 2009. The admission of temporary migrants dropped about 11 per cent from 134,378 in 2008 to 119,114 in 2009.

In Europe, a number of countries, including Spain, Ireland, Italy and the United Kingdom, which had previously witnessed large inflows of migrants, especially labour migrants, experienced a significant decline in inflows. In some other countries, inflows grew at a lower rate. Compared to the pre-crisis movements, the largest absolute declines were inflows from new EU member states. In several EU countries, fall in inflows was compounded by an increase in outflows to reduce net migration.

Spain sharply reduced its annual regional ceilings for non-seasonal labour migrants at a total of 901 for 2009, and less than 200 for 2010 compared to 15,700 in 2008. Under the general regime (which exempts nominal requests from a labour market test), its intake of labour migrants fell from more than 20,000 in 2007 to 16,000 in 2009, with less than 2000 entries in the first quarter of 2010. As the crisis led to fewer opportunities in other sectors, more Spaniards and resident foreigners returned to agriculture and took on farming jobs. The result was that the seasonal worker programme saw a sharper fall of new inflows – from 65,000 in 2007 to only 3600 in 2009.

Foreseeing a lower labour demand, Italy, which had set the maximum at 170,000 in 2007 for non-EU workers, lowered its ceiling for 2008 to 150,000, confining it mainly to domestic and personal care work and accepting migrants from the backlog of applications made in 2007. It also decided to set a quota of zero for non-seasonal work in 2009. In both Finland and the Netherlands, the number of applications for work permits fell. In Finland, the monthly number which had peaked in mid-2008 had since fallen below half that level; and in the Netherlands it was down 38 per cent in 2009 compared with 2006. In France, the number of temporary workers fell from 9200 in 2008 to 4800 in 2009. Iceland, one of the hardest-hit OECD countries, saw its labour immigration in the second half of 2008 falling to one-third the level of the previous year and dropping to almost zero in early 2009 (OECD, 2009).[6]

[6] OECD, SOPEMI 2009.

In November 2008, the United Kingdom decided to cut back its originally planned target of 1 million skilled migrants to 800,000 to meet special shortages in specific occupations. A year later, in November 2009, the government confirmed that it would accept an advisory committee's recommendation to remove civil and aircraft engineers, hospital consultants, and ships officers from the skill shortages list. This would imply that the number of jobs open to non-EU workers would dip from 530,000 to 500,000. (*Financial Times,* 2009y)[7] The number of visas issued under its employer requested and labour market tested (Tier 2) programme was more than 35 per cent lower in 2009 than in 2008.

The government also suspended recruitment of non-EU workers for low-skilled occupations and made changes in the points-based system for admission of foreign workers. It tightened labour market tests for certain skilled jobs and raised the standards for admission of foreign workers for some other types of jobs (UK Border Agency, 2009).[8] Explaining the objectives of the change, the Home Secretary stated, "It is right in a downturn to be more selective about the skill levels of those migrants and to do more for British workers first" (UK Border Agency 2009).[9] The tougher entry requirements were estimated to decrease the number of non-EU skilled workers by half (*The Times,* 2009).[10]

At the same time, applications from nationals of the eight newly admitted EU states (the so-called A8 countries which joined the EU in 2004), including in particular those from Poland, dropped from 53,000 in the last quarter of 2007 to 29,000 over the same period in 2008. In 2010 the new government led by the Conservative Party announced a temporary general cap of 241,000 on new non-EU entries, despite resistance from the Liberal Democratic Party, its junior coalition partner. David Metcalf, head of the independent Migration Advisory Committee, announced that the government would need to slash up to 88,000 non-European student visas if it were to comply with the immigration cap (*Financial Times,* 2010n).[11] By 2011 the government announced that the number of skilled immigrants British business could take from

[7] "PM Toughens Stance on Immigration," *Financial Times,* 13 November 2009.

[8] UK Border Agency, "Immigration and Asylum Statistics Release," 24 February.

[9] Ibid.

[10] R. Ford, "High-skilled Foreign Migrants Entering Britain to Halve, Jacqui Smith Says," *The Times*, 23 February 2009.

[11] Cited in "Immigrant Cap in UK Will Curb Overseas Students," *Financial Times,* 19 November 2010.

outside the European Union was to be reduced by one-fifth against the number for 2010, while only 1000 highly skilled workers without a job offer would be allowed to come in against 14,000 a year ago (*Financial Times,* 2011n.[12]

Britain, however, relaxed visa rules for rich people to live and invest in the country. The government had already exempted "high net worth individuals" and entrepreneurs from the government's new cap on non-European migration. Under the new rules, the government reduced the periods of persons bringing in GBL 1–10 million in the country before they would qualify for permanent residency, depending on the amounts brought in.

Australia remains one of the most attractive work destinations for migrants. And yet, the economic crisis led the country to cut more than half the occupations on its shortage list, barring entry for bricklaying, plumbing, carpentry, and electrical jobs, where there was a drop off in demand. Monthly applications for temporary skilled migrant workers fell by 62 per cent compared with peak levels reached in June 2008. The number of visas for skilled workers was set at 113,850 for 2010–2011. A new points-based system was due to come into effect in 2011, with more emphasis on knowledge of English and extensive skilled work experience. Net migration, still positive, fell by 9 per cent.

Australia remained committed to attracting foreign students as potential skilled migrants. Even so, it announced a cut in the number of foreign students by more than half as well as cuts in family visas and general-skills visas in favour of employer-sponsored admissions. There was also a rise in the number of permanent departures from the country – by 6.5 per cent in 2009–2010 – but the destinations had begun to shift. Although Britain and New Zealand were still the more common destinations, two-way flows have been growing between Australia and Asia (mostly, Hong Kong, South Korea and India). New Zealand left its target for permanent economic migrants unchanged and kept open the channel for temporary migrants for certain economic branches or occupations, but it scaled back its immediate shortage list by nearly one-third in mid-2009. Between the first quarter of 2009 and 2010, quarterly applications for temporary workers fell 46 per cent.

Like the USA (as mentioned above), several countries also opted for more rigourous application of admission rules. The United Kingdom,

[12] "Britain to Ease Visa Rules for Wealthy Migrants," *Financial Times,* 7 February 2011.

tightened the application of the entry programmes, based on labour market tests. Canada introduced a stricter review of requests for low skilled temporary workers. And a number of countries saw the rate of rejections of applications for work permits rising due to the downturn; for instance, in Finland the rate of rejection rose from 10 per cent to 27 per cent even as the number of requests fell, and in Ireland from 11 per cent in 2007 to 22 per cent in 2009.

The combined effect of falling labour demand and more restrictive or stringent admission of immigrants and application of entry programmes resulted in fewer actual labour migration entries in most OECD countries. Germany was one of the few exceptions. It had negligible inflows of foreign workers in 2008 and 2009, but with the outlook for growth and employment improving, it increased the intake of immigrant workers, totalling about 130,000, in 2010. The number was set to increase appreciably in 2011 as Germany removed restrictions on free labour movement from the eight central and eastern European countries that joined the European Union in 2004. In June 2011, the German central bank (Bundesbank) forecasted a net inflow of 150,000 migrants in 2012 and 170,000 in 2013 (*Financial Times,* 2011d).[13] Much, however, depends on how the eurozone debt crisis plays out.

Over all, the inflow of immigrants to OECD countries fell by about 6 per cent to 4.4 million persons in 2008, reversing an average annual increase of 11 per cent over five years. Recent national data suggested a further fall of immigration to OECD countries in 2009 (OECD, 2010d).[14]

In Eastern Europe, Russia reduced its quota of new immigrants from 4 million to 2 million and Kazakhstan decided to put a moratorium on the entry of unskilled or less skilled workers. The Czech Republic and Poland opted for a stricter review of requests for entry of temporary workers and, like Lithuania, they reduced the shortage lists. Bulgaria extended the time that a job offer under labour market tests must be publicized locally.

In Asia, Malaysia revoked job visas of 55,000 Bangladeshi immigrants and Thailand decided not to renew work permits for half a million migrant workers, or issue new work permits. On 21 January 2009, Malaysia sharply reduced new recruits of migrant workers, banning new entries of foreigners to fill jobs in manufacturing and services, in

[13] "Strong German Economy to Attract Foreign Workers," *Financial Times,* 11–12 June 2011.

[14] OECD, *International Migration Outlook* 2010, Paris.

order to make jobs available for nationals. In January-February 2007, the authorities had approved 800 employer requests for new migrant workers each day; in the same period in 2008, the number fell to 250 a day (*Migration News,* 2009b).[15] Like Malaysia, Thailand encouraged employers to lay off migrant workers in order to make room for domestic workers.

South Korea reduced the quota of foreign workers from 100,000 in 2008 to 34,000 in 2009, and then to 24,000 in 2010; it also doubled the length of time that a job offer must be publicised locally. In addition, for the first time, it fixed a quota of 17,000 for ethnic Koreans who previously did not need employment visas under the quota system and put a halt to this category of entrance in 2010. While remaining open to foreign skills and talents, Singapore sought to slow down the flow, in keeping with the policy of keeping migrant workers at about one-third of the total work force. As part of this policy, in 2011 it announced measures, effective from 2012, to raise the salary and educational requirements of primary and middle level foreign professionals.

In Latin America, data recently released by the Mexican government showed that during the year ended in August 2008, emigration had declined by 226,000 persons or 25 per cent, compared with the previous year. The net outflows – those who left minus those who returned – fell by half during the same period, according to the National Institute of Statistics and Geography (*The New York Times,* 2009c).[16]

In the Middle East and North Africa (MENA), the impact of the economic crisis was compounded by the Arab Spring upheavals in 2011. The situation generated new movements in the form of refugee and (mostly irregular) labour flows, a good part of which took place, as in the past, within the region, although Europe, too, was affected (discussed in detail in Chapter 6).

What could be the over-all impact of these and other restrictions on new flows of labour migration? Much of course depends on the duration of the economic crisis and the shape of recovery. Historical evidence in the USA does not indicate a long-term correlation between legal immigration flows and normal business cycles. However, the present crisis is not a "normal" business cycle downturn: not only is it truly global but is also much deeper. Furthermore, it has been running for a longer

[15] "Southeast Asia," *Migration News,* 16(2), April 2009.

[16] Cited in "Mexican Data Show Migration to U.S. in Decline," *The New York Times,* 15 May 2009; National Institute of Statistics and Geography, *Comunicado* 251/09, September 2009.

period than most normal business cycles, and at the time of writing the outlook still remains uncertain.

More important, as already discussed, improvement in the labour market, in terms of jobs and earnings, is sure to lag behind output recovery for quite some time. It is likely, though not certain, that output recovery would help avoid panicky reactions on the part of both employers and policy makers in destination countries to curb new migration inflows, but the depressed labour market conditions will certainly act as a drag on labour demand and stand in the way of early reversal of the current slowdown in migration. There are several additional reasons for this.

First, the depth of the downturn especially in the manufacturing sector (despite some tentative positive signs) clearly implies that full recovery will involve considerable economic restructuring, with declining industries and obsolete technologies being replaced by new industries and more efficient technologies. This in turn will invariably demand new skills and aptitudes. Some of the laid-off migrant workers, including those may have already stopped looking for jobs and have left the host country, will be unable to respond to this shift in the labour market needs and reverse the erstwhile slowdown in migration, although the situation may create the need for some new inflows of skills.

Second, even if the need for new skills is recognized, it may not be easy for host countries to recruit new migrants with appropriate skills. Experience shows that should there be large-scale unemployment among migrants in host countries and considerable delay for the job market to recover, there could be a real risk that the channels for labour market information, including social network links, would be weakened, and constrain new flows. Third, as noted earlier, if migration is badly managed during the crisis, leading to social unrest and conflicts, the host country is likely to be more responsive to populist anti-immigrant slogans and campaigns. And if this feeling takes hold and becomes widely entrenched, policy makers may be unable or unwilling to admit as many migrants as they have done in the past. This could thus have an inhibiting effect on migration for a long time to come.

There is yet another consideration. Labour migration is largely influenced by inter-country wage and employment differential and comparative future prospects. Conditions in the source country matter. If owing to higher rates of economic growth, origin countries make faster recovery than the destination countries and if this trend is anticipated to continue, people in the source countries may be less inclined to move to the same destination countries. A recent econometric study in the United Kingdom argues that a likely higher rate of growth and employment in countries that send migrants to the United Kingdom would lead to a fall in net immigration to the latter – 50,000 less by 2015 than in the non-recession scenario (UK Department for Communities and Local Government, 2009).[17]

Economic forecasts suggest that countries such as China, India, and Brazil will continue to have significant positive economic growth, though perhaps at lower rates than in the recent past, and that their recovery will be faster than in many traditional destination countries (further discussed in Chapter 7.) Narrowing inter-country wage and employment differential and anticipated better future prospects of the home country economy may induce some types of workers, for example, skilled persons in specific sectors, to stay at home rather than move. The situation in Poland foreshadowed similar trends.

At a global level, this is likely to reduce total new migration flows between countries in the South and the North collectively as groups. This, however ,does not exclude some future migration flows being channelled or diverted to new destination countries with more promising earnings and job prospects within each group. It is likely that this would include some increased South–South migration (discussed in Chapter 7), including, as in Asia, intra-regional movements. Likewise, this may encourage some additional movements within the North, especially within the European Union, because of its two-speed recovery and its free internal movement regime.

Finally, if the recovery continues to be sluggish for several years or if the recovery process is reversed, policy-makers in traditional receiving countries may be inclined to take active measures to reduce labour migration in response to an increasing labour reserve and perceived future labour market trends or due to the pressure of public opinion.

The short-term impact of the crisis on lowering new labour immigration flows may be attenuated by some mitigating factors. For instance, in the past the job-related visas in countries like the USA were often oversubscribed and visas were issued in chronological order using the backlog of applications. As noted earlier, with a slowdown in the demand for H1-B visas due to the recession, the annual cap on 65,000 visas available for fiscal year 2010 was reached only in December, 2009. But even if there were a fall in the number of applications, this was not likely to affect new employment-based immigration in the short-term

[17] Department of Communities and Local Government, *Projections of Migration Inflows under Alternative Scenarios for the UK and World Economies*, Economics paper 3, London, April 2009.

because of the backlog of applications. However, where labour-market tests are employed, requiring employers to prove an effort to recruit locally, temporary new flows may suffer as unemployment may lead workers already in the country to move to the sectors where jobs are available. Experience shows, however, the limitations of such adjustment; this may be due to skills mismatch as already discussed, or geographic distance and dislocation, and other constraints inhibiting labour mobility.

There is also the question of the time needed for processing visa applications for labour immigration which varies widely between countries and between categories. In the USA, for example, the time lag for employment-based permanent migration could be four to eight years; and the jobs may disappear during the waiting period. Many OECD countries require confirmation that the job in question still exists after issuance of a visa and the entry of the foreigner. South Korea goes further in requiring the signing of a valid contract before a visa is granted. Long delays in visa processing and rapid changes in the labour market could, in such cases, create a real problem in ensuring smooth new flows. When, as in the case of the USA, employment-based visas open the way to permanent migration, the delay would imply no change in the stock of the employment-based visa holders, if, in the current restrictive immigration climate, it is used as an argument for lowering the target of new admission for this category.

Labour migration is, however, only one component of total migration flows. A number of countries both within and outside the OECD accept flows of immigration that are much less sensitive to changes in labour market or economic conditions. These include family reunification, refugee flows and other humanitarian intakes. These flows are sometimes called "non-discretionary" in the sense that governments have less direct administrative control in regulating them. The effects of the present recession on total migration would clearly be more limited in countries where these flows have a large share in total flows.

Over all, the effects of the recession, whether short or long term, on new migration cannot be isolated from policy measures to manage migration and the public attitude to it. Governments have more flexibility in attuning the level of temporary labour migration to trends in the job market. But this flexibility to manoeuvre could be perilous in the event of faulty decisions in the form, for example, of excessive cuts in annual quotas of temporary migrants or making labour market tests unduly restrictive – either out of panic or as a result of populist pressure.

Even in the case of so-called non-discretionary flows, such pressure may induce policy makers to lower immigration, for example, by setting or reducing quotas and changing eligibility criteria for family reunification or refugee flows. As noted above, a number of OECD countries did impose more restrictions on family re-unification by tightening the criteria for admission. Spain and Italy both limited reunification for some parents, and the minimum age for spousal reunification was raised in several countries such as Denmark, Italy, and the United Kingdom. France and the Netherlands introduced language and other tests for some categories of family reunification (OECD, 2010a).[18]

It is worth noting that public vigilance, notably civil society's proactive stance against such restrictions, may constrain inroads into acquired rights or denigration of bilateral and international commitments. In the European Union, for example, a directive sets some limits on the power of member states to curtail family reunification (OECD 2010a).[19]

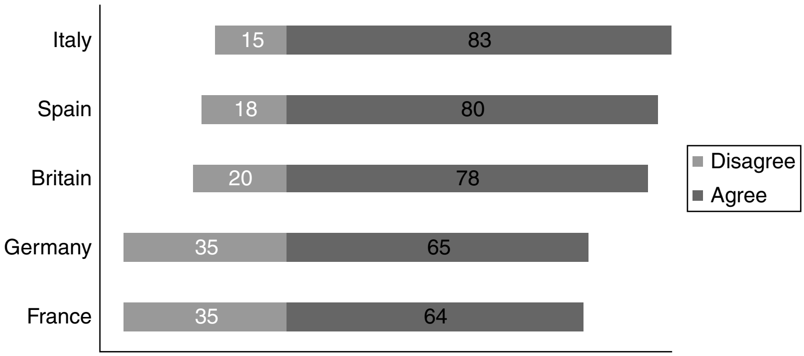
As indicated at the beginning of this section, policy trends and practices in most receiving countries are towards lowering new migration, especially labour migration. If the anti-immigration feeling gains further ground among the public, governments may feel impelled to take precipitous action to make the measures still more stringent.

There were, indeed, some ominous indications that such anti-immigrant feeling was on the rise. An April 2009 Harris/ *Financial Times* poll, for example, revealed that the majority in Britain and Germany opposed citizens of other EU countries getting jobs in their lands. Equally, if not more, revealing is the result of a survey carried out by Pew Research Center in the fall of 2009 that showed that the majority in five EU countries – Italy, Spain, Britain, Germany and France – were in favour of further restrictions on immigration. In the case of the first three of these countries, the percentage was above 75 (see Figure 3.2). Surveys conducted by the Pew Research Center over the past decade showed that the anti-immigrant sentiment in Italy, for example, was widespread; and this may well have increased in the wake of the recession. In 2007, 64 per cent of Italians said immigration was a big problem in that country. More recently, in the fall of 2009 more than eight in

[18] OECD, "The Crisis and Its Impact on Migrant Employment and Movements," 2010, op. cit.

[19] Ibid. p. 43

Figure 3.2 Immigration restrictions and controls – public attitudes
Source: Pew Research Center, 2009.



ten Italians said they would like to see tighter restrictions on immigration (PWC, 2010b).[20]

What, then, is the conclusion? A slowdown in new labour migration flows, especially of less skilled and temporary labour migrants, was already evident and is likely to continue in the short run. The slowdown would be largely demand-driven, but policy measures such as fixing entry ceilings below the level of effective demand (as in Italy and South Korea, for example), and stringent application of entry programmes and increased rejection of employers' applications will continue to play a part. As for the medium- to long-term effects, these depend largely on the duration of the crisis and the shape of recovery in sending and source countries and also on how migration is managed during the crisis. On-going restrictive measures are most likely to have at least a mild restraining effect on new migration also in the medium term, alongside a shift in the composition of the flows. In a number of rich countries, a related disturbing development concerns the outflows of their own enterprising nationals, including young graduates and potential entrepreneurs, depleting their human resources. So far their number, except n a few cases, has however remained relatively limited.

Despite recession-led cutbacks in skilled immigration in some cases, as noted earlier, companies in most receiving countries, especially in the industrial world, have remained anxious to benefit from new skills

[20] Juliana Menasce Horowitz, "Widespread Anti-immigrant Sentiment in Italy," Public attitudes Project, PWC, 12 January 2010.

and innovation. When the recovery starts gathering pace, they will face a still more urgent need for new and additional skills to facilitate the process of industrial restructuring and improve capital productivity. Indeed, the speed of recovery itself in certain sectors would largely depend on such restructuring. In general, these countries would therefore be less keen to reduce the new inflows of relatively scarce skilled migrants than the low skilled ones. Also, defying the populist pressure, both governments and companies have been devising special schemes or arrangements to maintain the skilled personnel already on the payroll, with some success.

To put it differently, skilled migrants are most likely to receive preferential treatment in receiving countries in relation to both new low skilled migrants and those who are already on the payroll.[21] However, given the growing demand for skills in many source countries themselves, rich countries are likely to find it increasingly difficult to attract them. This, in turn, may drive companies in rich countries to look for possibilities of outsourcing more of their activities, despite government efforts to restrain the trend. In any case, the slight new tilt in favour of skilled immigration will have at best only a marginal impact on the ratio of skilled migrants to low skilled ones in migrant stocks as a whole (discussed later in this chapter). This is because the low-skilled migrants constitute by far the larger part of the existing stocks.

In the OECD countries, the change in the composition of total immigration will be of some particular significance. In most of these countries, many new immigrants, as noted, will be mostly too young or too old to be in the labour force, and even some of those who are of working age will come from family reunification and humanitarian streams with traditionally low employment rates. As a recent OECD paper (OECD, 2010a)[22] puts it, the mix of these factors "makes it likely that employment outcomes for immigrants in the near term will worsen before they improve." This points to a constraint as well as a challenge for labour market integration policies for immigrants in the recovery phase (further discussed in Chapter 4).

These and other contextual developments such as high youth unemployment in a large number of these countries may have an attenuating

[21] As discussed earlier in this chapter, this has prevented a number of receiving countries from putting severe curbs on new admission of skilled workers, although the definition of skilled workers has been tightened.

[22] OECD, "The Crisis and Its Impact on Migrant Employment and Movements," 2010, op. cit.

effect even on the underlying factors that have been driving migration so far – including labour market asymmetry between countries and pent-up demand for skills, demographic imbalances, and rich countries' growing concerns related to social security funding.[23] Also, as already argued, if out of panic or extreme populist pressure, governments take draconian action and further harden the on-going restrictions, this could create some longer-term, built-in constrains on new migration flows. Government policies and practices on migration and public attitude to it during and in the immediate aftermath of the crisis therefore remain important from a long-term perspective as well.

Return Migration

Can they be coaxed and cajoled to return?

Just as economic crises tend to lower new migration, especially demand-driven labour flows, it also encourages return migration. Here again it is not just the conditions in the receiving countries but also those in the source countries that matter. In times of lack of opportunities and possible hardships in receiving countries, migrants may be inclined to return to their homelands, especially if they still have some family and social ties and can harness some support. If, however, the economic woes are much worse in the home country and the future looks even grimmer, they may decide to stay on in the host country or, if possible, move to a third country. As noted, in the 1930s, when the Great Depression took hold, some 500,000 European migrants returned to southern Europe from the USA and the number of Mexicans in the USA fell by some 40 per cent.

In times of falling labour demand, the host country may find it politically expedient to encourage migrants to return home and may decide to offer some incentives so that the jobs occupied by migrants can be freed for local workers. In the wake of the oil crisis and the ban on labour immigration in 1973–1974, most labour-importing west European countries offered incentive packages to encourage migrants' return home. As for irregular migrants, the receiving country may decide simply to expel them, as Malaysia and Thailand tried to do, during the 1997–1998 Asian financial crisis.

[23] As discussed in Chapter 7, the situation could, however, change over the longer term due to a possible decline in both pull and push factors driving migration.

The present crisis led to some similar developments. A survey in Ireland late in 2008 indicated that one-third of 200,000 Polish migrant workers expected to return within a year. In the year ending April 2009, 36,200 immigrants, most of whom had come to work in the thriving Irish economy, had left. Over 600,000 Filipino migrants, mostly women working in electronic factories in Taiwan (China), and men working in the construction industries in the Middle East returned home before the end of their contracts in the first quarter of 2009. According to the Indian Ministry of Overseas Indians, around 4 million Indian citizens were working in the Gulf states (an unofficial estimate puts it at about 5 million), and the number of unskilled workers going abroad had soared to 809,000 in 2007 from 466.000 in 2003. As the recession hit the Gulf States, India was bracing itself for a potential wave of returnees. In the absence of official figures, already in 2009, Indian newspapers were reporting a steady flow of returnees, with one Gulf-based broker estimating about 1000 cancellations of visas a day.

Although the host country's economic downturn and rising unemployment were the main drivers of return in most such cases, the specific circumstances often varied from country to country. For Polish migrants in countries such as the United Kingdom, these included the relative strength of the Polish economy which was showing some resilience to the downturn, and better prospects of return to the host country when the recovery begins in the receiving country, given the short distance and low travel costs. The fact that many Polish migrants had in any case intended to return home after limited periods of time also played a part.

Poland has not seen, however, a massive return of its migrants. In 2007, fearing a global economic downturn, Donald Tusk, Poland's prime minister, had set up a working group to get the country ready for a flood of Polish returnees. Anecdotal evidence suggests this has not happened for two reasons (*Financial Times,* 2009q).[24] Some had moved abroad permanently and are now well settled in host countries. At the other end, although some Polish migrants had lost jobs, they were still entitled to more generous benefits in countries like the United Kingdom (despite recent cuts in welfare entitlements) than they would in Poland; there was, therefore, not much incentive to leave.

[24] "Downturn Puts Paid to Polish Mobility," *Financial Times,* 16 September 2009.

For Filipino workers, however, the reasons of return were somewhat different. The fear of non-renewal of their contracts due to closing of companies or imposition of lower wages and inferior labour conditions under new contracts, especially in the Middle East, seem to have played an important role. Their vulnerable situation due to inadequate legislation protecting migrant workers or ineffective enforcement of labour laws in most of these countries contributed to their decision to return. As will be discussed in detail in Chapter 6, in 2011 there were large-scale return movements of labour migrants from countries in Africa, Asia and the Arab region who were working in Libya. The reasons for return were again different: it was the violent uprising and change of regime that forced these migrants to return home.

As in some of the past recessions, a number of host countries were trying to encourage or persuade migrants to return home. At the end of 2008 Spain, for example, offered to pay non-EU immigrants who were unemployed and eligible for unemployment benefits air travel expenses for the immigrants and their families. The programme also offered to pay their accumulated unemployment benefits in two lump sums (40 per cent in Spain and 60 per cent on returning home). The offer was subject to the condition that they will surrender their residence permits and work visas and stay away for three years, but after which they will have priority for re-entry. Only 20 countries with bilateral social security agreements with Spain were eligible. (OECD 2009)[25]

In 2009 Japan introduced a voluntary return programme offering payments of 300,000 yen for each *nikkeijin* adult (ethnic Japanese descendents of earlier Japanese migrants to Latin America) and 200,000 yen for each dependent who left the country and agreed not to return on the same visa. Concentrated in sectors seriously affected by the economic downturn, they suffered from a much higher rate of unemployment – estimated at above 20 per cent – than Japanese nationals. As of January 2010, more than 17,000 unemployed *nikkeijn* returned under the programme, but at least three times as many did so without using the programme, possibly to retain the eligibility to return to Japan. In February 2009 the Czech Republic introduced a policy to pay EUR 500 and air fare to unemployed migrant workers. The move mainly targeted at those who had come from Mongolia, Uzbekistan and Vietnam and who had been legally employed as temporary contract workers, but had lost their jobs.

[25] OECD, 2009, op .cit page 41.

Experience suggests, however, that the impact of such incentives on return may not be very encouraging; it is often marginal, and in some cases even perverse. In the mid-1970s when, in the wake of its ban on labour immigration, West Germany offered incentives packages to encourage return, it fuelled new entries through family reunification, and some immigrants, especially from Turkey, who were used to circulatory movements, decided to stay put in Germany, making it eventually an immigration country.

The French programme of incentives launched during the same period did not have much success either. An important reason for this was that returnees were required to give up not only their residence and work permits but also their claims on social insurance benefits. Later, in 1977 the financial incentives were increased, but despite the increase, the response from the Algerian immigrants who were the main targets was subdued. As in West Germany, instead of returning many brought in their dependents, swelling family reunification flows. More than 60 per cent of returnees were Spanish and Portuguese immigrants (Dustmann, 1996).[26] and it is likely that (as conditions in home countries were improving) many of them would have returned anyway.

The results of the incentives programmes launched during the current crisis did not seem to be any more promising than those tried in the past. At the time of writing, the Spanish programme mentioned above had failed to elicit an overwhelming response. By January 2010, 10,000 unemployed immigrants had signed up and returned home, compared with some 137,000 persons who were eligible. The Czech programme was more successful. Already by March 2009, 74 per cent of Mongolian immigrants signed up for the programme. Although the response from the Uzbeks was much slower, the first phase of the programme was successfully completed with about 2000 returnees.

In several countries the recession has prompted policy makers to make declarations urging preferences for domestic workers over foreigners that could well serve as an indirect push for jobless immigrants to return home. As noted earlier, in April 2009 US Senator Grassley, for example, suggested that Microsoft should retrench foreign workers to protect American workers. In the United Kingdom, the Home Secretary declared in February 2009 that “it was right in a downturn ... to do more to put British workers first.” Labour strikes against the legally employed

[26] Christian Dustmann, “Return Migration: The European Experience,” *Economic Policy*, 22, London 1996.

Italian workers in Britain's oil refineries in March 2009 showed that political pressure was building up to push migrants to return home even though they came from a member state of the EU and were legally employed.

The public mood that was developing in many EU countries on the matter was not much different. A Harris/*Financial Times* poll conducted in April 2009 (referred to above) in five major EU member countries showed that the majority would like the unemployed foreign workers from other EU countries to go back. The recent, (since before the recession), trends towards restricting eligibility for social benefits, including for temporary and irregular migrants, in several rich receiving countries could also be an added element favouring return.

Return migration works well and is generally more sustainable when it is voluntary, and, when needed, supported by well planned assistance at both ends (Ghosh 2000).[27] However, return generally is voluntary only when conditions in the source country are sufficiently promising. More than the absolute level of income or development ,it is often the rate of growth of the economy and future prospects – the feeling that tomorrow would be a better day for him or her and the family – that encourages a migrant's voluntary return. (Ghosh 2000).[28] Temporary return is also facilitated when the distance between the sending and receiving countries is short, travel cost low and the migrant has the possibility of re-entering the host country with ease, as was the case with the Polish migrant workers in the United Kingdom, mentioned above.

Entitlement to social benefits also plays an important part in return. In many countries, including the USA and the United Kingdom, recently arrived and irregular migrants were not eligible for most social benefits. However, for those migrants who are eligible, non-portability of those benefits to home country could be a major constraint on return. This applies particularly to migrants from developing countries that in most cases do not provide adequate social safety nets. The absence of adequate social safety nets may be a reason why despite the economic downturn there was no immediate large scale exodus of Mexicans living in the USA: the same number of migrants, 450,000, returned to Mexico in 2008 as in 2007, although the situation may be changing, as noted in the next section.

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27 Bimal Ghosh (ed.), *Return Migration: Journey of Hope or Despair?* 2000. IOM/United Nations, Geneva.

28 Ibid.

When economic conditions are bad in both host and home countries, unemployed migrants may try to move to a third country, as was experienced in some of the previous crises. Given, however, the global spread of the present crisis such opportunities especially in the North are limited, although there are some rare exceptions. Germany, as already mentioned, was open to new intakes of skilled immigrants. As part of its efforts to meet its long-term skill shortages, the Canadian province of Alberta launched early in 2008 an information campaign to attract holders of H1-B and E-3 visas in the USA by offering them better facilities such as faster and surer track to permanent residence permit (OECD 2009).[29] As already noted, if recovery proves asymmetrical with some of the emerging economies moving faster than the others, some of their migrants may return home. They may also become possible new destinations for migrants of other countries.

Irregular migration: conflicting trends

Will there be delayed reverse irregular return to host countries?

How will the crisis affect irregular migration? Economic crises impact on irregular migration in several different, and to some extent, conflicting ways. The present crisis is not likely to be any different. When economic conditions are bad and job opportunities dry up in the destination country, irregular migrants tend to stay away. More so, if, as is likely, both border control and employer sanctions against employment of irregular migrants are tightened up in the destination countries at the same time. Not surprisingly, flows of irregular migration from Mexico to the USA, for example, stopped rising in 2008, as was also the case during the recession of 2001–2002.[30] In April 2009, the Pew Hispanic Center estimated that illegal crossings had fallen to 500,000 in 2008 compared with an average of 800,000 during 2002 and 2006.

The number of people apprehended while trying to enter the US illegally fell to 724, 000 in 2008, and to around 613,000 in 2009, the lowest levels since 1973. The findings of a recent report by the US Department of Homeland Security seem to be consistent with this. It estimated that by January 2009, the stock of irregular migrants had fallen to

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[29] OECD, 2009, op. cit.

[30] Jeffrey Passel and D'Vera Cohn, *Trends in Unauthorized Immigration: Undocumented Inflow Now Trails Legal Inflow*, Pew Hispanic Center, Washington D.C. 2008.

10.8 million, from 11.8 million in January 2007 (US Department of Homeland Security, 2009).[31]

The US Department of Homeland Security attributed this decline to more effective border control, because it raises costs and risks for potential immigrants. However, as Wayne Cornelius, emeritus director at the Center for Comparative Immigration Studies at the University of California, San Diego, argues, the economic downturn was probably a more important reason. For example, unemployment in the State of California, which has long attracted and relied on cheap labour, had shot up to 11.6 per cent by the middle of 2009. Jobs were scarce and those still available were less stable. No wonder that potential migrants were less willing to pay thousands of dollars to traffickers and risk their lives in the desert to migrate illegally. The same situation probably explains the sharp decline in states like Arizona and Florida – by 13 per cent and 25 per cent respectively. True, Arizona had introduced tougher immigration control, but if the latter was the main reason for the drop in the level of irregular migrants, it could not explain a sharper fall in Florida which had implemented no such measures.(Muzaffar and Bergeron, 2010)[32]

The size of the irregular migrant population in a particular state or region within a country may, however, be influenced by other factors as well. For instance, as will be mentioned in the next section, in times of economic crisis some irregular migrants in the country may decide to move to states or areas already hosting large migrant communities for support from social networks, even if the job prospects are not sufficiently encouraging.

There are, however, also opposing forces that tend to increase irregular migration during an economic crisis. One such risk concerns a rise in over-stayers. Many unemployed workers with temporary, job-related visas would be unable to find new jobs in a recessionary environment either in the host country or in a new one. Even under the relatively liberal Swedish immigration policy, an unemployed migrant holding a work permit must find a job within three months from the date he or she was unemployed – not the date of expiry of the work permit – to

[31] M. Hoefer, N. Rytina, and B.C. Baker "Estimates of the Unauthorized Immigrant Population Residing in the United States," January 2009. Office of Immigration Statistics, Policy Directorate, US Department of Homeland Security. 2010.

[32] Muzaffar Chishti and Claire Bergeron, "Increasing Evidence That Recession Has Caused Number of Unauthorized Immigrants in US to Drop," MPI, 15 March 2010.

avoid departure. Returning home may be costly, or the situation there may be even worse. The migrant may then be left with no other alternative than to go underground and try to find a job in the informal sector, with an irregular status. It is difficult to say at this stage how many temporary migrants holding job-related visas might be driven to this situation by the present crisis. But the danger is real, and surely it will be more so if the crisis becomes protracted and joblessness continues to be remain at a high level.

A recessionary environment may also encourage new sources of irregular migration. As argued earlier, if the present restrictive trends in migration gain further ground, it would be sometime before they can be reversed even if output recovery starts in the meantime. In such a situation, some of the students and tourists may decide to stay in the host country beyond the date of expiry of their respective visas in anticipation of taking up jobs when the labour demand picks up following recovery.

In the European Union, around 570,000 third-country nationals were apprehended in 2009 for staying without proper authorization. However, as in the USA, the flows of irregular migration to the European Union seemed to have slowed. EU member states reported 106,200 illegal border crossings in 2009, down a third from 2008. Even so, some countries saw the number going up. Also, the combined movements of asylum seekers and irregular migrants, triggered by violence and the economic woes in origin countries, revealed some of the deficiencies in the EU's existing arrangements to deal with such inflows.

This came into sharper relief by the situation created by the mixture of inflows of irregular migrants and asylum seekers to Greece in 2010 as it did when there were similar inflows from North Africa to the Italian island of Lampedusa in 2011 (discussed in the Introduction and in Chapter 6). Arrivals of irregular migrants and asylum seekers from Turkey to Greece through its northern border rose 369 per cent in the nine months to the end of September 2010, compared with the previous year. This led Greece to announce, amid controversy and some internal opposition, its intention to build a 12.5 km fence at Eros, an entry point to Greece and the European Union. Greece's EU neighbours were worried that these migrants who entered the EU territory through Greece could then move to other EU countries. French and German interior ministers openly spoke about "the well-known difficulties that are currently fragilising (sic) the Schengen area."[33]

[33] Cited in *Financial Times*, 5 January 2011.

The Greek proposal, however ,received a cool response in Brussels where an EU spokesman remarked that fences were a "short-term measure" that did nothing to address underlying migration challenges. Meanwhile a few countries, including Britain and the Netherlands, stopped sending back asylum seekers to Greece, where under the EU agreement they can be returned as the country of first arrival in the EU, as the large numbers of arrivals had led to a huge backlog in processing.

As concerns new irregular inflows, it is well known that when the emigration pressure in source countries is high and there is unmet labour demand in destination countries, and especially when the two converge, restrictions on immigration only drive the flows to irregular channels. (Ghosh, 1998)[34] If in destination countries the output recovery moves ahead and labour demand starts picking up but the immigration restrictions persist, a similar situation is most likely to emerge in the wake of the crisis.

The most disquieting potential source of irregular migration lies in joblessness and rising poverty in labour-abundant origin countries. As noted, when the destination country faces an economic downturn, irregular immigration generally slows down. However, when the economic woes spread to the sending counties and pose threats to livelihoods and stability in sending countries, things can rapidly change.

Given the mostly synchronized nature of the present crisis, the same can happen this time. With the rise of joblessness and poverty in poor countries, there is a real danger that many in these countries, especially those that have no social safety nets, could be propelled to seek escape in the more affluent, developed and developing, countries. One study suggests if real wages in Mexico fall by 10 per cent, the USA can face a rise of between 6.4 and 8.7 per cent in attempted irregular entry (Hanson and Spilimbergo, 1999).[35] If the crisis becomes protracted and conditions further deteriorate in these countries, some of the erstwhile returnees, too, may join the irregular outflows, staging a delayed reverse return to rich countries.

Despite the recent decline in Mexican migration to the USA, a September 2009 survey by Pew Research Center revealed that 31 per

[34] Bimal Ghosh, *Huddled Masses and Uncertain Shores: Insights into Irregular Migration,* Martinus Nijhoff, 1998.

[35] Gordon H. Hanson and Antonio Spilimbergo. "Illegal Immigration, Border Enforcement, and Relative Wages: Evidence from Apprehensions at the US–Mexico Border," *American Economic Review*, 89(5), December 1999.

cent of Mexicans would like to migrate to the USA, and more than half of them would do so even without authorization (PWC, 2009a).[36] For many of them, troubled economy was a major problem, alongside crime and illegal drugs. In fact, press reports in January 2010 were already suggesting a surge in the number of Mexicans trying to cross illegally to the USA by sea. Indicative of this was that the total number of interdictions at sea, including those related to drugs and human smuggling, rose to 419 in the fiscal year 2009, compared with 224 in 2008 and 134 in 2007 (*The New York Times,* 2010c).[37]

In Europe, the crowding of irregular migrants and asylum seekers at Sangatte in Calais in 2008 was indicative of the build up of pressure for irregular migration. Although the Red Cross relief camp at Sangatte was closed in December 2002, there was a continuous flow of Afghans, Kurds, and Africans from the Horn of Africa and elsewhere, pouring into the area. Many, assisted by human traffickers – they had been paid in blocked bank accounts between USD 500 and 1,100 for each person – were hoping to cross over to Britain. According to local sources, in the first year after the camp was closed, there were hardly any migrants from Africa, but in 2008, at any one time 400 migrants from different nationalities were in Calais as some left and others came. According to the charity umbrella group, C'Sur, about 80,000 people – both irregular migrants and asylum seekers from 112 nations – passed through the Calais area since the closure of Sangatte camp in 2002 until 2008 (*The New York Times,* 2008).[38]

The fluid situation created by the Arab Spring upheaval in North Africa encouraged some among the transit migrants – including Somalis, Eritreans, Senegalese and Nigerians – who had been moving around in the region trying to get to Europe – to make fresh attempts to do so, swelling the ranks of migrants already there including the hubs in remote and isolated areas. In Spain, for example, authorities estimate there were perhaps 10,000 irregular immigrants already living in the woods in the southern Spanish province of Andalusia and thousands more in areas that produce oranges, olives, and vegetables.

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[36] "Troubled by Crime, the Economy, Drugs and Corruption: Most Mexicans See Better Life in U.S. – One-in-Three Would Migrate." Pew Research Center, September, 2009.

[37] "Two Charged in Deaths of Immigrants at Sea," *The New York Times,* 30 January 2010.

[38] "A Port without Shelter," *The New York Times/International Herald Tribune,* 29 April 2008.

(*The New York Times,* 2011b)[39] With the pressure for irregular migration rising, there is a potential danger that human traffickers will have a field day unless remedial measures are taken (discussed further in the next chapter).

As for the stock of irregular migrants, there are also reasons (discussed below under global migrant stock) why some of the existing migrants holding job-related temporary visas may, on losing jobs, decide to go underground and thus add to the irregular stock, although the numbers involved may be limited.

Internal movements: Escape to rural areas, urban informal sectors and social support hubs

Given the constant flow of rural–urban migration, and also, though on a much smaller scale, some reverse movements, it is difficult to make a precise estimate of the number of internal migrants. The situation remains fluid and volatile. However, the United Nations Development Programme (UNDP) reckoned in 2009 that there were some 740 million internal migrants worldwide.

There is some evidence that the economic crisis may have led to an increase in internal movements in both rich and poor countries, although it also created some new constraints. An important reason for this is that in the absence of social safety nets or income support alternatives, job losers move back to rural areas or move to urban centres in search of informal jobs. For migrants holding job-related temporary visas who have become unemployed, such movement also provides relative safety from detection and deportation on grounds of their irregular status. In countries where the level of unemployment varies widely from one area to another, many people move in search of jobs or to have support from their social network in less affected areas. In China, for example, in 2008 many migrants in export centres in southern parts of the country returned home in rural areas after production was scaled down. However, in Beijing and inland cities where migrant workers were already more prevalent in construction and services sectors, arrivals continued to rise (*Financial Times,* 2009aj).[40]

[39] "Chasing Riches from Africa to Europe and Finding Only Squalor," *The New York Times,* 25 May 2011.

[40] "China's Urbanization Hits Migrant Workers," *Financial Times,* 24 December 2009.

In some developing countries, the opening up of the interior and industrial relocation in the hinterland can influence criss-cross internal movements. The economic crisis has been contributing to this process in China. As factories in coastal areas were moving to poorer regions in western China to take advantage of lower wages and taxes, local workers could now find jobs close to home, leading to a decline in the previous movements from these areas. In January 2011, it was reported that following the Chinese spring festival when millions of migrant workers travel to get together with their families in villages many will not return, causing concern among employers in coastal towns about labour shortages. Although average wages in the inland provinces were much lower (around *Renminbi* 1.500 as against *Renminbi* 2500 per month in coastal areas), these migrant workers find their inland jobs more attractive because of the lower cost of living and proximity to their families. Some, however, come back when they find that the life style, living standards, and the available amenities in inland provinces are not satisfactory. This increases internal movements.

However, as export orders were rising with economic recovery, factories in urban-industrial areas of Guandong in China that had shed workers in 2008–2009 were already worried about labour shortages. Some were trying to adapt to the new situation by turning to temporary workers as a short-term shot in the arm, while provincial authorities raised the minimum wages for these urban and industrial centres. Eventually some of the vacant positions could be expected to attract unemployed workers from other parts of the country, leading to new internal movements (discussed in further detail in Chapter 7).

Migrants, especially those who are young and single, are generally more mobile than the local population. However, in countries such as the USA (which even in normal times has a much higher rate of internal mobility than, for example, Western Europe) the recession seems to have generated some new mobility from one state to another, depending on the relative growth rates and employment situation, for local populations as well. This is reshaping the country's economic and demographic map.

Earlier census reports in the USA suggested that the recession was contributing to lack of mobility, as Americans stayed in homes they could not sell. As mentioned in the Introduction, the sharp fall in house prices relative to the debt owed on homes, has the effect of restraining movement within the country. The figures released by the Census Bureau in December 2009 (reflecting the situation as of July 2009) indicated that states in the south and the west that had attracted large numbers of people during the real estate boom a few years before were now experiencing less inflows and sharply lower growth in population. States like Arizona, Nevada, and Florida that had been leading the country in internal immigration were now low on the list.

At the same time, however, some states, including Florida, Nevada and California, saw more Americans moving out than coming in, contributing to internal mobility. Among migrants, too, internal movement patterns are shifting. Census data showed that once hectic flows of Hispanic migrants to "bubble towns" such as Las Vegas and Phoenix as well as to parts of the Midwest had slowed. However, traditional migrant heartlands such as California saw an increase in Hispanics as people returned to social networks for support. (For a discussion of trends in rural-urban migration in the countries of the South, see Chapter 7).

Global migrant stock: How will the criss-cross of migration flows affect the global migrant stock?

If recession affects migration flows, it also reshapes both current and future migrant stock. When an economic crisis leads to a slowdown in new migration, it must also have the effect of decelerating the rate of growth in the migrant stock, if other things remain the same. To the extent that the downturn in host countries leads to a higher rate of return to home countries than in the past, it would also play a part in reducing the migrant stock or at least in decelerating its growth. However, as concerns the present crisis, it is difficult to anticipate what the net effect of these different in-and-out movements is likely to be on the migrant stock in future. Much would depend on the duration of the downturn and the shape of recovery, notably job and income recovery, and the country-specific situation.

So far, however, neither the slowdown in new inflows nor the rise in return movements has been significant enough to change the size of the global migrant stock, although its rate of growth may have decelerated. The situation, of course could be different in specific countries which may be exposed to large-scale returns of existing migrants and little or no new inflows. In the USA, the stock of migrants increased sharply between 2000 and 2007. Data collected by the Current Population Survey showed that there was a deceleration in the growth of the stock during the recession years, with the stock varying between 37 and 38 million. As of October 2010, the stock of foreign population, according to the survey, was 38.5 million. As for the current stock of working age migrant population, the OECD estimated that a number of its member countries – Austria, France, Germany, the Netherlands, and the USA – experienced a decline in the migrant stock and a negative net migration between 2008 and 2009 (OECD, 2010a).[41]

Tentative indications of future trends in migrant stocks are available for a few countries. In the United Kingdom, for example, it is projected that the migrant population would be smaller by some 360,000 by 2015, as compared with the pre-recession projection in July 2008, and would reduce the UK labour force by 200,000. (UK Department of Communities and Local Government, 2009).[42]

Short-term projections can be made on the basis of trends in flows in the coming years. For example, in Ireland it had been estimated that a net outflow of 60,000 migrants had occurred in the year ending April 2009 and a further net outflow of 40.000 was forecasted for the year ending April 2011.

In the event the crisis is protracted or the economic recovery becomes highly asymmetrical, with many poor sending countries lagging behind, the likelihood is that return migration to source countries will slow down and the pressure for new migration through irregular channels, will increase, as already argued, although the actual entry would largely depend on the degree of effectiveness of border control.

The downturn can make more migrants go underground with an irregular status, and add to the irregular migrant stock

It has been noted that, despite a slight temporary decline in the stock of irregular migrants in countries like the USA, there are signs that the pressure for new migration through irregular channels is increasing. No less disquieting, the delay in job recovery could make some of the existing legal migrants go underground. In case of dismissal, those existing migrants who are on job-related visas can have three options: (a) return home or to a third country where there may still be some opportunities; (b) look for alternative jobs in the host countries' less affected sectors,

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[41] OECD, *The Crisis and Its Impact on Migrant Employment and Movements: Drawing Lessons for the Recovery Phase,* op. cit.

[42] UK Department of Communities and Local Government, *Projections of Migration Inflows under Alternative Scenarios for the UK and World Economies*, Economics paper 3, London, April 2009.

mostly at lower wages and with less social protection; or (c) go underground, and try to eke out a living in the informal sector.

However, given the internal and external spread of the present crisis, the possibilities under both (a) and (b) remain quite limited. These are also not without risks (discussed in the next chapter). The probability is that many among the sacked temporary workers will add to the number of new irregular inflows of migrants and inflate, however modestly, the total irregular migrant stock.

4

Effects of Changes in the Migration Pattern: Discerning Perils and Pitfalls

The effects of recession-driven changes in the configuration of migration and composition of the workforce could be manifold and mostly disturbing for both rich and poor countries. It has been noted that some of the seemingly short-term effects on migration and the policy responses to them could have an enduring effect, as was experienced in the years following the Great Depression. Likewise, as discussed, rising youth unemployment among migrants, combined with the increase (relative to labour migrants) in the flows of non-working age migrants and of those with low employment outcome due to entry through family reunification and refugee channels, as experienced in a number of the OECD countries during the present crisis, could have long lasting consequences. There are many more of such potential effects of the recession-driven changes in the migration pattern.

Admittedly, the extent and depth of these effects themselves and at least in some cases even the degree of probability of them taking place would largely depend not just on the shape of future recovery but also on the nature of the response of migration policies nations might develop at both ends of the flows. This chapter discusses some of the potential perils and pitfalls entailed in the recession-driven changes in migration, and how perverse or deficient migration policies can aggravate them.

Receiving countries

Indiscriminate restrictions on immigration can harm future growth and retard recovery

Economic slowdown reduces labour demand. It would thus be normal for a receiving country to reduce new immigration consistent with the changes in the labour market. However, when driven by panic or populist political pressure, a receiving country takes draconian measures to impose undue and indiscriminate restrictions on immigration, these are likely to place a heavy discount on the country's long-term growth and wider economic interest.

Several studies have shown the links between immigration and economic growth.[1] A 2005 World Bank (2005) study showed that increasing migration equal to 3 per cent of the stock of labour force in rich countries between 2005 and 2025 would generate global gains of $ 356 billion. The gains in the income for developing countries (including gains for new migrants) are 1.8 per cent, while the gain for high-income countries is 0.4 per cent. Another study by Hamilton and Whale (1984) estimated that if all barriers to inward mobility were removed, the efficiency gains could double global income. Updating data for 1998 Moses and Letnes (2004) showed that the expected "most reasonable" global efficiency gains from complete liberalization of movement are almost USD 3.4 trillion. When these figures are adjusted for workforce and efficiency differences between countries, the lowest possible gain is still USD 1.97 trillion or 5.6 per cent of world income in 1998. The authors also estimated that even a 10 per cent increase in international mobility of labour would generate an annual efficiency gain of about US$ 774 billion in 1998 dollars.

Several studies also show that gains from liberalization of labour mobility could be substantially higher than liberalisation of goods and services. Dani Rodrik (2002) estimates that since wages for similarly qualified workers in developed and developing countries differed sharply – by a factor of 10 or more – as against a difference for commodities and financial assets that rarely exceeds a ratio of 1:2 – the gains from openness in migration could consequently be much higher, roughly 25 times the

[1] There have been a number of recent studies on the economic benefits of freer movement of workers from developing to developed countries (World Bank, World Economic Outlook 2005); Rodrik, *Feasible Globalizations,* 2002; Hamilton and Whaley, "Efficiency and Distributional Implications of Global Restrictions on Labour Mobility," *Journal of Development Economics,* 1984; Jonathan Moses and Bjern Lentes "The Economic Costs to International Labor Restrictions: Revisiting the Empirical Discussion," *World Development* 32(10): pp. 1609–1626dn). These studies bring into focus possible welfare gains from a more efficient allocation of labour. However, they do not take into account all the relevant economic and social costs involved in such cross-border movements. See Ghosh, "Economic Effects of International Migration: A Synoptic Overview" in IOM, *World Migration* 2005, chapter 8, pp 163–164.

gains from liberalisation of movement of commodities and capital. Several other studies draw similar conclusions, showing higher gains from labour mobility compared to openness in trade. Using data for 2001, the World Bank's Independent Evaluation Group, for example, calculated that the gains from total trade liberalisation are US$ 155 billion while gains from just 3 per cent increase in the stock of migrants are US$ 175 billion.

Although the models used in these studies are based on certain static assumptions and leave several empirical gaps, especially as concerns social and economic costs, including negative externalities, they clearly show that liberalization of migration presents possibilities of substantial gains in global welfare. These potential gains from openness in migration are also confirmed by several country- and region-specific studies. In April 2009 an official study in the United Kingdom suggested that an estimated fall by around 360,000 in the migrant stock by 2015, and a consequent reduction in the labour force by 200,000, would lead to a 0.1–0.125 per cent decline in the country's economic growth (UK Department of Communities and Local Government, 2009).[2]Another study carried out by Christian Dustmann, professor at University College in London, using data over four years since 2004, found that the immigrants from the eight countries (A8) that joined the EU accession in 2004 contributed significantly more to the UK tax and benefit system than they received.[3] A detailed analysis by the UK Home Office of the fiscal impact of immigration came to a similar conclusion. It estimated that in 1999–2000, migrants in the United Kingdom made a net fiscal contribution of approximately UKL 28.8 billion (Gott and Johnston 2002).[4] In the USA, census data analyzed for 25 metropolitan areas at the Fiscal Policy Institute in New York showed a close link, (though not necessarily a causal relationship), between economic growth in urban areas and immigration. As David Kallick, director of immigration research at the Institute put it, "Economic growth in urban areas has been clearly connected with an increase in immigrants' share of the local labor force" (*The New York Times,* 2010 f).[5]

[2] UK Department of Communities and Local Government, *Projections of Migration Inflows under Alternative Scenarios* op. cit.

[3] Christian Dustmann et al , *The Fiscal Effects of A8 Migration to the UK,* vox, 8 August

[4] C. Gott and K. Johnston, "The Migrant Population in the UK: Fiscal Effects," RDS Occasional Paper No. 77 2002.

[5] Cited in "Work Force Fueled by Highly Skilled Immigrants," *The New York Times,* 15 April, 2010, See also FPI, *Across the Spectrum: The Wide Range of Jobs Immigrants Do,* New York, April 2010.

Another study by the OECD of countries covering a 25-year period, 1980–2005, found that increased immigration is co-related to commensurate increases in total employment and GDP growth (Ortega and Peri, 2009).[6] At the EU level, research findings recently presented to the EU Parliament showed that migrants from within the EU had boosted the region's aggregate GDP by 0.28 per cent since 2004. Calculations for Germany showed that if the aggregate net payments made by the immigrant population were evenly distributed among future-born Germans, their net tax burden would fall by about 30 per cent, assuming a constant annual immigration inflow of 0.25 per cent of the initial resident population. (Bonin et al 2000).[7] In Italy, Unioncamare, a business association, estimates that migrants produce 9 per cent of the country's gross domestic product. (*Financial Times,* 2009ao).[8] While they account for one out of 10 total workers, many do not have families with them, which reduces the economy's social burden. Clearly, though, immigration cannot provide a long-term solution to the fiscal problem of an aging population.[9]

Such potential gains are foregone when a country takes knee-jerk measures and put sudden brakes on migration. Worse still, such action carries the risk of causing serious economic and social dislocation, especially when countries are bilaterally linked for most of their two-way movements. The consequences could be unsettling as sudden and unilateral ban on inflows of foreign workers can also encourage tit-for-tat retaliation for two reasons. First, since more and more countries – one-fourth of nearly 100 countries covered by a recent ILO survey (ILO, 1999)[10] – were major senders and major receivers of migrants at the same time, the potential scope for such retaliation is quite considerable.

[6] Francs Ortega and Giovanni Peri, "The Causes and Effects of International Migration: Evidence from OECD Countries, 1980–2005." NBER Working Paper 14833, Cambridge. MA: NBER 2009.

[7] Holger Bonin, B. Raffelhuschen and J.Wallisen, "Can Immigration Alleviate the Demographic Burden?" *Finarz Archiv*, 57(1), 2000.

[8] "Italy's Foreign Entrepreneurs Show New Face of Immigration," *Financial Times,* 21 August 2009.

[9] This is because over time, immigrants generally tend to imbibe the cultural moors of the host society and their birth rate declines in line with that of the local population.

[10] ILO, *Migrant Workers*, Geneva, 1999; "Major" is defined as including only counties whose labour market or GNP was affected to an extent of at least 1 per cent by international labour migrants, disregarding asylum seekers and refugees.

Second, retaliatory action may not necessarily be confined to movement of people; it may extend to other economic flows such as trade and investment, and some countries may find it more expedient to use their superior leverage in these latter areas, fuelling wider, mutually destructive protectionism. It may even cause or increase inter-state political tension.

Laying off migrants or persuading them to return home to make room for national workers does not work automatically; nor is it necessarily cost-effective. Much depends on the availability of an adequate number of nationals with the necessary skills as well as a willingness to take on, under similar conditions, the jobs held by the migrants. To illustrate, during the 1998 Asian financial crisis the Thai government had to backtrack on a plan to substitute Thais for migrants in rice mills. Fewer than 120 Thais responded to advertisements for 150,000 fishery-related workers in Samut Sakhon province (Martin, 2009).[11] In Britain, where the proportion of foreign workers in small and medium enterprises had risen to 48 per cent in 2008, 29 per cent of employers were worried in 2009 that foreign personnel would return home, while 40 per cent said that they would have to shed labour due to the economic downturn. At the same time, a Home Office spokesman announced that "Government and independent research continue to find no significant evidence of negative employment effects from migration"(*Telegraph,* 2008).[12] This seems to cast doubts on any direct correlation between indiscriminate immigration restrictions or encouraged return of immigrants and better labour market prospects for local workers.

Why the loss of skilled workers could be particularly harmful for innovation and growth

Drastic reduction of visas for certain groups of migrants such as skilled migrants and students (discussed below) or reducing the existing pool of such resources could be particularly harmful to both short-and long-term interests of a receiving country in a variety of ways.

Normally, in times of economic downturn employers try to delay shedding their skilled personnel not just because relative to unskilled or semi-skilled workers they are scarce but also because they could be of help in cutting costs through the introduction of new methods and

[11] Philip Martin, "The Recession and Migration: Alternative Scenarios," IMI Working Paper 13, University of Oxford, 2009.

[12] Cited in, "Small Businesses Face Labour Shortage as Migrants Quit UK" *Telegraph,* 2 November 2008.

systems as part of adjustment to economic downturn. Employers may also wish to hoard them in the hope that when the recession ends the company would remain competitive and be able to take full advantage of the opportunities opened up by the recovery, while avoiding the direct and indirect costs of new recruitment.

However, these considerations may lose some of their weight if the recession portends to be long and future looks uncertain. This indeed was the kind of situation that seems to have developed in many migrant-receiving industrial countries, especially since the last quarter of 2008. As indicated in Chapter 3, continuing uncertainty about the depth and duration of the crisis has led several countries to have reduced new inflows of skilled personnel. Some have introduced large-scale retrenchment of staff, and in many cases the axe has fallen on skilled personnel as well. In Germany, engineering companies, which form the backbone of Germany's export-dependent economy, were expected to shed as many as 25,000 skilled workers in 2009 as result of a sharp fall in orders that followed a long, five-year boom in the sector when production rose 40 per cent and more than 100.000 jobs were created (*Financial Times,* 2009f).[13] As noted in Chapter 3, Germany is now opening up skilled immigration entries.

Immigrant workers holding temporary contracts have been exposed to the risk of becoming the first casualties. In the USA, for example, even companies in the skill-intensive technical sectors have come under political pressure, as reflected in US Senator Grassley's recent call to Microsoft to shed foreign, rather than national, workers, and his urging for curbs on H-1B temporary visas (discussed in Chapter 2). However, hasty decisions to cut back skilled immigrant workers or restrict skilled immigration entail serious potential risks, as will be seen from the discussion below.

As a knee-jerk reaction to the recession, manufacturing companies in the USA had shed more than 2 million jobs in 2008–2009. However, with economic recovery gradually gathering pace, many companies were facing shortages of engineers and other skilled workers for jobs that required knowledge of mathematics and the ability to read technical blueprints. The ageing of the existing workforce was making the situation worse. About 19 per cent of US manufacturing workers were aged 54 years or older and only 7 per cent were under 25 years of

[13] Comments by Manfred Wittenstein, head of VDMA, an engineering organisation, cited in "German Engineering Sector Prepares for Cuts," *Financial Times,* 11 February 2009.

age. At Boeing, the aircraft manufacturers, 40 per cent of the labour force – 60,000 workers – would be eligible to retire by 2015, and the company was worried about how to meet its labour needs (*Financial Times,* 2010b).[14] Already, as of late 2011, when the signs of recovery were still fragile, and despite high general unemployment, US manufacturers as a whole had 600,000 unfilled positions because of a lack of skilled workers, according to a report by Deloitte, the consultancy service and the US National Association of Manufacturers.[15] Two-thirds of survey respondents said workforce shortages or skill deficiencies in production roles were restraining their ability to expand. Manpower, the recruitment agency, found that 52 per cent of companies responding to its survey were finding hiring tough, up from 14 per cent in 2010.

A shortage of skilled engineers was threatening to limit oil supply growth in the coming three to five years because of skill shortages as the greying industry was unable to recruit, train, and maintain the engineers needed to meet the demands of new drilling projects, according to Andrew Gould, chairman and chief executive officer of Schlumberger, the world's biggest oil services company. "The only kit that is really, really difficult to get is the human kit," he said (*Financial Times,* 2008b).[16]

Outsourcing is not a zero-sum game. (Outsourcing companies benefit not only from lower labour and other production costs but also often from new markets and demand abroad, from which the country, too, benefits.) Even so, governments are often critical of outsourcing because of its immediate effect on job losses. However, scarcity of skilled workers could well be a reason that compels companies to rely on outsourcing of production or on hiring them from abroad. US-listed Indian IT companies, such as Cognizant Technology Solutions, maintain that they are permanently looking for engineers in the USA, but are forced to import workers from India because the US is not producing enough engineers to meet industry demand.

Immigration has proved to be a most valuable source of the skills needed by companies and countries. In Italy, where an estimated 165,000 businesses are run by foreign entrepreneurs, tripling the number since 2005, the economy has been benefiting from the innova-

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[14] "Concern as Baby-boomers Prepare for retirement," *Financial Times,* 1 March 2010.

[15] www.deloitte.com/us/mfgskillsgap

[16] "Cited in "Skill Shortages Threat to Oil Supply," *Financial Times,* 30 July 2008.

tive and entrepreneurial spirit of the immigrants. As Massimo Canovi, a director of MoneyGram, a US-based money transfer company, put it, "Immigrant entrepreneurs have an edge over Italians, who see the crisis as an insurmountable obstacle. They have a different mentality and approach. They fight for the future, while we (Italians) are anchored to the past and stuck in traditional schemes" (*Financial Times,* 2009ak).[17] Mr. Canovi may have been a little effusive, but the immigrants' distinctive entrepreneurial contribution remains a reality.

In the USA, a recent study by William Kerr of the Harvard Business School showed that nearly 40 per cent of patents filed in 2005 by Intel, a silicon chip-maker, were the work done by people of Chinese or Indian origin (*The Economist,* 2009a).[18] Although some of those people were US-born children of earlier migrants, most of these innovations seem to have taken place over time due to immigration.

Mr. Kerr also found that the share of all patents given to scientists of Chinese and Indian origin more than tripled from 4.1 per cent in the second half of the 1970s to 13.9 per cent between 2000 and 2004. However, the share of patents awarded to US-born scientists fell between 1975 and 2004. Does the better performance of immigrants also imply that they were simply crowding out the US-born scientists? On the contrary, another study,[19] jointly written by Mr. Kerr and William Lincoln (2008) at the University of Michigan, showed that instead of displacing them, the inflow of H1-B entrants may have also helped the work of US–born scientists. This is revealed by the fact that when the US government increased the number of H-1B entrants by 10 per cent, total patents increased by 2 per cent. Though these were mostly awarded to immigrants, the share of US-born scientists in the award of new patents also increased. Interchange of ideas and feedback of knowledge may have been the main reason. A separate study finds that a one per cent increase in university graduate immigrants in the USA increases patents per capita by 15 per cent. (Gauthier-Loiselle, J and M. 2008).[20]

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[17] Cited in "Italy's Foreign Entrepreneurs Show New Face of Immigration," *Financial Times,* 21 August 2009.

[18] Cited in "Give Me Your Scientists…," *The Economist,* 5 March 2009.

[19] William Kerr and William Lincoln, "The Supply Side of Innovation: H-1B Visa Reforms and US Ethnic Invention" HBD working paper 09–005, December 2008; see also Ajay Agarwal, Devesh Kapur, and John McHale, "Brain Drain or Brain Bank? The Impact of Skilled Emigration on Poor-country Innovation," NBER working paper no. 14592 December 2008.

[20] Jennifer Hunt and Marjolaine Gauthier-Loiselle, "How Much Does Immigration Boost Innovation?" NBER Working Paper 14312, Cambridge, MA: NBER. 2008

It is not just a coincidence that a quarter of all US technology and engineering firms set up between 1995 and 2005 had a migrant founder; or that in 2005, 52 per cent of Silicon Valley start-ups were headed by a migrant (Mackendrick, 2009).[21] A few years ago, the Cypress Semiconductor Corporation reported that about 40 per cent of the research and development jobs were held by immigrants and that each job created nine additional jobs (*Migration News,* 1997).[22]

In Germany, engineering companies, still reeling from the economic crisis, were facing a skill shortage that threatened to undermine the sector's long-term recovery. Willi Fuchs, head of VDI, the engineering association, said that even in 2009 when the sector experienced a sales drop of a 25 per cent, there had been a shortage of 34,000 engineers. Prognos, a research institute, estimated that the country's job market would be short of almost 3 million professionals by 2015 (*Financial Times*, 2010m).[23]

In August 2010, even when unemployment was running at 7.6 per cent employers were complaining about skill shortages – particularly for engineers, computer specialists, and scientists and technicians – that can only be met through immigration. Dieter Hundt, president of the German employers' association (BDA) estimated that companies were short of more than 60,000 skilled workers with technical and scientific qualifications, costing the German economy about EUR 15 billion. According to Sirius Consulting, a Bonn-based recruitment agency that placed 1000 foreign workers a year in southern Germany, the problem was that Germany was the last country in Europe to open its labour market. The remarks were echoed by several other company managers. According to a leading European industrialist, a dearth of engineers in Europe would force companies to recruit them heavily in emerging economies like China and India in the future, leading to a big shift towards these countries (*Financial Times,* 2010r).[24]

In Japan four out of five employers were finding it difficult to hire staff with the right skills. With the departure of foreign workers in following the earthquake, the situation seems to have worsened, espe-

[21] Joe Mackendrick "Brain Drain: Why Many of Our Best and Brightest Are Going Home," *Smartplanet*, 19 October 2009.

[22] "Congress: No Major Legislation Expected in 1997," *Migration News,* 4(2), February 1997.

[23] Cited in "Skills Shortage Threatens German Engineering", *Financial Times,* 20 April 2010.

[24] Comments by Benoit Poitier, chief executive of Air Liquide, an industrial bellwether, supplying most industries with gas. "Europe Turns to China and India for Engineers," *Financial Times,* 16 September 2009.

cially in white collar sectors such as banking and law; and it was also hard to find replacements for IT and food service industries. In her first major economic speech of 2011 Julia Gillard, Australia's prime minister, warned in February of a looming shortage of skilled workers, reversing the situation of joblessness for over three decades. The mining boom was placing huge strains on the labour market with the resources sector facing "a potential shortfall of 36,000 trades persons by 2015," she added (*Financial Times,* 2011a).[25]

As already noted, given the nature and depth of industrial decline especially in manufacturing, recovery will call for considerable industrial restructuring, with a shift, for example, to new "industrial services" that are linked to manufacturing, such as maintenance, upkeep, and modernisation as well as operating equipment and machinery and that have higher profit margins (2010f).[26] Immigration could be an important source of the new skills and talents as well as dynamism and innovative spirit needed to meet the urgent need.

The problem of skill shortage is not confined to rich countries. A May 2011 report issued by Manpower, one of the world's biggest recruitment agencies, found skills shortage was worsening throughout the advanced and emerging economies, with more than a third of companies reporting difficulties filling positions because of a lack of talents. Those who were close to the international labour market were already worried that some companies in advanced economies had been using the blunt instruments of cutting staff across the board and that a talent shortage in these economies could worsen when the economic upturn arrives. As Jeff Joerres, chief executive of Manpower, put it, "We are competing against the nightlife and the energy in Mumbai and Bangalore. This is a global labour market. If you see migration (of skilled people) back to Mexico, India (and) China, some of the western countries could be really adversely impacted by a brain drain that they did not quite anticipate" (*Financial Times,* 2009j).[27]

The problem of skilled migration thus turns complex in as much as companies in emerging markets themselves have been complaining

[25] Cited in "Immigrants Needed to Plug Skills Gap," *Financial Times.*

[26] Armin Schmiedeberg at Bain consultants recently estimated that these services for engineering products yielded a profit margin of 21 per cent – up to four times higher than that achieved by selling the goods. "Siemens Seeks to Stay Ahead of Asian Competition," *Financial Times,* 25 March 2010.

[27] "US and Europe Face Prospect of New Brain Drain," *Financial Times,* London, 2 June 2009.

about shortage of skills in some of the same sectors or types of skill. To illustrate, the report by Manpower mentioned above found that the talent crunch was most acute and broad based in India, where the proportion of companies unable to find skilled staff jumped to 67 per cent from 26 per cent in 2010. In China, 24 per cent of employers (down from 40 per cent in 2010) recently reported difficulty hiring technicians, sales representatives, skilled trades workers, and engineers. In Brazil, skills shortages were pushing up inflation and wages. Decades of under-investment in education and professional training were placing strain on the economy which was struggling to keep its pace of growth. Global skills shortages have important policy implications in areas of migration and human resources development. This applies to both developed and developing countries.

Restricting admission of foreign students of higher education could hurt a country's economic interest and erode its soft power. Also, by imposing limitations on their continued stay – following completion of advanced studies and research – it denies itself huge potential gains.

The effects of cuts in the admission of students was widely debated in the context of Britain's new policy measure to limit student visas in order to bring down migrant numbers. The likely negative effects for Britain are indicative of the stakes involved, especially for countries with a long tradition of foreign student admission in their higher education institutions.

First, from a purely economic point of view, admission of students, especially at a higher level of education, could be a source of a country's income, not a drag. In Britain, higher education is a UKL 25 billion industry. Non-EU foreign students bring 9 per cent of the revenues of higher education institutions, many of which already depend on international students for their income, especially at a time when they face cuts in government spending. Second, students spend their money for their living and leisure time activities, from which the economy gains, but they do not weigh heavily on public services or drive down wages. Third, they are often valuable future sources of advanced research and innovation, on which a country's industrial excellence and economic performance largely depend. Ending post-graduate study visas risks Britain's ability to attract and retain knowledge-based industries. Fourth, foreign students trained in Britain have long been valuable in spreading the country's cultural and political influence abroad and have been a unique source of its soft power. Restrictions on student visas carry the risk of weakening this power.

History shows that the attraction of the excellence of American institutions of higher education and research and the country's ability to retain and reward foreign talents have served the USA well. Over the years these have been a powerful source of its economic prosperity, cultural diversity and enrichment, and political clout. However, recent delays and difficulties in obtaining student visas and green cards for holders of advanced degrees and bright scientists have seriously diluted these advantages, causing concern in both US academia and business circles.

In the 2010 Intel Science Talent Search, which, through a national contest, identifies and honours the top mathematics and science high school students in America based on their solutions to scientific problems, the majority of the 40 finalists were of immigrant origin, mostly Chinese and Indians (*The New York Times,* 2010e).[28] Two-thirds of those studying for PhDs in chemical and industrial engineering and more than half of those in other disciplines at 126 US universities are foreign. Around 68 per cent of US engineering doctorates are awarded to non-US citizens. But it is getting harder for them to stay in the USA, especially those from China and India (*Financial Times,* 2011e).[29] Not only is there an annual 140,000 limit on green cards but also a quota of 7 per cent per country. The National Foundation for American Policy reckoned in 2011 that the backlog of one green card category would take 70 years to clear if nothing is done.

Given this situation and the present economic and immigration climate in the country, many talented foreigners are wary of even trying to settle in the host country, especially in cases where new opportunities in their home countries or regions are opening up. A study by Kauffman Foundation found that only 6 per cent of Indian students and 10 per cent of Chinese students in the USA intended to stay – a significant departure from the past, and a disturbing sign for the future growth of US economy and its scientific advancement.

When depletion of the migrant stock leads to decline in growth or hamper local level development

Although at this stage of the crisis it is difficult to foresee the exact situation, the discussion in Chapter 3 suggested the possibility that with a slowdown in new immigration flows and an increase in return flows,

[28] "America's Real Dream Team" *The New York Times,* 21 March 2010.
[29] "Don't Boot out Tomorrow's Nobels" (John Gapper), *Financial Times,* 13 October 2011.

many receiving countries could experience a depletion of their migrant stocks or at least a deceleration of its growth. Could this lead to a decline in the receiving countries economic growth? As already noted, studies in the United Kingdom and the EU have shown, depletion of the migrant stocks could have a negative effect on economic growth.

True, the net effect of changes in the migrant stock on a country's rate of growth would vary, depending on a number of factors, such as the composition of the migrant stock and the country-specific situation, including its labour needs, and the costs involved in hosting and integrating immigrants.

As regards the skill composition of the migrant stock, while the discussion above has highlighted the valuable role of skilled migrants, an interesting point has emerged from a recent study[30] by the New York-based Fiscal Policy Institute on immigration in 25 of the largest metropolitan areas in the USA. The study shows that while all the areas benefited from increased immigration, the fastest economic growth was in cities like Atlanta, Denver, and Phoenix that received large influxes of immigrants with a mix of occupations and skills – and not the ones that drew primarily high-skilled, high-earning immigrants. It is, however, difficult to say whether the skills mix alone was responsible for the differences in growth rates or whether other factors were also involved.

There is little doubt, however, that an essential condition of growth is the availability of the mix of skills needed across occupations and sectors of the economy, and that this includes low-level skills (Fiscal Policy Institute, 2009). In Britain, the plan to impose a general cap on immigration from non-EU countries has led to protests from companies on the grounds that this would be harmful to Britain's competitiveness and upset its trading partners. Some companies were saying "If they are going to make it hard for us, we'll just go offshore."[31] Clearly, a host country's immigration policy has the optimal effect when it is adjusted to meet the gaps and deficiencies in the skill composition of the country's own workforce. It is equally clear that the supply of legal, unskilled workers helps occupational mobility of host country's workers and tilt their occupational mix towards better paid jobs, and production to a

[30] Fiscal Policy Institute, *Immigrants and the Economy: Contribution of Immigrant Workers to the Country's 25 Largest Metropolitan Areas,* New York, December 2009.

[31] Caron Pope at Cameron McKenna, cited in *Immigration Matters*, 31 July 2010.

higher technological level, while the economy expands. This applies particularly to countries which do not have large labour reserves.

As for the total migrant stock, one thing is clear. In areas where local economies or principal industries are largely dependent on migrants, their sudden and massive departure can cause serious economic and social dislocation. For instance, in the wake of the recession the outflows of Nikkei Brazilians from Oizumu, north-west of Tokyo, were having a devastating effect on the local economy (*Financial Times,* 2009h).[32] In the USA ,reduced immigration and border crossings from Mexico were badly affecting the Latino economy in California, especially in cities like Chula Vista. Many businesses that used to cater to the immigrant population are closing down or are striving just to stay afloat (*Financial Times,* 2009k).[33]

When escape from joblessness means loss of skills and welfare: a painful trade off

As the recession turned increasingly severe, many employers tried to save jobs by lowering conditions of work and wages through, for example, short-time schemes, unpaid staff leave, and the like. As mentioned, several European governments including, in particular, Germany and France, were financially supporting short-shift schemes. Even if these various schemes help avoid job shedding, they often imply lower earnings and/or other conditions of work. All workers involved suffer, but the migrant workers and those from other vulnerable groups generally suffer most.[34] The same applies to situations when sacked workers themselves are obliged to seek lower level jobs or swell the ranks in the informal sector.

In many OECD countries (e.g. Denmark, Norway, Sweden and the United Kingdom) health and social services immigrant workers constitute 15 per cent of all immigrant workers. As these sectors were also less affected, they were more likely to attract laid-off workers who would seek lower level jobs in them. Even in normal times, it is not rare that

[32] "'Nikkei Brazilians' Struggle as Social Stock Plummets," *Financial Times,* London, 16 February 2009.

[33] "Downturn Slows Tide of US-bound Workers," *Financial Times,* 19 August 2009.

[34] A discussed earlier, a large proportion of labour migrants hold temporary contracts and also have short tenure. In many cases they are therefore excluded from these short work schemes, and face outright retrenchment. And those migrants who are covered may have to accept lower wages and working conditions under new contracts due to their weaker bargaining position.

migrants are constrained to accept lower-level jobs. Just like many Poles in Britain, Ukrainians in Poland often find themselves in difficult and low-wage jobs that locals avoid, such as low-skilled construction work, fruit picking and farming, and domestic services. Not infrequently, the jobs are lower relative to their skills due to lack of opportunities or non-recognition of their professional diplomas. A recent study by Barrett and Kelly (2010)[35] showed that in Ireland in times of boom, the labour market disadvantage which immigrants experienced took the form of lower wages and occupational downgrading; in the recession this was manifested in more rapid job losses (see below in the next section). But increased unemployment did not exclude downgrading of conditions for some of those who could retain their jobs. [As mentioned in Chapter 1, without the acceptance of jobs with downgraded condition, the level of unemployment might have been higher among migrants in a number of receiving counties.]

The crisis has aggravated this problem of "de-skilling" or occupational downgrading, especially since many migrants might actually be lacking the relevant skills for high level jobs in these more resilient sectors (discussed further in the section below). In the USA men, both nationals and migrants, were seeking to enter low-wage but more stable jobs that women had – retail services, home health care, baby sitting – but a lot of them did not have adequate social protection. A disquieting impact of the recession in these cases is the fall-off in health insurance coverage. A Pew Research Centre survey revealed that workers who suffered a spell of unemployment during the recession were less satisfied with their new jobs than workers who did not (54 per cent vs. 36 per cent). They were also more likely to consider themselves overqualified for their current positions (PWC. 2010a).[36]

A recession can encourage discrimination against migrants and other vulnerable groups

When economic distress strikes a country, migrants and those belonging to other vulnerable groups generally find themselves in a disadvantaged position relative to the rest of the society. This is often reflected in the areas of jobs and wages. Migrants, especially the temporary ones,

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[35] Alan Barrett and Elish Kelly, "The Impact of Ireland's Recession on the Labour Market Outcomes of its Migrants," 2 June 2010, DELSA/ELSA/WP2 (2020)4. OECD, Paris, pp. 157.

[36] Rich Morin, "Most Re-employed Workers say They Are Over Qualified for Their New Job," Pew Research Center, 2 September 2010.

are generally among the first to lose their jobs. Often paid less than the value of their net contribution to production, they also see a sharper fall in their incomes than the locals during downturns. A field survey carried out by the International Labour Office (ILO) in a number of industrial countries prior to the recession showed widespread discrimination against migrants and ethnic workers. For instance, more than one-third of tested vacancies for semi-skilled jobs were closed to young male applicants of migrant or ethnic minority origin. The recent recession seems to have worsened the situation (ILO 2004).[37]

In the USA, since the recession started in December 2007 unemployment for immigrants has been rising faster than the general population. Estimates by Pew Research Center (PWC) suggest that in the third quarter of 2007, the unemployment rate for immigrants was 4.1 per cent lower than that of the native- born Americans. But by the third quarter of 2009, the situation changed: native-born Americans' total unemployment reached 9.5 per cent while the rate for immigrants rose to 10 per cent and among 50 per cent of foreign-born Hispanics, the rate hit as high as 11.5 per cent (*Financial Times,* 2009 aa).[38]

According to the Bureau of Labor Statistics, the unemployment rate among Hispanics in December 2011 was 11.0 per cent, up from 6.3 per cent at the start of the recession in December 2007. Over the same period, the national unemployment increased from 5.0 per cent to 8.5 per cent.

A similar trend was discernible for other disadvantaged groups. Figures issued by the US labour department for October 2009 showed that while unemployment was 13.1 per cent among Hispanics and 17.1 per cent among African Americans, it was 9.5 per cent among white Americans. Although figures for December 2009 showed a slight fall in overall unemployment, these groups continued to be hit particularly hard, with unemployment reaching 12.6 per cent for Latinos, and 16.5 for Afro-Americans, compared with 9 per cent for white Americans.

Another PWC survey in January 2009 revealed similar differences between the shares of Hispanic and the general US populations believing that jobs were difficult to find where they lived – 78 per cent versus 73 per cent.

[37] ILO, *Towards a Fair Deal for Migrant Workers in the Global Economy,* Geneva, 2004.

[38] "Downturn Deals Blow to US Immigrants," Data analysis by Pew Research Center, *Financial Times,* 18 November 2009.

Figure 4.1 (a) Unemployment trends by demographic (Black, White and Hispanic) groups, USA, 2007–2009

Source: Pew Research Center/Financial Times.

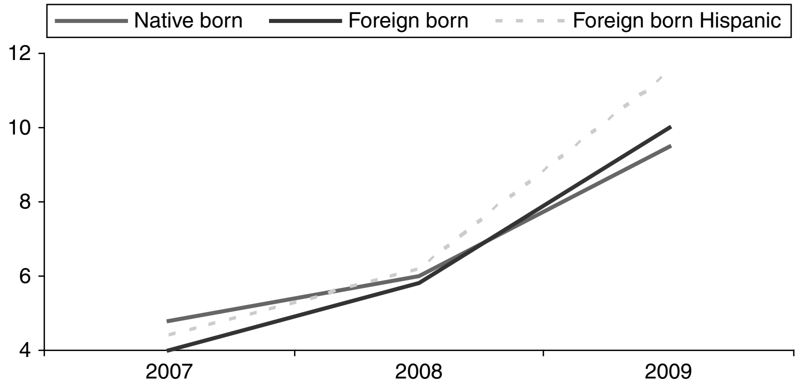
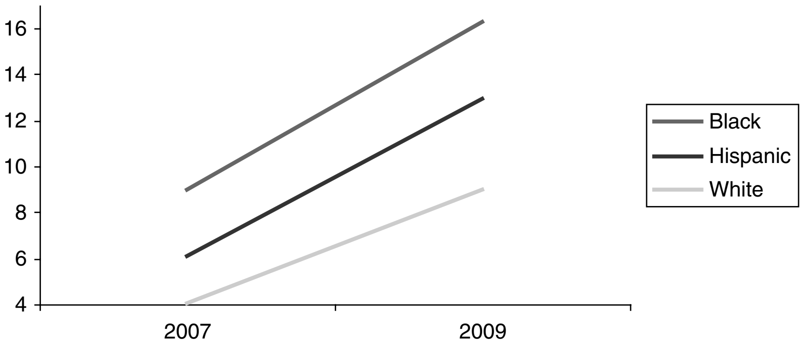


Figure 4.1 (b) Unemployment for native-born and foreign-born workers, USA, 2006–2010 Q2

Source: US Bureau of Labor Statistics; Heidi Shierholz, Economic Policy Institute/Financial Times.



The employment situation in specific industries or sectors reveals a similar trend. For instance, a 2008 survey by the Pew Research Center showed that at the end of 2006, the gap in unemployment rates for Hispanics and non-Hispanics in the US construction industry had shrunk to a meagre 0.5 per cent. However, by the first quarter of 2008, due mainly to the recession, the unemployment rate for Hispanics rose to 6.5 per cent, well above 4.7 per cent for all non-Hispanics. Also, significantly, within the Latino group, the foreign-born Latinos were worse off than the US-born (Kochhar, 2008).[39]

In all OECD countries, the unemployment rate of the foreign-born increased markedly between the first three quarters of 2008 and 2009, generally exceeding that of the nationals. In the EU-15 member states, for example, the increase on average was 3.4 per cent, twice that for the nationals, according to the OECD (2010a).[40] In Ireland in 2007, there was little difference between the unemployment rates of Irish national and immigrants. But with the onslaught of the recession in 2008, the gap started widening and reached more than 5 per cent in the first quarter of 2009 (Figure 4.2). Between June and August 2008, the overall unemployment rate in Ireland stood at 7 per cent; the rate of unemployment for Irish nationals was 6.6 per cent, compared with 9 per cent for non-Irish nationals (Central Statistics office, Ireland, 2008).[41] The fall in employment showed that the job loss in most sectors was higher for immigrants than for nationals. It also showed that the larger job losses for immigrants were not solely because they were working in vulnerable sectors. (Barrett and Kelly, 2010).[42]

As noted in Chapter 1, in the OECD countries the differentiated job situation was particularly noticeable for young works. On average in European OECD countries, in the third quarter of 2010, 24 per cent of young migrants were unemployed, compared to 19.6 per cent of the young native born. In Ireland, the employment rate of young immigrants aged 15–24 dropped by 15 percentage points between 2008 and 2009, almost twice the figure for the non-migrants.

During an economic crisis, declining labour demand often obliges workers to accept part-time jobs although they want to work full time. Due to their higher vulnerability to joblessness, migrants are more likely to be driven to that situation than non-migrants. The differentiated impact on employment for migrants and non-migrants can also be seen by comparing their respective shares in part-time employment. During 2008–2009, the number of foreign-born persons in part

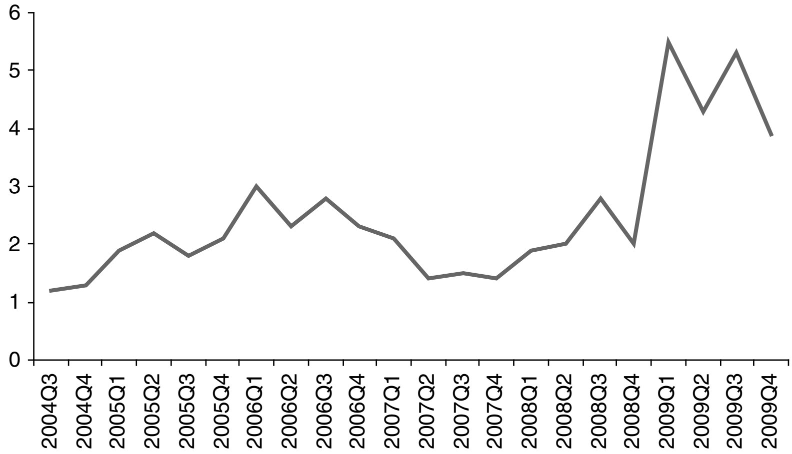
[39] Rakesh Kochhar, Latino Labour Report, 2008: "Construction Reverses Job Growth for Latinos," Pew Research Center, June 2008.

[40] OECD, "The Crisis and Its Impact on Migrant and Movements," op. cit.

[41] *Quarterly National Household Survey* 2008, Central Statistics Office, Cork, Ireland.

[42] Alan Barrett and Elish Kelly, *The Impact of Ireland's Recession on the Labour Market Outcomes of Its Migrants,* 2 June 2010, DELSA/ELSA/WP2 (2020)4. OECD, Paris.

Figure 4.2 Gap between Irish and non-Irish unemployment rates, 2004–2009
Source: Central Statistical Office; Barrett & Kelly, 2010.



time employment increased sharply and more than for nationals in a number of OECD countries. If these part-time jobs (reflecting under-employment) are excluded, it would push up the unemployment rates for migrants and increase the gap in the unemployment rates for the two groups.

In Spain, the unemployment rate of immigrants was roughly 50 per cent higher than that of all Spanish workers in 2008. When general unemployment was at 11.3 per cent, it was 17.5 per cent among foreigners. Other recent reports suggest migrants were losing jobs at twice the rate of the Spaniards (Duran, 2008j).[43] In France, for a male migrant worker from Algeria who arrived in 2001 or later the relative risk of being unemployed was 11 times higher than for a French national (IILS/ILO 2010).[44]

The disadvantaged position of migrants for jobs and earnings, especially during an economic crisis, is well known and widely recognized.

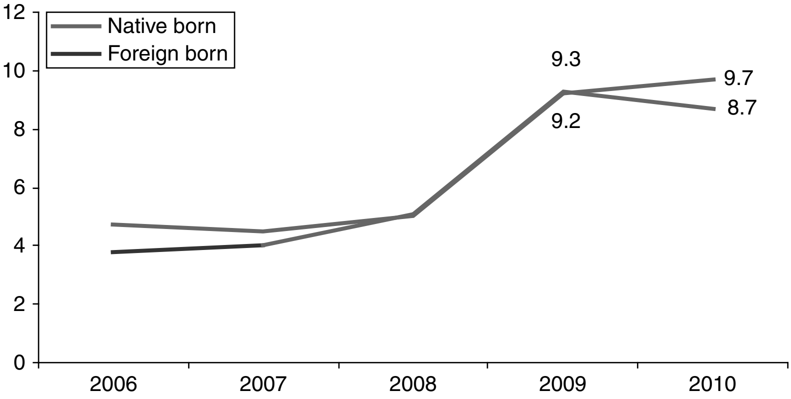
[43] Jessica Duran, "Economic Downturn Impacts Most on Migrant Workers," *Eurofound,* October 2008; "Madrid Police Target Illegal Migrants," *Financial Times,* 17 February 2009.

[44] IILS estimates based on national labour force surveys (1996–2009), *Making Migration a Development Factor: The Case of North and West Africa,* ILO, IILS, 2010.

Figure 4.3 The unemployment rate for foreign-born and native-born workers: when the foreign-born gain more jobs, USA

Source: Pew Hispanic Center tabulations of Current Population Survey data.

Note: Data have been adjusted to account for the effects of annual revisions to the CPS.

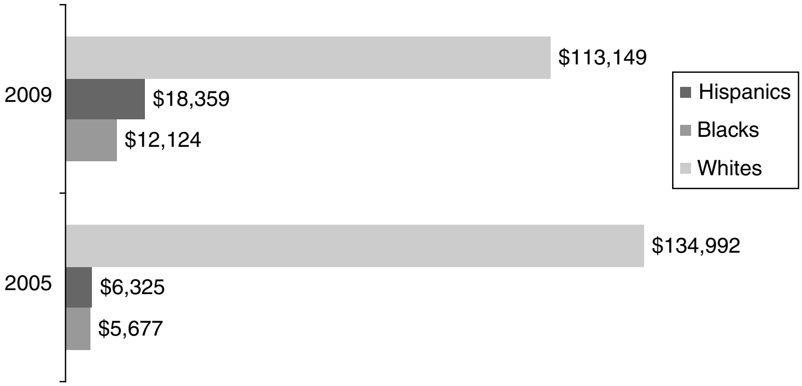


It is worth noting however that because of their higher mobility – they are more likely to get into and exit from employment on a month-to-month basis – and their willingness to accept lower wages and working conditions, they could at times have lower unemployment rates than the native-born workers. This seems to have happened in the USA where, in the year following the end of the recession in 2009 foreign-born workers gained 656,000 jobs while native-born workers lost 1.2 million jobs, according to an analysis of the US Census Bureau and Department of Labor data by the Pew Hispanic Center. As a result, the unemployment rate for immigrant workers fell 0.6 per cent (from 9.3 per cent to 8.7 per cent), while for native-born workers it rose 0.5 per cent (from 9.2 per cent to 9.7 per cent) (Kochhar, 2010).[45]

However, even as the immigrants managed to gain jobs, they experienced a sharper decline in earnings. From 2009 to 2010 the median weekly earnings of foreign-born workers decreased 4.5 per cent, compared with a less than one per cent for native-born workers. Not surprisingly, Hispanics were found more likely than the general population to rate their personal situation as poor or fair, 75 per cent as against 61 per cent. Also, more than 84 per cent of foreign-born Hispanics reported that their finances were in either poor or fair shape, compared to 66

[45] http:/pewresearch.org/pubs/1784/great-recession-foreign-born-gain-job

Figure 4.4 Net wealth of households by demographic groups, USA
Source: Pew Research Center tabulations of Survey of income and Program Participations data.



per cent of the US-born Hispanics (Lopez, Livingstone, and Kochhar 2009).[46]

This gap in personal wealth between Hispanics and the general population was confirmed by PWC's more recent analyses of US government trend data. The findings were released in January 2012 (Figure 4.4). They showed that the gaps have widened between 2005 and 2009, a period encompassing and marked by the housing market crash and the Great Recession. The median household asset among Hispanics fell by 66 per cent, compared with a drop of 53 per cent among Blacks and 16 per cent among whites. The poverty rate among Hispanics increased nearly six percentage points more than for any other group – from 20.6 per cent to 26 .6 per cent, compared with an increase from 24.3 per cent to 27.4 per cent among Blacks and from 8.2 per cent to 9.9 per cent among whites (PWC, 2012)[47] (further discussed under inequality in the next section).

Other vulnerable domestic groups, including internal migrants, could be exposed to similar discrimination. For example, in China, established local residents were favoured over internal migrant workers in state redevelopment and compensation schemes. To illustrate, in

[46] Lopez, M.H, G. Livingstone, and R. Kochhar, "Hispanics and the Economic Downturn: Housing Woes and Remittance Cuts," Pew Hispanic Center, Washington D.C, 8 January 2009.

[47] Paul Taylor, Mark Hugo Lopez, Gabriel Velasco, and Seth Motel, "Hispanics Say They Have the Worst of a Bad Economy," PWC, 26 January 2012

2008 the municipal government kick-started redevelopment of Sunhe and Cuigezhuang which were attractive to big property developers. In May 2008, under a model which it hoped to apply to hundreds of other villages, the government resettled near Beijing close to 2000 families from a village in Cuigezhuang area. The resident farmers were given modern apartments free of charge. The migrant workers who had lived alongside their farmer landlords in the village for years were left out of the compensation deals because they were not registered with the municipal authorities, which was a requirement to qualify for the compensation (and several other benefits) under the *hokku* system (*Financial Times,* 2009aj).[48]

How recession also constrains migrants' upward mobility and sharpens inequality

A disharmony similar to that in household wealth is often found in the earnings of migrants and non-migrants. As in the case of employment, when the economy is on an upward swing, and immigrants become increasingly integrated in the labour market, their wages over time tend to catch up with those of domestic workers, and help upward labour mobility. The danger of discrimination tends to decline. However, in times of an economic downturn the process slows down or simply does not work. These fluctuations in wages are generally sharper for migrants than for non-migrants.

For example, in the USA incomes of non-citizen households were 4.1 per cent higher in 2006 than in 2005, but incomes of all US households had increased only by 0.7 per cent. However, by 2007 the median annual income of non-citizens – a group that accounted for 7 per cent of all US households and 52 per cent of all immigrant households – already fell 7.3 per cent while the median annual income of all US households increased 1.3 per cent during the same period (Kochhar, 2008).[49] In the construction industry, which had a heavy concentration of Hispanic workers, weekly earnings for most groups slipped in the first quarter of 2008, compared with the same period in 2007, but foreign-born Hispanics were worse off. Day labourers who used to earn

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48 "China's Urbanization Hits Migrant Workers," *Financial Times,* 24 December 2009.

49 Rakesh Kochhar, *Sharp Decline in Income for Non-Citizen Immigrant Households, 2006–2007,* Pew Research Center, Washington D.C., 2 October 2008.

about $10 an hour felt lucky to have jobs at the rate of US$ 7 or US$ 8 (*Financial Times,* 2009aa).[50]

In Spain, the gap in earnings between Spanish nationals and African migrants was striking; it increased with age, and for each age group, somewhat surprisingly, with education. For instance, African migrant workers, aged 16–34 years, with primary education earned 10 per cent less than their Spanish counterparts, but the gap increased to more than 50 per cent for the university educated, aged 35–59 (IILS/ILO, 2010).[51]

In the USA the general feeling of inequality may also be rising because of the (a) stagnation in wage growth relative to several other types of incomes and (b) tension between those who can hold onto their jobs and those who are finding it hard to find any work. Recessions normally slow down wage growth. In the mid-1970s economic downturn, real weekly pay had fallen by 7 per cent and in the 1980s' recession it declined by 4 per cent. But during the most recent (2008–2009) recession, the situation looked somewhat different. Although some companies cut wages, the average hourly wage rate rose 1.5 per cent to 2.5 per cent during 2008–2009. The actual rise in pay was slightly less due to cuts in working hours, but a typical worker nonetheless received a 1 to 2 per cent inflation-adjusted raise over the year, according to the US Labor Department report. In January 2010 the Labor Department reported a rise of 0.5 per cent in wages and benefits in the three months ending December 2009 and a rise of 1.5 per cent in the whole year. Though better than in other deep recessions, the increase in wages and benefits was the weakest since 1982. As mentioned in Chapter 2, there was a decline in the median middle class income as well.

If this was fomenting a feeling of resentment among working men and women; those without work, including in particular migrants and other disadvantaged groups, were paying a still heavier price, because new hiring had plummeted and finding a new job became extremely difficult for them. In the USA, soaring inequality and stagnant real income have long been a feature of the national economy. In a recent study, Raghuram Rajan at the University of Chicago notes that "of every dollar of real income growth that was generated over 31 years between 1976 and 2007, 58 cents went to the top 1 per cent of the

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50 Sarah O'Connor, "Downturn Deals Blow to US Immigrants," *Financial Times,* 18 November 2009.

51 *Making Migration a Development Factor: The Case of North and West Africa,* ILO, IILS, 2010; IILS estimates, based on national labour force surveys, 1996–2009.

households"(Rajan, 2010).[52] As noted in Chapter 1, an October 2010 study by the Congressional Budget Office came to a similar conclusion. The crisis seems to be making the situation worse.

Data recently collected by Sir Tony Atkinson at Nuffield College and his colleagues at Harvard University showed that recessions tended to increase income inequality. Evidence showed that following Nordic banking crises in the 1990s income inequality increased in these countries, as the richest 1 per cent received rising shares of income. Similar trends were discernible in Spain in the 1980s and in Japan later in the 1990s. An exception was the Great Depression of the 1930s in the USA when the bank failures and loss of savings led to a huge fall in the share of income held by the rich. The discussion in Chapter 2 has also shown that in the USA the economic costs of recession-driven joblessness were being disproportionately borne by those who were already poor.[53]

If the current differentiated trends in jobs and wages take hold or worsen, the glaring inequality that has become a disquieting development in most countries would be further aggravated. This could easily generate popular anger and resentment and sow the seeds of social tension, as has been already happening across countries and regions, under such slogans as "Occupy Wall Street" and "We Are the 99%."

As already noted, migrants are often among the worst victims of rising inequality especially in times of economic crisis. And yet, there is a potential danger that the popular anger and resentment over inequality and deprivation could turn against them in the form of a rising wave of anti-immigrant feeling. Migrants as a group could then be victims of a double jeopardy – as victims themselves of joblessness and deprivation and as scapegoats for causing or contributing to them.

The declining fortunes of immigrants compared to non-migrants tend to affect their children as well. According to the Pew Research Center's analysis of the 2010 US Census data, more Latino children are living in poverty – 6.1 million in 2010 – than children of any other racial or ethnic group. In 2010, 37 per cent of poor children were Latino, 30.5 per cent were white and 26.6 per cent black. The disparity was the combined effect of the Latino's growing numbers, high birth rates as well as declining fortunes.

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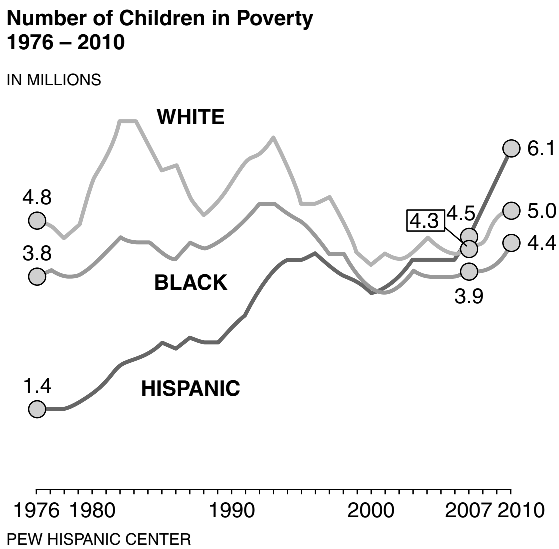
[52] Raghuram Rajan, *Fault Lines: How Hidden Fractures Still Threaten the World Economy* Princeton, N.J.: Princeton University Press, 2010.

[53] Some economists also believe that income inequality could help create asset price bubbles and contribute to financial fragility and economic crisis.

Figure 4.5 Children in poverty by ethnic groups, USA, 1976–2010



In a difficult economic and immigration climate, irregular migrants and their children suffer even more than regular migrants. A recent study[54] by Hirokazu Yoshikawa, an education professor at Harvard University, narrates in poignant detail the deprivation of some 400 young children (who are US-born citizens) and their irregular parents who crowd into derelict apartments in the lower east side of Manhattan in New York. Depression, anxiety, and crushing work schedule, coupled with the discomfort of crammed apartments, make it hard for parents to take proper care of their children. Fear of deportation and lack of information prevent parents from enrolling children in government programmes that offer help with nutrition, child care and early education. From the start, the children are handicapped. Their development suffers: their reading and language skills lag, casting gloomy shadows on their future academic and job success. Ms. Yoshikawa estimates that four million pre-school-age children of immigrants are American

[54] Hirokazu Yoshikawa, *Immigrants Raising Citizens* , Russell Sage Foundation, 2011

citizens. As *The New York Times* softly though ominously put it, "their hindered development will haunt the country."[55]

When an increase in irregular migration, abuse of human and labour rights and erosion of respect for law go hand-in-hand

When job-related visa-holding migrants lose their jobs and they decide to go underground swelling the informal sector in the host country, and new inflows of irregular migrants join them, there is a real danger that migrants would become victims of exploitation and human rights abuse, going beyond discrimination in the workplace. If this happens on a large-scale, it could lead to an erosion of respect for law and ethical values, including a more generalized degeneration of social and human rights conditions in the host country. In such a climate, there could even be violence against migrants, and this might eventually extend to other vulnerable groups as well. During the Asian financial crisis, although the impact on migrant stocks was limited, there was a tense competition between local and foreign workers in a shrinking labour market, with rising xenophobia in countries like Indonesia, where an estimated 100,000 ethnic Chinese left for the neighbouring countries.

There were already some incipient, but nonetheless alarming, signs that, in the absence of vigilance, such situations could develop at least in some countries during the current crisis as well. Since the recession began in Europe, there has indeed been a rise of political parties holding extreme views, and already known for their anti-immigration bias. As a recent UNDP report (2009)[56] notes, governments of some of these and other destination countries have stepped up the enforcement of migration laws in ways that could infringe on migrants' rights. In Russia, industrial unrest such as auto-workers strikes against dismissals and rising resentment against unemployment and wage cuts were coinciding with growing violence against jobless immigrants by racist skinheads. The Sova Centre, a Moscow-based organization that monitors hate crimes, estimated that there were 428 racially motivated attacks in Russia in 2008, in which 97 people died, and cautioned that the actual situation might be even worse than these figures might suggest (*Financial Times,* 2009g).[57]

[55] *The New York Times,* 26 May , 2011

[56] UNDP, *Human Development Report: Overcoming Barriers – Human Mobility and Development,* Palgrave Macmillan, Basingstoke.

[57] "Violence Adds to Pain for Jobless Migrants," *Financial Times,* London, 13 February 2009.

Amid a tense social climate Roma Gypsies, already a vulnerable and disadvantaged group, became scapegoats for lack of jobs and increasing crime in Hungary. In Italy, there were reports of attacks on Romanian workers in Rome. As already noted. surveys conducted by Pew Research Center's global attitude project found that the anti-immigrant sentiment, which was already widespread in Italy, was rising. After a wave of violence against African farm workers in southern Italy, one thousand of them had to be evacuated, according to a PWC survey (Horowitz, 2010).[58]

Economic insecurity and increasing anti-immigrant feeling alongside rising irregular migration make migrant integration more difficult

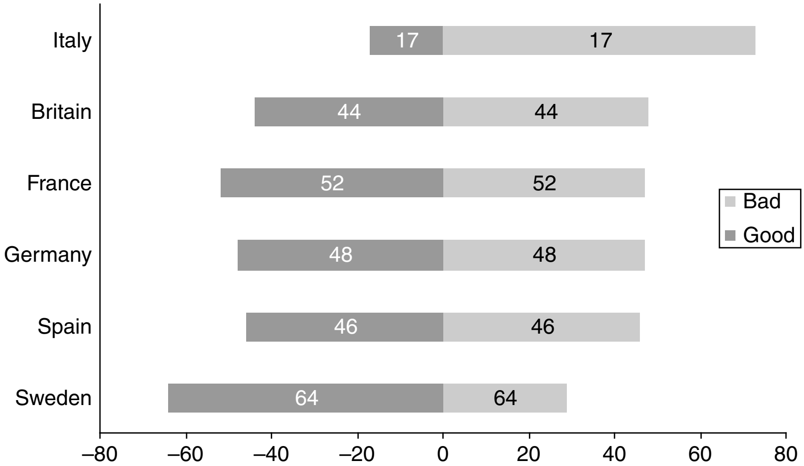
Integration of migration is one of the most challenging aspects of migration management. A number of countries – including France, Germany, Italy, and the Netherlands – had already been facing difficulties in dealing with it. The recession added to these difficulties. In a climate of rising economic insecurity and shrinking job and other opportunities, populist slogans that seek to make the migrants scapegoats for joblessness, rising social security costs, and other economic and social ills often gain ground. Should this happen, and extreme political parties try to cash on them by fomenting anti-immigrant feeling, host countries' integration difficulties would certainly be exacerbated. A survey made by Pew Research Center in spring 2007 revealed that even before the recession, more than 40 per cent of the people in Italy, Britain France, Germany and Spain had a negative perception of the impact of immigration in their countries (see Figure 4.6). It is quite likely that since then the increasing pressure on jobs and earnings and a tense environment of economic uncertainty caused by the recession have made the situation worse.

Another source of integration difficulties linked to the recession was the likely increase in irregular migration and the expansion of the underground economy. Fearful of detection, irregular migrants would keep away from the integration programme. In an atmosphere of fear and suspicion, confidence-building between immigrants and the receiving society – a critical element in successful integration – would be more difficult.

[58] Juliana Menasce Horowitz, 2010. op. cit.

Figure 4.6 Public attitudes to migration: those who say immigration has a negative influence

Source: Spring 2007 Pew Global Attitudes Survey.



Box: Multiculturalism as model of migrant integration

In the difficult economic and migration climate, multiculturalism as a model of migrant integration has recently come under criticism. In 2011, in a series of consecutive but separate declarations, several European leaders denounced multiculturalism as a failure. The two main, and somewhat contradictory, grounds advanced for the criticism were: multiculturalism (a) threatens the national identity of the host country; and (b) it encourages rise of parallel societies within the state. However, such criticisms betray a distorted understanding of the concept of multiculturalism.

Multiculturalism does assume that national identity is not something that remains static forever but that, with or without immigration, it evolves over time as human history moves on. Multiculturalism contributes to this process of evolution of a nation's identity, but should never be a threat to it. By the same token, true multiculturalism also rejects parallel societies. Its diversity is embedded in interchanges among different cultural groups within a cohesive societal framework. Its inclusiveness is opposed to a segregated co-existence of different cultural groups, with each one going in its own way. Such segregation ("ghettoization") distorts what multiculturalism really stands for.

Constructive interactions between the host society and the immigrant community require readiness on the part of both parties to adjust and accept change. The immigrant community must be ready to accept the core values and norms of the host society. The host country, for its part, should be open and flexible enough to leave sufficient space for the newcomers (and minority groups) to fully participate in its economic, social, and cultural life and be willing to benefit from their contributions to the enrichment of its culture and development of its economy.

For this to happen ,immigrants need to have a sense of belonging in the new country, based on non-discrimination and equal access to opportunity. A substantial volume of research shows the critical importance of these conditions in shaping the willingness and ability of immigrants (and ethnic minorities) in integrating themselves into the host society, including its labour market. These are far more important than ethnicity, religion, or country of origin, even in situations where the latter are of some relevance.

Experience also shows that laws guaranteeing non-discrimination and equality of opportunity, though necessary, are not sufficient. Their effective enforcement, including the attitude of the host society, also matters. Host countries in Europe have well-advanced legislation on these issues, but, as revealed by several recent studies, when it comes to actual practices and performances on the ground, the picture looks different.

If multiculturalism has been failing to deliver, the problem lies not with the model itself but with its distorted narratives and the faulty application resulting from them.

Increase in new immigration flows of non-working age migrants and of those with low labour market outcome poses a serious challenge to migration integration and management

As discussed in Chapter 3, in a number of rich countries recent inflows are set to show a relative increase in the number of non-working age migrants – persons too young or too old to work – and also of those who, though of working age, have low labour market outcome due to their entry through non-labour migration channels (e.g. family reunification and humanitarian). An increase in the number of non-working age persons entails additional economic and social costs for the receiving country, but without the benefits that a working migrant would normally bring to the economy. When the underage migrants subsequently join the labour force in these countries, they could be a bonus to the ageing society, providing however that they are adequately trained and effectively employed. It is worth noting that the working age population in OECD countries is expected to increase by only 1.9 per cent in the next 10 years, compared with an increase of 8.6 per cent between 2000 and 2010 (OECD, 2010a).[59] In the European Union, the working age population will shrink by 20 million between 2005 and 2050, although the situation may start changing beginning around

[59] OECD, DELSA/ELSA/WP2 (2010) 3, 2010. See, in this connection, the discussion in Chapter 5 (and Introduction) on likely future changes in demographic trends.

2035 if the new trend towards higher birth rate takes hold (further discussed in Chapter 7).

If however, these young migrants do not have access to educational and job opportunities and remain unemployed and disgruntled, they could be a worrisome source of social unrest. The fact that the same receiving countries already have a high rate of youth unemployment and that this portends to continue in the coming years only adds to the seriousness of the problem. The relative increase in the entry of working age migrants through humanitarian (and not labour migration) channels poses to an extent a similar challenge. This is because of their generally low employment potential compared to labour migrants. In the absence of proactive measures to enhance their integration into the labour market, they may not be able to make a full contribution to the economy of the host country; instead, they could be a potential source of economic strain and social tension.

Effects on Home Countries

Declining outflows can increase pressure on unemployment in labour-abundant countries

The recession, as discussed in Chapter 3, has slowed down new migration flows. It is too early, however, to make precise estimates of how long this trend would persist and what might be the magnitude of the decline, if any, in the flows in the coming years. If however, the trend continues, as it happened in the 1920s and 1930s, it would have some important effects on the migrant sending countries.

How will such a decline affect the unemployment situation in labour-abundant countries? Although reduced unemployment in the sending country is generally considered to be one of the positive contributions of migration, its potential in doing so should not be overrated. There are several reasons for this. First, barring a few exceptions, emigration normally does not involve more than 3–4 per cent of the domestic labour force – too small to make a dent in widespread and structural unemployment. Even a much higher level of emigration may prove relatively ineffective when the problem is structural and demographic pressures continue to be strong – as reflected in the past experiences of a number of countries including Mexico, the Philippines, Sri Lanka, and Turkey (Ghosh, 1996, 1997).[60] Further, excessive reliance on emigration as a

[60] For a more detailed discussion on the effects of migration in sending countries see: Bimal Ghosh, "Economic Migration and the Sending Countries"

relief to unemployment could encourage the sending country to postpone unpopular but essential economic reform, as happened in several eastern Mediterranean countries in the 1960s and early 1970s. Over time, this could only aggravate the unemployment situation and undermine long-term growth (see also under the section on remittances).

Even so, there is little doubt that labour migration can provide some temporary relief from unemployment, especially in over-crowded areas. Also, when other conditions are favourable, it can help a country in absorbing the increase in the labour force, as it did, for example, in countries like Pakistan, South Korea, and Sri Lanka in different periods of time. Experience also shows that circular migration can reduce fluctuations in employment levels. No less important, in periods of economic transition and falling living standards labour outflows can serve as a safety valve against mass discontent, as was witnessed in Central and Eastern Europe in the wake of the fall of the Berlin Wall in 1989.

Further, labour migration could be helpful in reducing fiscal pressure resulting from unemployment-related welfare programmes. In Egypt, the employment guarantee scheme might not have worked in the 1970s without the massive emigration of its workers to the Gulf States (World Bank 1995).[61] Not surprisingly, in the past a number of widely diverse developing countries such as Bangladesh, Barbados, the Dominican Republic, El Salvador, Guatemala, India, Morocco, Pakistan, the Philippines, Tunisia, Turkey, and Viet Nam have encouraged labour emigration for several reasons, including for relieving pressure on unemployment and as a source of external financial resources (further discussed under remittances).

Although, as mentioned above, labour outflows may not be an effective answer to widespread, structural unemployment in developing countries, it cannot be denied that if the recession-related trend towards falling migration takes hold, this would make the unemployment situation even more difficult for a number of small countries – especially those that have a less diversified and less flexible economy and have been relying on employment abroad of large numbers of people relative to their workforce. This would include countries with over-crowded

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in Julien van den Broeck (ed.) *The Economics of Labour Migration,* Edward Elgar Cheltenham, UK, 1994. Also Bimal Ghosh, "Labour Migration: Causes, Conditions and Consequences," Keynote paper presented at the World Congress on Globalisation, Migration and the Labour Market, Nuremberg, Germany, May 1997.

[61] World Bank, *The World Development Report,* Washington D.C., 1995.

local areas that have been benefiting from high emigration to cope with the employment pressure.

As labour outflows from low wage to high wage countries, and total demand for labour increases, it could in principle raise wages in origin country. Does that mean that a slowdown of migration would have a negative effect on the wages in sending countries? It does not seem very likely. True, in the nineteenth and early twentieth century's mass migration from poorer countries in Europe such as Sweden and Ireland to richer European countries led to a rise in wages and also narrowed inter-country inequality (Williamson, 2002).[62] But things are no longer exactly the same with today's labour-abundant sending countries.

Given the size of the unused labour reserve due to unemployment and underemployment in most developing countries, emigration hardly pushes up wages at a macro-level, although large-scale migration can cause temporary labour shortages in specific sectors or local areas leading to a rise in wages. This happened, for example, in Yemen between 1975 and 1977, in Pakistan in the late 1970s, and in South Korea between 1975 and 1980. The converse is also true. It is not at all sure, therefore, that a fall in the migration flows, except in the unlikely event of a dramatic one following the recession, would have any generalized effect on wages of migrant-sending developing countries, although it may add to an already difficult unemployment situation, especially in specific sectors or areas.

Does rich countries' loss of skilled personnel imply equal gains for poor countries?

The discussion in Chapter 3 has shown that due to the recession, a number of migrant-receiving countries have become less enthusiastic even about skilled immigrants and that some skilled migrants might return home. To what extent should these "brain gains" help the developing countries? Even if, as discussed above, the loss of skilled workers might harm the growth and competitiveness of industrial countries, should the potential gains in skills make much difference for the origin countries in the developing world?

Losses of skills are generally considered to be harmful for developing countries. However, in making a judicious assessment of the real situation several considerations must be taken into account. First, for

[62] Jeffrey Williamson "Winners and Losers over Two Centuries of Globalization" NBER Working Paper no. 161, Cambridge, MA. National Bureau of Economic Research 2002.

developing countries to reap immediate gains from return or retention (non-emigration) of skills as a result of the recession the skills need to be fully attuned to the technological or economic needs of these countries. This however is not always the case. Nor is it sure that the conditions that inhibit effective utilization of available skills in these countries would necessarily change within a short span of time.

Experience in several countries/areas including Taiwan (province of China) and India shows that when return of skilled personnel is voluntary and properly planned in advance and the macroeconomic conditions, including the business environment, in origin countries are favourable, this could be a powerful driving force for growth, especially in specific sectors (Ghosh 2000a).[63] However, sudden or imposed return as a result of a crisis in the host country is not likely to meet these preconditions.

Second, some recent theoretical and empirical studies have suggested that, depending on the levels of adult education and rates of emigration of persons with tertiary education, some countries (e.g. Brazil and China) can actually benefit from skilled migration, while some other countries or areas (e.g. El Salvador, Guyana, Jamaica, and Trinidad and Tobago) may find this harmful (Beine et al 2001; Lowell et al, 2004)).[64] Under these "optimal skilled migration models" much depends on the country-specific situation, especially the proportion of a country's skilled migrants abroad to the total number of its skilled workers and the quality and structure of its education system. Third, this apart, it is widely recognized that for countries with a broad and flexible base of human resources and the capacity to easily replace the outflows, skill migration is not a major problem. A sample-based analysis by Beine, Docquier, and Rapoport shows that although more countries will be losers than gainers from skilled migration, the winners include the most populous states representing 80 per cent of the total population of their sample. They also found that, except for countries like Jamaica and Guyana with very high emigration rates, the net variation of losses (or gains) in terms of GDP growth rates per capita is less than 0.20 per cent per year.

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[63] Bimal Ghosh, Return Migration: Journey of Hope or Despair? op. cit.

[64] M. Beine, F. Docquier and H. Rapoport, "Brain Drain and Economic Growth: Theory and Evidence," *Journal of Development Economics,* 64, 2001. B.L. Lowell, A. Findlay, and E. Stewart, "Brain Drain: Optimizing Highly Skilled Migration from Developing Countries," Institute for Public Policy Research, Asylum and Migration Working Paper no. 3, London.

Fourth, equally important, skilled migration need not be seen as a permanent loss for the sending country. Recent global changes, including market integration and progress in transport, information and communication systems, make it possible for the origin country to establish transnational links with its diasporas and tap their skills and talents and other resources. This happens when ethnic networking leads scientists and technicians at home to establish close personal contacts with those who have the same national origin, but are now living and working abroad in a technologically advanced country. This has already started happening. A recent paper by Ajay Agarwal lends support to this view (Agarwal et al 2008).[65] It finds that Indian scientists working in India but seeking patents in the USA draw heavily on the work done by scientists of Indian origin in the USA even if very similar research is also done by others but with whom they do not have ethnic ties. Thus, if transnational links of a scientific diaspora community are properly utilized (an important pre-condition), it can yield benefits all around – to the host country, the immigrant scientists, the home country, its scientists and its economy. Finally, there is also the libertarian argument of the individual's freedom of movement and the right to place one's talent in the world market.

These general caveats notwithstanding, a slowdown of skilled migration could actually be beneficial for some countries or in certain situations. When poor countries that are short of human capital lose many of their most talented workers, this can be a major impediment to future growth and technological progress. As past experiences in several countries in sub-Saharan Africa, Latin America, and the Caribbean showed, the initial cost of skill migration could be compounded by a second round of negative effects undermining the training of intermediary cadres and inhibiting product and process innovation. In addition, since human skills often act as complement to capital and technology, skilled migration could depress wages of unskilled workers and lower the average income of non-migrant population (Ghosh, 1997).[66] Also, to the extent that public funds are used to support education, skilled migration implies loss of public investment in human capital. Skilled migration boosts the tax revenues of receiving countries, but depletes them in the sending countries. A study at Harvard University showed

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[65] Ajay Agarwal, Devesh Kapur, and John McHale "Brain Drain or Brain Bank? The Impact of Skilled Emigration on Poor Country Innovation" NBER working paper no. 14592 December 2008.

[66] Ghosh, 1997.

that one million Indians living in the USA accounted for 0.01 per cent of India's population but earned the equivalent of 10 per cent of India's national income (Desai et al, 2001).[67] In India, they would have earned less, but probably they would have been among the highest taxpayers. The 50 million persons who live outside mainland China (including Taiwan province of China) earned an annual income equivalent to two-thirds of China's gross domestic product in 2001 (Devan and Tewari, 2001).[68]

The snag in this line of argument is that a country's fiscal loss from migration can be more than offset by remittances, as has recently been the case in India (although the nature of the impact of the two on the economy may not be exactly the same). In 1984, Goldfarb, Havrylyshyn, and Magnum used a model to analyse the economic impact of Filipino physicians moving to the USA (Goldferb et al., 1984).[69] Their findings, based on a set of reasonable assumptions, were that those who remained in the Philippines would benefit. Second and more important, in many sending countries available skills in any case remain idle or are not effectively utilized, leading to a huge waste of human capital – a situation characterized by some analysts as "brain in the drain." This is because of the mismatch between the educational curricula and system and the real skill needs of the economy and various other constraints.

Even so, in several of the cases mentioned above, a slowdown of skilled emigration or restoration of such skills through return would be useful, provided the skills are effectively utilized. From this perspective, it is understandable why the African, Caribbean, and Pacific countries expressed concern that the recent EU proposal for issuing "Blue Card" visas for skilled personnel from third (non-EU) country nationals could be harmful for Africa, although much depends on the country–specific situations discussed above.

There is some evidence that the recession has accelerated the return of skilled migrants to a number of African countries such as Nigeria, Ghana, Kenya, and Angola. They are anxious to play an entrepreneurial

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[67] M. Desai, D. Kapur, and J. McHale "The Fiscal Impact of Brain Drain: Indian Emigration to the US," Weekly Political Economy Discussion Paper, Harvard University 2001.

[68] J. Devan and P.S. Tewari, "The Brains Abroad", *The McKinsey Quarterly,* 2001 (4).

[69] Goldfarb, Robert, Oli Harvrylyshyn, and Stephen Magnum, "Can Remittances Compensate for Manpower Outflows: The Case of Philippine Physicians" *Journal of Development Economics* 15(1–3), pp. 1–17

or managerial role in some of the new or dynamic sectors of the home economy. However many of them would also like to maintain their transnational links and keep the doors open in the erstwhile host countries, which obviously calls for reciprocal arrangements to facilitate human mobility between countries.

Even countries with a relatively solid human capital base can benefit if retuning skills meet changing needs and shortages in specific sectors. For instance, India, which has planned to spend $1000 billion between 2007 and 2017 on its much needed infrastructure, faces a shortfall of more than half the skilled human resources required to modernize its infrastructure over the next 10 years, according to a World Bank study. One reason for this is that more graduates are attracted by better paid jobs in, for example, the IT sector or abroad. India could possibly gain from the return of some of its civil engineers if they can be steered to, and effectively used in the infrastructure sector modernization programme (see also Chapter 7).

How will return of migrants affect the home countries?

There remains the question of return flows. Mass expulsions similar to what happened in Nigeria (1983) and Ghana (1969) or large-scale returns as witnessed during the 1990–1991 Gulf war could seriously dislocate the economies of origin countries. Unexpected repatriation of 1.9 million Egyptian workers as well as their dependents during the Gulf crisis threw the country's budget out of gear, just as the sudden return of large numbers of Indian migrant workers put the economy of the Indian State of Kerala under heavy strain. Jordan and Yemen faced similar difficulties when their migrant workers were forced to return. During the Asian financial crisis, the Indonesian economy suffered badly as a result of the return of its migrant workers. And, clearly, the return of Mexicans and Europeans from the USA during the Great Depression of the 1930s did not help matters in the countries of origin.

There is, however, no indication that the present economic crisis would trigger any mass expulsion (which is unlawful under international law) or massive return as was witnessed during some of the past economic or political upheavals. As already mentioned, in Poland the massive return of its migrants anticipated by the government in 2007 did not materialize.

This is not to suggest that the impact of large-scale return flows on home countries is without importance. Discussion in Chapter 2 has shown that the recession has increased migrants' return, though not in the form of massive human waves. Aside from its likely negative impact on remittance flows (discussed in the next section), unexpected return of large numbers of migrants will no doubt place additional strain on the job market as well as on the social and physical infrastructure of the sending countries, especially those poor countries that have traditionally relied on high emigration as a mainstay of their economies with relatively low levels of return. Intense, often fierce, competition over jobs and limited social services and amenities in the wake of large-scale return could easily add to social tension and conflict in these countries.

Economic woes and threats to livelihood could lead to rise in irregular migration and human trafficking

If the crisis continues and economic woes worsen in poor countries, the situation can build pressure for irregular migration and encourage human trafficking. Driven by poverty and despair, many in these countries could be impelled to seek escape abroad, and in the absence of opportunities for legal admission, they would try to enter by irregular channels. This, in turn, could encourage human trafficking. Elsewhere, based on empirical evidence, I have argued that the poor, too, travel surely to neighbouring countries, but not infrequently to distant lands as well (Ghosh, 1997, 1998).[70] If sufficient funds cannot be raised, for example, by selling the modest family possessions, or by borrowing, all that a future migrant will have to do is sign a bond with a trafficker or an agent for deferred payment for which the migrant and the family at home may assume the responsibility. The trafficker would generally welcome it, as soon it would become a bond of the migrant's servitude for many years to come, sometimes forever. For the trafficker, the bond would open the gates for abuse and exploitation of the victim; and even the family at home might not be spared.

Despite the recent tightening of both national and international laws against migrant smuggling and human trafficking, the danger seemed quite real in the situation created by the economic crisis. It should not be forgotten that, in times of economic difficulty, employers in the destination country, especially marginal firms and those operating in the black economy, tend to collude with traffickers in order to benefit

[70] Bimal Ghosh, *Huddled Masses and Uncertain Shores: Insights into Irregular Migration,* IOM and Martinus Nijhoff Publishers, The Hague/Boston/London, 1998. Bimal Ghosh, "Labour Migration: Causes, Conditions and Consequences," op. cit.

from irregular, and therefore cheap and docile, labour. This increases the danger.

It is widely known that getting to the destination country by irregular channels often entails not only life-threatening dangers but also exposure to exploitation, extortion, and human rights abuse. The recent recession seems to have aggravated some of these problems. For instance, according to human rights associations that monitor migration to the USA across Mexican borders, organized crime groups have begun taking aim at migrants from Mexico as well as from Central and South America as major sources of illicit revenue. They have used kidnapping, physical violence, and even killings of the victims as their means of action. Non-Mexicans were more vulnerable, given that they are less familiar with their surroundings and less likely to report to the authorities (*The New York Times,* 2009g).[71]

Remittance flows: rewards and risks

How big is the likely decline of the future remittance flows? Why is the assessment so difficult?

Migrants' remittances to developing countries rose sharply in recent years (see Table 4.1). In 2008, they were $ 324 billion (revised figure), which was more than twice the amount received by these countries as recently as 2002. Not surprisingly, in the wake of the economic crisis, falling new migration flows and increasing return, migrants' joblessness and lower earnings in host countries, combined with their growing feeling of uncertainty the rate of increase has slowed down. According to the World Bank, the increase in 2008, relative to 2007, was above 16 per cent. Since then the growth has decelerated. In 2009 it declined by more than 5 per cent over the previous year. The flow has been rising again from the decline, though at a slower speed, with a rise of 6 per cent in 2010 and 8 per cent (USD 350 billion) in 2011, according to the Bank estimate. It also anticipates roughly similar increases for the years 2012–2014.

The difficulties in making a precise estimate of the actual remittance flows are well known. The fact that a large proportion of the total remittances – probably more than 50 per cent – is transferred through unofficial or clandestine channels is not the only problem. The definition

[71] "Migrants Going North Now Risk Kidnappings," *New York Times,* 17 October 2009.

Table 4.1 Outlook for remittance flows to developing countries, 2012–2014

		2009	2010	2011e	2012f	2013f	2014f
$ billions							
All developing countries	324	307	325	351	377	406	441
East Asia and Pacific	85	85	94	101	109	117	127
Europe and Central Asia	45	36	36	40	44	48	53
Latin America and Caribbean	64	57	57	61	66	71	77
Middle-East and North Africa	36	34	35	36	37	39	42
South Asia	72	75	82	90	97	105	114
Sub-Saharan Africa	22	20	21	23	24	26	28
LDCs (UN-classification)	23	24	25	27	29	32	35
Low-income countries	22	23	25	28	30	33	37
Middle income	302	284	301	324	347	373	404
High income	132	123	124	132	137	144	152
World	456	429	449	483	514	550	593
Growth rate (%)							
All developing countries	16.4%	–5.2%	6.0%	8.0%	7.3%	7.9%	8.4%
East Asia and Pacific	18.8%	0.4%	10.2%	7.6%	7.3%	8.0%	8.7%
Europe and Central Asia	16.3%	–19.8%	–0.1%	11.0%	8.8%	10.1%	11.4%
Latin America and Caribbean	2.2%	–12.2%	1.2%	7.0%	7.6%	7.9%	8.1%
Middle-East and North Africa	12.0%	–6.7%	3.3%	2.6%	5.0%	5.3%	5.5%
South Asia	32.6%	4.8%	9.5%	10.1%	7.4%	7.9%	8.4%
Sub-Saharan Africa	15.8%	–7.0%	4.5%	7.4%	6.3%	6.8%	7.3%
LDCs (UN-classification)	32.5%	2.0%	4.9%	8.5%	8.5%	9.1%	9.6%
Low-income countries	32.8%	3.7%	8.9%	12.0%	9.4%	10.4%	11.5%
Middle income	15.4%	–5.9%	5.8%	7.6%	7.1%	7.6%	8.2%
High income	14.7%	–7.1%	1.1%	6.3%	4.1%	4.9%	5.7%
World	*15.9%*	*–5.8%*	*4.6%*	*7.5%*	*6.4%*	*7.1%*	*7.7%*

of migrant remittances and quality of data collection also vary between countries and even between national agencies within the same countries ... Ghana, for example, reported remittance inflows of US$ 136 million to the IMF Balance of Payment in 2010, while Ghana's central bank showed inflows in excess of US$ 1.8 billion for the same year (Mahapatra et al., 2011).[72] This continues to create confusion. Some significant progress has been made recently in these matters. It remains difficult, however, to know to what extent the recorded rise in remittance flows in recent years is due to an improvement in data collection.

Nor is it easy to figure out the extent to which the increase in official figures over the past few years reflected a partial diversion of flows from informal to official channels due to more stringent measures taken against money laundering as a security measure since 2001–2002. It is known that the returning migrants are most likely to send their savings home, although when they do so, they are apt to take at least part of the savings with them in the form of cash or kind (reducing money transfer through formal financial channels). (Rodriguez, 1996; Puri and Ritzema, 1999).[73] There is, however, not enough information to indicate whether or to what extent the recent increases in remittance flows are due to increased returns.

Making reliable forecasts of remittance flows for future years is even more difficult because the determinants of remittance behaviour and flows are numerous, complex, and volatile. These cannot all be easily captured and fed into a workable model to make dependable forecasts of remittance flows for future years. The share of remittance outflows in the gross domestic product of the host countries worldwide is often used as a basis for preparing its remittance forecasts. As the host countries' GDP goes down, so does the total amount of remittances (being a constant share of the GDP) and vice versa.

An initial problem affecting this approach lies with the reliability of forecasts of GDP itself. And, even if the reliability of the GDP forecast is assumed to be reliable,[74] (which is not always the case), the approach raises several other, more important, issues. An underlying assumption

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[72] Mahapatra, S. et al., "Outlook or Remittance Flows", *Migration and Development Brief,* I December 2011"

[73] In the case of the Philippines, for example, Rodriguez notes that "regular cash transfers account for about 26 per cent of total transfers; most of the rest is cash brought home on return." E.R. Rodriguez, "International Migrants' Remittances in the Philippines," *Canadian Journal of Economics* 29, pp. 427–432, April 1996. Some put the figure as high as 35 per cent (or 42 per cent including in kind transfers), S .Puri and T. Ritzema: "Migrant Worker Remittances, Micro Financed and the Informal Economy: Prospects and Issues," Working Paper 21, Social Finance Unit, ILO, Geneva 1999.

[74] As is well known, different international and regional organizations make these estimates using different methodologies and the results diverge, though the differences generally are found to be relatively small.

in such forecasts of remittance flows is that a host country's GDP may move upwards or downwards, but the share of remittance outflows in it remains constant under all circumstances. To put it differently, the variables that determine GDP are assumed to be exactly the same for remittance flows as well, with the result that the rates of change in them, too, remain perfectly synchronized. However, the dynamics of the real situation clearly suggest that, instead of remaining constant, the share of remittances in GDP is likely to change when there are important changes in a country's migrant stock and flows – in terms of their numbers, characteristics or composition. Also, significant changes in GDP itself, reflecting economic prosperity or downturn, can influence migrants' remittance behaviour and remittance flows. When this happens, the share of remittances in GDP also changes.

Earlier discussion has shown that during the crisis there has been a slowdown in new immigration flows, especially labour migration (although less than anticipated), alongside an increase in returns, and possibly a slight initial decline in the labour migrant stock. This largely explains the deceleration of the growth in total remittances in recent years (including a 5 per cent decline in 2009). True, new immigration flows are small in size relative to the migrant stock. But even if the migrant stock remains same, the remittances could fall in times of recession for several other reasons. It has been noted earlier in this chapter that in times of recession, migrants generally lose more than the non-migrants in terms of both jobs and wages. In particular, the decline in several of the sectors with high concentration of migrants may be sharper than for the economy as a whole. In other words, the income inequality between migrants and non-migrants increases. It would be logical, therefore, to assume that in times of economic downturn, if other things remain the same, the rate of decline in migrants' (income and) remittances would be higher than the overall rate of GDP decline.

It is not difficult to see why, aside from the size of the migrant stock, the composition and characteristics of migrants also matter. As discussed in Chapter 3, recent flows to a number of OECD countries showed a relative increase in the share of non-working-age migrants and of persons who entered through humanitarian (as distinct from labour migration) channels. Clearly, in general persons who are too young or too old to work cannot be expected to have earnings of their own. And as they enter mostly through the family reunification channel, their living expenses will generally be an additional charge on the income of the existing migrants. As for the humanitarian migrants of working age, it is well known that they have a low labour market (employment) outcome. Consequently, on average they would earn less and probably remit less than labour migrants.[75] This makes it important to take due account also of migrants' labour market participation rates and other related characteristics – and not just the number of migrants – in projecting future remittance flows . Consequently, on average they would earn less and probably remit less than labour migrants.

Changes in other characteristics of migrants can also have an impact on their remittance behaviour. For example, it is well recognized that, compared to recent migrants, settled migrants (including those who have become naturalized citizens in the destination country) tend to remit less as family links in the home country tend to weaken over time, with the possible exception of cases where remittances are primarily investment-oriented. A fall in temporary labour migrants, as has recently been the case in the OECD countries, may therefore have a larger negative effect on remittances (as a share of incomes) than a similar fall in the number of permanent settlers. Similarly, the share of income transferred as remittances has been found to vary according to the levels of migrants' income. Any change in the shares of high-wage and low-wage migrants in the total number of migrants may therefore have an effect on remittance flows even if the total number of migrants remains the same. Migrants' propensity to remit may also be influenced by their personal and family-related characteristics such as age, marital status, and family responsibility back in the home country.

Further, there is the important question of the migrant' propensity to remit as distinct from his or her (earnings-based) capacity to send money home. Extreme uncertainty about the host country economy and the migrants' own future has been found to lead many migrants to be more cautious and send less money home than in normal times. Exceptionally and for a short while, migrants may cut back on their own consumption to maintain the same level of remittances to families back home, as some migrants in Dubai may have done (Ratha et al 2009b).[76] It is also possible that when the economic situation in the home country worsens, for instance after a natural disaster, migrants may make a special effort to increase their remittances back home. But

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[75] There may, however, be situations where refugees in the host country may be able to raise funds from local sources and send money home to help other victims of persecution who are left behind, including for their escape abroad.

[76] Information based on interviews as reported in Dilip Ratha et al, "Migration and Remittance Trends." Migration and Development Brief 11, op. cit

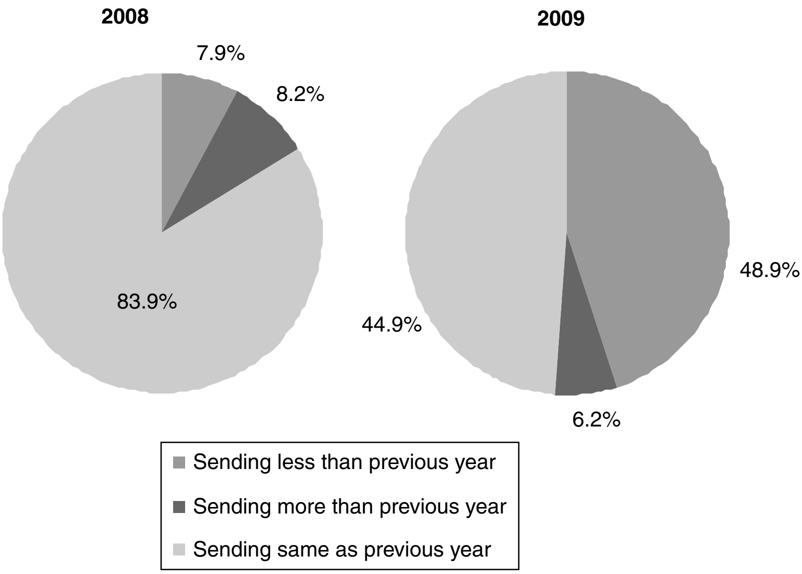
these have their limits. In the case of sharp deterioration of the host country economy and prolonged uncertainty about their own future, many migrants are more likely also to economize on remittances. Not surprisingly, more than one in seven of the Mexican immigrants in the USA who had sent money home in the previous two years remitted less in 2008, and for 80 per cent of them the main reason was economic decline and uncertainty. In 2008 less than 8 per cent of Latino immigrants in the USA sent less than in the previous year, the number rose to nearly 45 per cent in 2009, mainly because of economic uncertainty (Lopez et al, 2009).[77] (see Figure 4.7: Remittances from Latino migrants).

Family responsibility back home also plays an important part in shaping migrants' propensity to remit funds. In the context of migration of the "youth bulge generation" of developing regions such as the Middle East and North Africa, some analysts have argued that, unlike the migrants of the previous generations most of new migrants will be much younger and marry late, remain unmarried at the time of emigration and have a lower burden of responsibility for their grandparents at home (because of a larger number of cohorts to share it). As they will have less family responsibility in the home country, their propensity to remit will remain low (see Chapter 6 for additional details).

Finally, it should not be forgotten that in many cases even family budget-oriented remittances includes a component that covers home improvements and other small investments and also discretionary social events and religious festivities. When times are really bad in both host and home countries, migrants are likely to economize on remittances by postponing expenses on some of these items. In most cases the same would apply to collective remittances that in normal times might be spent on building assets and projects for promoting community welfare. The more remittances assume the role of investment capital, the more sensitive they are likely to be to the home country's economic downturn and related business risks. This also explains why the remittances' counter cyclic role in home countries does not work when both home and host countries face serious economic meltdown and the migrants are fearful of their own future. To the extent remittances are used for small family savings, they can vary widely,

[77] Lopez, Livingstone, and Kochhar, "Hispanics and the Economic Downturn; Housing Woes and Remittance Cuts." January 2009, op. cit.

Figure 4.7 Remittences from Latino immigrants
Source: PWC, January 2009



depending on the actual and anticipated rates of exchange of currencies as well as interest rates between the host and home countries.

The size of the existing migrant stock relative to new flows no doubt gives a degree of stability in remittance flows, regardless of changes in the number and characteristics of new migrants. It should not be forgotten, however, that the new flows soon become part of the migrant stock and that their cumulative effect over a few years can change the composition and characteristics of the migrant stock itself. This adds to the difficulty in making forecasts of remittance flows in several years ahead.

The World Bank group that closely follows the issue of migrants' remittances is fully conscious of the need to improve data collection of remittance flows. It also recognizes that considerable uncertainties remain concerning global employment prospects, and especially for migration policies and flows, in addition to continuing volatility in exchange rates and unpredictability of future oil prices. Given these and the reasons discussed in the preceding paragraphs, it is not surprising that forecasts of migrants' remittances remain exposed to relatively wide margins of error.

While trying to improve the forecasting methodology, the World Bank has been issuing periodically updated estimates of current remittance flows which are extremely useful in appraising the current situation. Overall, the Bank group estimated that in 2011, officially recorded global remittances increased by 7.5 per cent, reaching US$ 483 billions, of which US$ 132 billion went to the high income countries and US$ 351 billion to developing countries. The rate of increase in remittance inflows was slightly higher for developing countries (8 per cent) than for the high-income countries (6.3 per cent) (see Table 3.1. above).

For the first time since the financial crisis, remittances to all six major developing regions rose in 2011, although, as in the past, there were regional variations. Of these six regions, the rate of increase in two – Europe and Central Asia and South Asia – was the highest, 11 per cent and 10.1 per cent respectively. The former benefited from higher outward remittance flows from Russia and the latter from the GCC countries. In both cases, the increase was helped by higher oil prices from which both Russia and GCC countries benefited.

Growth in remittances was lowest in Latin America and the Caribbean and the Middle East and North Africa at 7.0 per cent and 2.6 per cent, respectively. Flows to Latin America, which had seen a sharp decline during the 2008–2009 recession and had remained flat in 2010, resumed growth in 2011. But the flows, some 80 per cent of which came from the USA, remained subdued due to weakness of the US economy and high unemployment, especially in some of the specific sectors, such as construction and manufacturing, which had a high concentration of migrant workers. Declining real incomes due to joblessness and stagnant or falling wages, together with continuing uncertainty about the economy and their own future, curbed migrants' capacity as well as their propensity to send money home, as discussed above.

The lowest growth in remittances to MENA countries in 2011 was largely due to the Arab Spring uprisings. With the debt crisis in Europe and (despite higher oil prices), new policy trends favouring increased social expenditure and related fiscal strains in GCC countries, (which, respectively, accounted for 39 per cent and 28 per cent of total remittances flows to MENA,) it is not surprising that growth in remittance flows suffered (see Chapter 6 for further details). Although remittance inflows to sub-Saharan Africa, too, suffered from turmoil in Libya and the debt crisis in Europe, the region was estimated to have had a 7.4 per cent increase in remittance receipts in 2011. This was helped by an increase in inflows from other developing countries, mostly in Africa. Inflows to Kenya, for example, reached US$ 644 million – a 45 per cent rise on a year-on-year basis, partly helped by weak Kenyan shillings which made local currency investment more attractive. Remittance flows to Ethiopia, too, increased to more than US$ 1.5 billion in the 2010–2011 fiscal year.

Why are remittances important for developing countries? Can they spur development?[78]

The positive role that remittances play in developing countries is now well documented. By contributing directly to the family budget, including expenditure on food and housing as well as health and hygiene, not only do they promote family welfare and improve living standards but also help develop future human capital. In a number of countries – including Bangladesh, Senegal, and Turkey – they accounted for a high proportion of the household income of recipient families and were used to meet expenses on basic needs, although sometimes they also encouraged conspicuous consumption, with a preference for imported luxury goods. In Latin America and the Caribbean, remittances were estimated to support more than 50 million people.

Evidence from a number of diverse countries, including El Salvador, Jordan, Mexico, the Philippines and Thailand, suggests that remittances raised school attendance and the level of children's education and helped reduce child slavery. A continuing fall in the inflow of remittances would weaken its positive role in all these areas.

Remittances are not, however, spent only on household consumption. They often contribute also to the upgrading of farm production and the growth of income generating small businesses in local areas, and thus increase family income while promoting local development. By removing credit constraints and providing risk insurance, they encourage the use of improved technology and production inputs, leading to output growth, as was found in several Asian countries, including Pakistan and Thailand. Although in the Caribbean and Pacific islands as well as in Morocco, emigration and remittances were initially associated with a decline in farm production, experience in sub-Saharan Africa and Asia, including China, showed that the situation changes over time, and often leads to farm modernization and increased crop production.

[78] For a fuller discussion of the issues raised in this and the following two sections see: Bimal Ghosh, *Migrants' Remittances and Development: Myths, Rhetoric and Realities*. IOM. Geneva and The Hague 2006.

A steady stream of remittances also helps the development of small enterprises in the non-farm sector and promotes entrepreneurial skills, although sometimes in the absence of proper guidance and timely assistance, remittance-backed small enterprises have been found to fail. Evidence across countries and regions shows that collective remittances can make a significant contribution to local development as they help build social assets and facilities such as schools, hospitals community centres, feeder roads, and various small infrastructure projects.

While remittances' positive contributions both at the household and local levels are well recognized, there is no clear evidence that by themselves remittances can spur sustainable development at the macro or national level. For this to happen, conditions need to be created to make the economy prime for development. A major constraining factor is the lack of adequate product and credit market integration which seriously circumscribes the transmission of local level growth impulses created by remittances' multiplier effect to other parts of the national economy. It also increases the risk of building inflationary pressure due to supply constrains in remittance receiving towns and villages.

Even so, remittances which were larger than the export earnings in a number of small developing countries could provide valuable support to balance of payments and help development through imports of essential inputs. Remittances may not be a propelling force for trade policy reform or economic openness, but countries may find them helpful – as India did in the early 1990s – in tiding over temporary foreign exchange difficulties following trade liberalisation.

In recent years several countries including Brazil, El Salvador, Mexico, Panama, and Turkey successfully used remittances as collateral to raise funds in the international capital market. Just before the present economic crisis, several African governments were set to launch similar securitization of remittances schemes to raise funds at lower cost than borrowing on sovereign credit but had to postpone action due to the impact of the crisis on international capital market. Meanwhile, however, some of the diaspora bonds have shown promise as a vehicle for financing development. A few years ago, India's initiative to sell "Indian resurgent bonds" (with incentives such as insulation from exchange rate risks, exempt from wealth and income tax and an attractive rate of interest) was a great success. Several countries – including Ethiopia, Kenya and Nepal – have recently issued diaspora bonds or have earmarked a portion of their bond issuance for diaspora investors (Mahapatra, et al, 2011).[79]

Remittances have a significant potential in alleviating poverty

Several household surveys and other recent studies have revealed the links between remittances and poverty alleviation, although the degree of causality is less clear. A cross-country IMF study showed that on average a 25 percentage point increase in the remittances/GDP ratio was associated with less than a 0.5 percentage point decrease in the share of people living in poverty (Spatafora, 2005).[80] Another study based on data from 71 developing countries suggested that, depending on the variables used, a 10 per cent increase in the share of migrants in a country's population would lead to a decline of between 2.1 and 3 per cent in the share of those living on less than US$ 1 a day (Adams and Page, 2005).[81] There is little doubt about the impact of remittances on alleviating the hardships of poverty when a high proportion of family remittances is spent on food and basic necessities of life. And this indeed was the case in a number of countries including El Salvador, Guatemala and Nicaragua as well as (as already mentioned) in Bangladesh, Senegal, and Turkey.

However, much seems to depend on who migrates: with all other things remaining the same, when migrants come from households with low income, the probability is that remittances would have a more direct impact on poverty alleviation. The fact that poor people are generally also low-skilled no doubt constrains their opportunities to move. Also important is the extent to which the multiplier effects reach the poor households in a country.

Remittances also help alleviate the hardships of poverty in another important way, although this has not received sufficient attention so far in the specific context of poverty alleviation. Migrants from different developing regions, notably Africa and Latin America, have been traditionally sending collective remittances through their hometown associations or similar migrants' organizations to help build or improve

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[79] Sanket Mohapatra, Dilip Ratha and Ani Silwal, "Outlook for Remittance Flows," 2012–2014 , "Migration and Development Brief 17," World Bank, December 2011.

[80] N. Spatafora, "Worker Remittances and Economic Development," World Economic Outlook IMF. Washington, D.C. 2005.

[81] R.H. Adams and J. Page "Do International Migration and Remittances Reduce Poverty?" 2005.

community assets such as fresh water wells, schools, and hospitals, and small infrastructure projects such as roads and bridges. To the extent that the poor have access to such basic services and facilities, which might have been otherwise unavailable to them, this certainly reduces their hardships. There are also many cases where remittances may not be able to lift the poorest people out of poverty, but may nonetheless significantly reduce the hardships or severity of their poverty.

Remittances are not without pitfalls: The downside

Despite its positive contributions to economic and social progress, including poverty alleviation, remittances are not without pitfalls. Many of them are already well documented and analysed (a few are also mentioned above) but some have been brought into sharper focus by the present economic crisis.

Some analysts have emphasized that the appreciation of the national currency due to inflows of remittances – a variant of the so-called Dutch disease – can dampen a country' exports, encourage ostentatious consumption and add pressure to its import bill. By making exports more expensive in foreign markets, remittances can also lead to shifts of resources from tradeable to non-tradeable sectors; and if this slows down employment growth, as is likely, the pressure on emigration would increase. An estimate made in 2004 showed that in a panel of 13 Latin American and Caribbean countries, a doubling of remittances would lead to a real exchange rate appreciation of nearly 22 per cent (Amuedo-Durante and Poxo, 2004; Bourder and Falck 2003).[82] Evidence from a number of countries such as Albania, Cape Verde, Egypt, Moldova, Portugal, and Turkey lends some credence to the concerns about the adverse effect of remittance-led currency appreciation on exports.

However, evidence also shows that in most cases, especially for large economies, the negative effects of currency appreciation on export growth and competitiveness were marginal. In the Philippines, it was found that exports rose rapidly in times when exchange rate was also appreciating quickly. One reason for this could well be that part of the remittances was spent on imports. Imports of critical inputs could be used to improve firm productivity and competitiveness of tradable goods. Access to remittances also makes it easier for the government

[82] C. Amuedo-Durante and S. Poxo "Workers' Remittances and the Real Exchange: A Paradox of Gifts," *World Development,* 32(8), 2004. Y. Bourder and H. Falck "Emigrants' Remittances and Dutch Diseased in Cape Verde" Working Paper series, 11, Kristians and University College, Sweden, 2003.

to improve infrastructure for the export sector. Further, under a flexible exchange rate policy, any upward appreciation in the exchange rate should be manageable without much difficulty.

This said, for small economies, with less diversified production structures and a weak export sector, any remittance-led sharp fluctuations in the exchange rate could be a real problem. Many of the countries are in this situation.(see Figure 4.8, Top recipients of remittances in US$ and as a share of GDP). For them the challenge is to take timely, pro-active policies to overcome these constraints and strive for economic diversification (discussed below and in Chapter 5).

Another real danger is that excessive reliance on remittances may tempt the governments to postpone essential but politically painful structural reform. As already noted, this may have happened in some of the remittance–receiving eastern Mediterranean countries in the 1960s and 70s. This "brings distortions in the economy through inefficient allocation of resources, depress production of tradeable goods and export-driven growth, and lead to further dependence on remittances, creating a vicious cycle and storing up trouble when remittances decline" (Ghosh, 2006).[83] Trouble has emerged with the deepening of the crisis, and fall in remittances threatened to take a heavier toll on countries that paid less attention to growth-oriented structural reform and diversification of sources of external funding and remained heavily dependent on remittances.

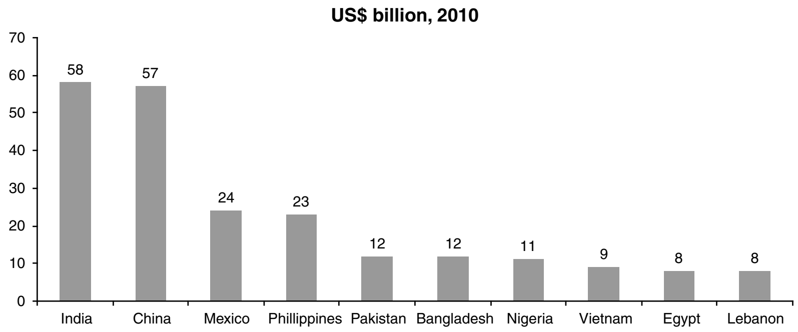
Decline in remittances adds to difficulties of developing countries. For poorer countries that are heavily dependent on remittances, it could be disastrous

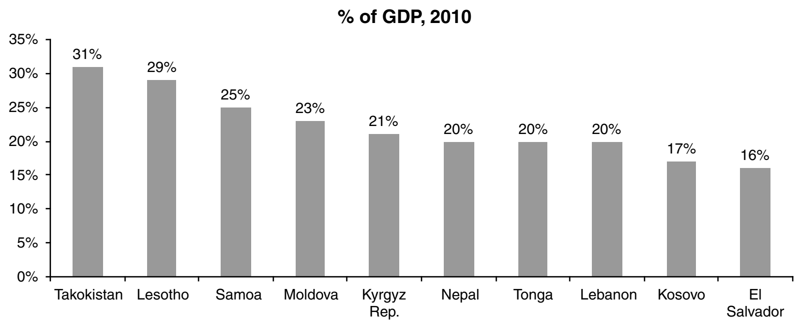
A sharp and continuing fall in remittance flows will adversely affect their positive role in the various areas mentioned above. While most remittance receiving countries would suffer, the nature and extent of their difficulties would vary, with poor countries that are heavily dependent on them suffering the most. In 2008 India was the topmost remittance-recipient developing country, but remittances averaged no more than $30 per person and accounted for 3.1 per cent of the country's GDP. Although a recession-driven decline in remittances would create problems, especially for its current account balance (which is already in deficit due mainly to high oil import costs), India should have less difficulty in riding over them. This is because India has a high rate of

[83] Bimal Ghosh, *Migrants' Remittances and Development: Myths, Rhetoric and Realities,* op. cit.

Figure 4.8 Top recipients of remittances: in US$ and as a share of GDP (Developing countries)

Source: World Bank.





growth, a relatively diversified and flexible economy, and has several important sources of external revenue in addition to remittances.[84]

By contrast for a country like Tajikistan, where remittances provided a lifeline for its economy, the decline in remittances could be a cause for serious concern. Although its remittance receipt in 2008 was $ 1.6 billion, it represented an average of $251 per person and accounted for 45.5 per cent of its total GDP (World Bank 2008, 2009 update).[85] Heavy reliance on remittances for its national income, less diversified

[84] This does not preclude the fact that the economic difficulties at the local level would be more serious for a few Indian states like the state of Kerala that normally have high rates of emigration and remittances inflows.

[85] World Bank, *Migration and Remittances Factbook,* 2008, March 2009 Update Washington D.C.

production structure and inadequate access to other sources of external revenue make it extremely vulnerable. Further, in the absence of adequate social safety nets, the poor are likely to be the hardest hit. The same concerns apply, albeit in varying degrees, to all countries where remittances constituted more than 20 per cent of the GDP (see Figure 4.8. above). The fact that remittances are more stable than most other sources of external finance is hardly a consolation to these countries. As mentioned above, they would do well to diversify their production structures and sources of external finance including, to the extent possible, through tourism and trade while making sure that remittances are effectively used (further discussed in the next chapter).

As the global economic crisis drives remittances down, making them pro-cyclical, countries heavily dependent on them become highly vulnerable

The perils of heavy reliance on remittances are exacerbated when both host and home countries face serious economic woes and the remittance behaviour becomes pro-cyclical. Many analysts tend to emphasize the counter cyclicality of remittances. There is little doubt that during normal business cycles, remittances can well be counter-cyclical. When home countries face economic difficulties or natural disasters, many migrants would be inclined to send more to help those left behind. Evidence also shows that with some exceptions the downturn in the host country during a normal business cycle may not adversely affect migrants' capacity to remit more to homeland.

But this is subject to two important caveats. First, when business conditions are bad in the home country, it is most likely that remittances that are investment-oriented would decline due to risk aversion on the part of most migrants. As already noted, even family-oriented remittances often include a component for small investments, be it on housing, farm improvement, or micro-enterprise activities. Risk aversion may lead many migrants to withhold that part of the remittances until the business conditions improve at home. Limits to counter cyclicality also stem from the fact when economic conditions in the homeland are bad, some of the less essential consumption items such as those related to social and religious festivities might well be cut back.

Second and no less important, the counter-cyclicality of migrants' remittance behaviour assumes that the downturn in the host country is just a part of a normal business cycle. But when the downturn takes the form of a serious economic crisis, and many migrants are fearful of losing their jobs or have already become jobless and their own future looks uncertain, they may be impelled to cut back on remittances. As noted earlier in this chapter, this was already happening with many Mexican migrants in the USA. Anecdotal evidence also suggests that some Mexican families at home were sending money to support members of their families as migrants in the USA (McCabe and Meissner, 2010).[86]

When both home and host countries face common problems and perils

Although separately presented under host and home countries, many of the negative effects of the recession-induced changes in the migration pattern could affect both groups of countries. It is not difficult to understand why or how in an increasingly globalizing world and inter-connected economies and markets, improvement in one part of the global economy would help the other parts, just as the setbacks in one group of countries could rebound on another. In some cases, as discussed below, the difficulties specific to each group could conflate and generate a third range of common problems. Some of these common problems are recapitulated below.

Welfare gains are foregone due to undue restrictions on migration; it hurts both home and host countries

It has been noted that liberalization of migration holds great potential of efficiency gains for the world economy from which both sending and receiving countries can benefit and that these gains exceed those from openness in trade. While sending countries in the developing world and their migrants reap larger shares of these gains, the receiving countries benefit, too. When restrictions are imposed on movement of people, especially when the restrictions are sudden and indiscriminate, not only are these gains foregone, but they also lead to perverse results from which both sending and receiving countries suffer. This could lead the way to economic isolation and protectionism, creating a spiral towards a stagnating world, fragmented by narrow domestic walls, and retarding world economic recovery.

Even in times of economic crisis when labour demand falls, there are often sectors and occupations which suffer from shortage of labour and

[86] Kristen McCabe and Doris Meissner, "Immigration and the United States: Recession Affects Flows, Prospects for Reform," MPI, Washington D.C., January 2010.

skills, including those that help create new jobs. When due to indiscriminate restrictions these labour demands remain unmet, it hurts destination countries. It also denies the origin countries and their migrants the potential benefits of cross-border movement. Worse still, it is more likely that the unmet labour demand is met through irregular immigration, with its attendant ills.

Could the rising social conflicts be a threat to global stability?

High unemployment and economic insecurity, especially among young workers, as discussed in Chapters 1 and 2, has already led to street protests in countries as varied as Greece, Iceland, and Latvia and has contributed to labour strikes in France, Russia, and the United Kingdom. Some of the, until recently, fast-growing countries were undergoing similar social turmoil. Though not as large as in Greece or the Baltic states, China had witnessed dozens of protests at individual factories and government agencies expressing concern over the long march of 20 million migrant workers from rural areas. There were food riots in India and labour strikes at factories in Indonesia and protests in Chile.

Some have been expressing concern that the situation could create global instability and threaten security. For example, as already noted in the Introduction, in February 2009 the new US director of national intelligence, Denis Blair told the US congress that instability caused by the global economic crisis had become the biggest security threat facing the United States, outpacing terrorism (*The New York Times,* 2009k).[87] This may be a little hyperbolic, but there are two inter-related aspects of security that cannot be lightly dismissed. This relates to a likely rise in irregular migration and human trafficking, and the attendant crimes and violence that they often entail.

It has been noted that the economic woes, lack of social safety nets, and threat to livelihood may impel many desperate people in poor countries to seek escape outside their home country. And given the dwindling opportunities for legal entry in destination countries, especially for those who are poor and low skilled, at least some of them would opt for entry though irregular channels. This is even more likely in conditions of unmet labour demand in destination countries. The knock-on

[87] "Job Losses Pose a Threat to Stability Worldwide," *The New York Times,* 15 February 2009.

effects could be serious. The entry or attempted entry of large numbers of unwanted migrants, with the help, in many cases, of traffickers and in defiance of national laws of the destination country, could, in turn, create domestic social tension, giving rise to anti-immigrant feeling and even xenophobia. This is more likely in times of economic crisis due to fierce competition for scarce jobs and resources.

Also, if, as already discussed, the tense situation is then badly handled, the social unrest and instability could lead to an erosion of respect for law and to gross violation of human rights from which not just the migrants but also other vulnerable groups are likely to suffer. Experience shows the situation could sow the seeds of misunderstanding between destination and origin countries and may create inter-state tension and even conflict, with the additional risk that other countries might be sucked into the conflict.

Why stringent and indiscriminate restrictions on migration can hinder scientific progress and cultural enrichment in both groups of countries

Migration is a valuable channel for scientific and cultural exchanges between nations that helps promote development and enrich human civilization. A marginal decline in emigration or a slight rise in return may not stifle such exchanges, especially given the trends towards transnational networking through internet with diasporas abroad. The risk, however, is that if panicky restrictions on migration continue to gather momentum, and their reversal is delayed (which once installed is quite likely to happen, as discussed in Chapter 3) the transnational links with the diaspora networks could gradually wane, and channels for interactive communication might be severed or seriously weakened over time.

If this leads to a sharp and sustained decline in future migration, it would restrain active interchange of new ideas and innovations that hasten technological and economic progress and contribute to enrichment of human culture. This can be detrimental to the interests of all countries, rich and poor, also because they would no longer enjoy many other benefits associated with migration. Rich countries' problems of ageing and labour supply, social security funding, and demographic decline would become even more pressing over the medium term. They would also be denied much of the benefits of the new energy and dynamism, drive and innovativeness that migrants normally bring with them to host countries – and this at a time of crisis when they would need them most.

Developing countries would also be losers. They would have less possibility of drawing on the technologies already existing in rich countries through scientific and knowledge-based exchanges. The rate of their technological progress would consequently slow down. Many would face declines in remittances and their attendant benefits, including their contribution to poverty alleviation and access to the safety valve that migration can provide against popular discontent in times of severe economic crisis or during the transition to major political and economic reform.

* * *

This chapter has highlighted a series of possible negative effects of the recession- driven changes in migration and labour markets. But just as the darkest clouds can have silver linings, recession, too, has some relieving features. It offers new opportunities for bold action. Also, by creating a more conducive climate for people to accept change, it makes it less difficult to take such action. These issues and prospects are taken up in the next chapter that deals with policy response, as well as in the concluding chapter.

5
Meeting the Challenge: The Response

Principles, policies and action

A distinguishing and redeeming feature of the 2008–2009 recession was the impressive array of measures that governments around the world took to combat it and the speed at which they did so. Not surprisingly, the fall in global output was arrested after five quarters. By contrast, output decline continued for a further eight quarters in the economic crisis of 1929–1930. This chapter reviews some of the measures taken by governments in the wake of the recession and offers some suggestions to improve the situation as the economic downturn continues to place heavy strain on the world migration system. These are presented more in the form of lessons learnt so that they could also be useful in future if the world ever faces a similar economic upheaval as it did in 2008–2009 – or, if the economic downturn remains unabated.

Balance immediate pressures and long-term needs in shaping policies

Balancing immediate downward pressures on labour markets, on the one hand, and long-term economic interests and labour market needs, on the other, should be a guiding principle in shaping labour market and labour migration policies during a global crisis. Panicky or knee-jerk reactions such as indiscriminate sacking or deporting migrant workers or a sudden ban on all new migration using blunt instruments could be wasteful. This could further weaken business confidence and retard recovery. Once anti-immigrant measures and sentiment take hold, it may take a long time to reverse the process, as was experienced in the USA following the immigration restrictions it imposed in the late 1920s and 1930s.

Bearing the above in mind, it would be wise to pursue flexible immigration policies that (a) seek to harmonize declining current labour needs and anticipated labour demand as economic recovery begins and (b) facilitate integration of new migrants, including those who enter with low employment potential, into the labour market as it evolves in parallel to the pace of recovery.

As part of such policies it would be desirable to: issue multiple entry visas to temporary migrant workers that would allow them to go home without prejudice to their re-employment in the host country; facilitate diasporas' links with their countries of origin, including short-term visits; relax rules requiring uninterrupted stay in the host country to acquire permanent residence or citizenship; and extend, if necessary and only on a temporary basis, the requirement of prior job offers for admitting new migrants to categories of occupations which are currently exempt from such requirement.

Avoid trade protectionism, including trade-related movement of service-providing natural persons, and other populist inward-looking policies and propaganda

The discussion in the preceding chapters has shown that that protectionist policies and mutual retaliation can seriously harm all trading partners and deepen the negative effects of the economic crisis. It has been noted that studies in the USA have shown that the loss of jobs related to overseas government procurement would far outweigh the number of jobs likely to be saved by banning such procurement of American goods under the "Buy American" or similar provisions. Mention has also been made that trade protectionism can generate a chain of retaliatory actions across economic sectors that would be economically harmful for all the parties involved and could strain inter-state relations at a time when closer international cooperation is badly needed.

To illustrate further the counter-productive effects of such measures, the US Chamber of Commerce considers that retaliation by Canadian municipalities against US bans on procurement could cost American water equipment companies alone an estimated US$ 3 billion in lost business, with consequent repercussions on employment. Experience has also shown the need for countries to coordinate their fiscal, monetary, and trade policies. If this is not done, as was the case in the 1930s or if some do and others do not, the consequences for both employment and migration could be unfortunate.

All this strongly argues for avoiding trade and economic protectionism and other narrow, inward-looking or isolationist policies. It is important to alert the public about the pitfalls of such policies by taking timely and pre-emptive initiatives.

Initiate and revamp policies that promote job creation and use pro-active labour market measures

Consumer confidence and spending are keys to both business activity and bank lending and thus to sustainable national and global recovery. Consumer spending, in turn, depends largely on jobs and earnings. Experience shows, however, that job recovery generally lags behind output recovery; and all indications are that the situation would not be different this time, given that joblessness and wage stagnation have been hallmarks of the present crisis. Hence the special need for policy and practical measures to promote job creation in both migrant sending and receiving countries. An analysis of the merits and drawbacks of some of the measures already taken or being considered in various countries could provide some useful leads for future action. In designing any such action, care should be taken to ensure that its benefits are equitably shared by domestic and migrant workers and that there is no discrimination against the latter (further discussed later in this chapter).

Short-term work schemes

In rich countries, especially in Europe, one main line of action has taken the form of supporting short-term work schemes. Although such schemes are not new, they were being used in countries like Germany on a scale never seen before, with 1.4 million workers taking part in state-backed short-term schemes. These are no doubt useful in avoiding immediate, large-scale redundancies. According to some analysts, Germany's heavier reliance on such schemes explained why by mid-2009 when the eurozone's unemployment had risen to 9.5 per cent, in Germany the rate was lower at 7.6 per cent (Forbes, 2009).[1]

These schemes certainly have some specific merits. They help companies to protect their human capital and save new hiring costs when recovery begins. In inflexible labour markets, they are also the only way to save labour costs. Workers, too, have some security and they maintain ties with their companies; in most cases they also have some earnings, although not the full pay. In Europe, schemes devised by individual companies to shave staff costs without actually laying off people varied widely. Spanish bank BVBA's plan to offer 5-years' leave on

[1] "The Big, German Export Gamble," *Forbes,* 7 July 2009.

one–third pay, and British Airways' month-long "work for free" scheme were among such examples.

However, the schemes' drawbacks should not be discounted. One of the main criticisms of the schemes is that in times of fiscal strain, they could be quite expensive for governments in cases where the government has to take on a large share of the financial burden. Even more important, if used to cover a long period (in Berlin eligibility had been extended to two years) they can inhibit companies from restructuring and workers from relocating. Companies would be handicapped to recruit new workers with skills that are more closely attuned to the needs of industrial restructuring and recovery. As discussed in the previous chapters, in several sectors the recession-driven downturn has been so severe that full recovery will call for considerable restructuring, based on research and innovation. Existing workers may well be short of the skills and initiatives required for this purpose.

Another important drawback is that retaining workers on the payroll come at the expense of labour productivity as part of the labour and installed capacity remains unused. In Germany, for example, hourly labour costs, according to the German statistical office, shot up by 4.1 per cent in 2009, compared to the previous year, and this contributed to industry's loss of competitiveness.

For employers and governments alike, a wise strategy would therefore be to consider these schemes as a useful but time-bound, short-term measure and apply them in a calibrated manner so that, even when needed to speed up post-recession recovery, they do not stand in the way of recruiting new workers.

Tax breaks to promote hiring: Another approach to employment promotion concerns subsidy in the form of tax breaks, which received considerable attention in both the USA and Great Britain during the recession. This has the merit of encouraging recruitment of new workers, including migrants. However, it carries a risk opposite to that associated with short-term work schemes: it could encourage firms to sack existing workers and replace them in order to take advantage of the tax break. A variant of this approach proposed to avoid this risk is rewarding firms that increased the number of workers on their payroll. But this, too, has a drawback. While struggling industries and firms would find it hard to take on many additional workers, those that were growing would largely benefit. A 1979 study of the tax credit scheme in 1977–1978 under the Carter administration in the USA showed that companies that knew about the scheme and used it hired 3 per cent more than those that did not (Perloff and Watcher, 1979).[2] It made a significant difference but one that can also be attributed to faster growing companies that were anxious to recruit and therefore sought out information on the scheme.

Finally, a strong argument can be made in favour of a special subsidy in the form of a tax credit for low paid workers, as this helps those who are forced to accept precarious and low wages jobs as a result of the recession and encourages new hires. This, too, has its drawbacks, however. First, the benefit would also go to those workers who would have continued in their jobs in any case. Second, while it alleviates poverty of low-income groups, it does little to encourage firms to hire new skills needed for modernization and restructuring.

There are ways in which some of the risks associated with tax credit for jobs can be avoided or at least minimized. During the recession some analysts in the USA, for example, had suggested setting as a base line the level of a company's full- time employment at a certain date (*Financial Times,* 2009v).[3] To claim the tax credit, a business would have to show an increase in full-time employment from that base. This would avoid companies delaying the hiring of new workers or firing workers and rehiring them to claim the tax benefit. Employers who had planned to hire workers might be inclined to do so to obtain the tax credit. Nonetheless, in times of rising joblessness, accelerated hiring is of significant value and should be welcomed.

Like the short work system, all tax credit schemes are expensive, especially in times of fiscal strain and rising public deficits. However, with careful designing of the tax credit scheme the net cost can be substantially reduced – for example by requiring that a company must hire half of the new workers from among those who were currently drawing unemployment benefits in order to obtain the credit. A recent estimate in the USA shows that if 500,000 out of a million new workers hired under the tax credit system came from the ranks of workers enjoying employment benefits, this would, even under a set of conservative assumptions, lead to a saving of at least US$ 3 billion for unemployment benefit funds. (Some examples of tax break measures taken by

[2] "The New Job Tax Credit: An Evaluation of the 1977–1978 Wage Subsidy Program," *American Economic Review,* 69(2), May 1979, pp. 173–179N.

[3] "Give Credit to Create Jobs – But Only Where It's Due," *Financial Times,* 4 November 2009.

governments to promote job creation are discussed in the next section on stimulus spending.)

Pro-active labour market measures

These measures are by no means new, but since the onset of the recession, a number of governments in both migrant sending and receiving countries have initiated some additional measures or strengthened the existing ones in new ways. France, for example, has set up a new agency to reinforce employment market services and active labour market programmes. In several European countries, companies are devising schemes to shave staff costs without actually laying off people. Short-term work schemes mentioned above sometimes include targeted retraining. Studies in Europe suggest that a proactive labour market measure targeting training for specific groups of workers (and sectors) is more cost-effective than generalized training for workers. The United Kingdom was planning to spend GBP 100 million in retraining displaced workers, and Japan announced, as part of a comprehensive policy, a package for extensive training for the newly unemployed in areas severely affected by unemployment.

A number of origin countries have undertaken proactive labour market measures as part of their stimulus programmes and mostly in connection with the return and reintegration of their migrants, as noted separately in this chapter. To alleviate the hardship of its jobless, China announced a series of initiatives including vocational training, expansion of rural health care, and crop subsidies to ensure a livelihood for those returning from cities to rural areas. In several origin countries – including Bangladesh, Indonesia, the Philippines, Sri Lanka, and Uzbekistan – governments have been actively exploring alternative markets abroad in which to place their migrants. These initiatives are useful, especially in assessing the labour needs and demand abroad. However, as already argued, given the global employment situation and the overall economic climate, immediate entry opportunities are likely to be limited.[4] There is also a potential risk that in their anxiety to secure entry opportunities for immigration governments would downplay the protection of the human and labour rights of their migrants. As further discussed later in this chapter, the risk must be avoided.

[4] Among the few examples of success is the agreement signed between the Philippine Government and Japan's International Corporation of Welfare Services for recruitment of Filipino care givers.

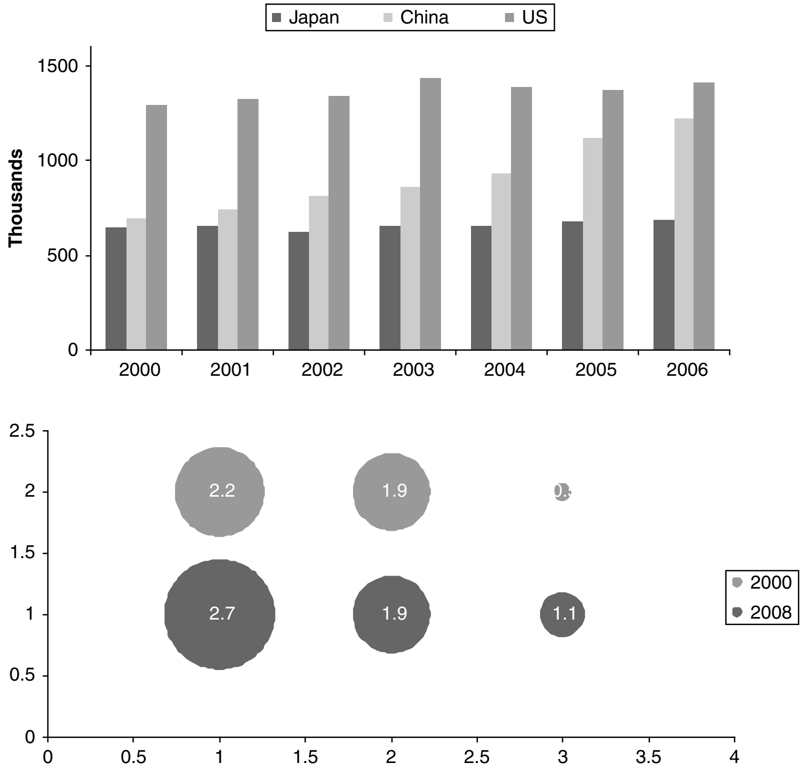
Encourage innovation to develop new technologies, improve products and processes and create new jobs

Innovation plays a critical role in improving competitiveness and business confidence. It remains a key to raising productivity and creating new jobs (discussed in Chapter 2). A recent global survey conducted by General Electric, the US-based industrial-financial conglomerate, has shown that industries in countries that do well in innovation have been more resilient in the face of adversity. Germany's performance in incremental innovation in sectors such as automotive engineering, chemicals, and factory machines have served the country well, according to the survey results.

It is important, however, that the development of innovative capacity aims at both promoting new technologies and improving the application of existing ones. For this to happen, concerted action needs to be taken by governments, the private sector, and the general public. Governments can support, and provide incentives, to research institutions and the private sector to promote and apply new innovations. Companies, for their part, can improve their innovative capabilities, reward new and incremental innovations, and make systematic innovative efforts a part of company culture. The public can be encouraged to take an active interest in new innovations and show interest and enthusiasm in technological advancement.

In the recent General Electric survey, Germany scored high marks in terms of the degree of improvement of the environment for innovation in the last five years. Although the over-all rating of the USA topped the list, the survey result also showed that as a place where innovation can flourish, with resources devoted to research and development, it has remained stagnant. Investment in innovation, infrastructure, and education has been a recurrent theme of Barack Obama's presidency, but progress has been slow. In the USA private sector investment in R&D as a percentage of GDP remained constant at 1.9 per cent during 2000–2008, compared with an increase from 0.5 per cent to 1.1 per cent in China and from 2.2 per cent to 2.7 per cent in Japan during the same period. Although the number of R&D researchers has increased both in the USA and China, the number in China has now exceeded that in USA (see Figure 5.1). China has also been rivalling the USA in the number of patents issued. In times of economic crisis, there is often a temptation for governments and companies to cut costs on research and innovation. However, given that this is also an age of rapid

Figure 5.1 Research and Development in Japan, USA, and China
Source: OECD, Unesco, Financial Times.



technological change, such a policy would be short-sighted, and is likely to prove counter-productive in the long run.

The education system and university enrolment in science and engineering also matter in developing a country's innovative capability. China enrols 15 per cent of the world's university students and 40 per cent of new degrees in science and engineering, compared with 15 per cent in the USA. Financial compensation apart, public interest in and enthusiasm about innovation and the value attached by society to scientists and engineers are important factors that influence university enrolment in these disciplines. This deserves closer attention. Immigration, including admission of foreign students and researchers, and exchange of scientists and technicians between countries can be extremely useful both in promoting new innovations and the application of the existing technologies.

Redesign or supplement stimulus packages with measures focussed on job creation

Most financial and fiscal stimulus packages introduced by governments in response to the recession included some proactive labour market measures, notably for job creation. But, also in most cases, the initial design did not seem to have been sufficiently job-oriented. Not, surprisingly, these initial stimulus packages have failed to make a real dent in joblessness, causing continuing concern especially in the USA and Europe.

The IMF recommended a global stimulus package equal to 2 per cent of the world GDP, although it later clarified that it did not necessarily apply to all. However, an early (and incomplete) assessment made by the ILO in April 2009 of 32 countries showed that their fiscal stimulus packages stood at 1.7 per cent of their GDP, and even less (1.4 per cent) as a share of world GDP.[5] Stimulus as percentage of GDP for advanced economies was only 1.3 per cent – less than half for developing and emerging economies (see Table 5.1).

The US stimulus package, announced on 17 February 2009, amounted to 5 per cent of GDP over two to three years; as of February 2010, a significant part of it had remained unspent. The scale of stimulus of a number of developing countries, especially in East Asia, surpassed that of the west. In November 2008, China decided to spend, in addition to increased credit through state controlled banks, US$ 586 billion to stimulate the economy – a much higher proportion of national income than the US package, and the money was more quickly spent. According to the Fitch Rating Agency, fiscal stimulus packages as a share of gross domestic product amounted to 13 .5 per cent for China, 8 per cent for Singapore, 7.7 per cent for Thailand and 6.9 per cent for Vietnam. Among the rich countries, Japan was exceptional in starting with a huge stimulus package with a planned expenditure amounting to 14.6 per cent of its gross domestic product, although its impact continued to be limited.

The April 2009 ILO assessment of stimulus packages of 32 countries showed that advanced economies had allocated one-third of total

[5] Probably this did not take into account the "automatic stabilisers," especially in Europe, which automatically increases public spending as unemployment rises. Nor did the assessment include the stimulus packages subsequently announced or envisaged by various countries, both developed and developing.

Table 5.1 Stimulus spending as a percentage of GDP

	% of GDP	**% of World GDP**
Total	1.7	1.4
Advanced Economics	1.3	–
Developing & Emerging Economics	2.7	–

[1] Based on 32 countries with available information
Source: IILS estimates based on IMF and various sources; (GDP figures).

resources to tax cuts, the employment effects of which were difficult to assess; and less than 3 per cent of resources for direct employment. The share of transfers to low income households, too, was relatively modest at 10.8 per cent. In the USA, some economists – Martin Feldstein, for example – thought more money should have been spent to add to aggregate demand, but many others were in favour of increased emphasis on direct but sustainable job creation.

Developing and emerging economies were spending 0.2 per cent on direct employment measures and 6.8 per cent on social transfers to low-income households (see Table 5.1). However, the share of infrastructure spending, which has a significant employment potential, was quite high at 46.5 per cent compared to 37 per cent in advanced economies (IILS 2009.)[6] According to Moody's, every dollar of additional infrastructure spending means $1. 57 in economic activity, contributing to both employment and long-term growth.

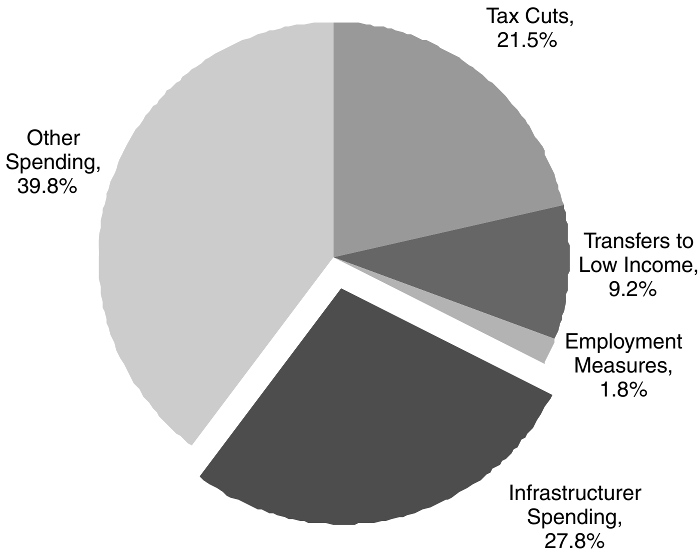
As part of its stimulus spending to boost the economy, the government of Singapore was hiring more teachers and health care workers and was also bringing forward construction projects that it had previously deferred.

Despite some modest signs of economic recovery since the third quarter of 2009, persistently high levels of joblessness, had led, no doubt somewhat belatedly, some countries, especially the USA, to give closer attention to job creation through special programmes involving both public and private sectors. Following an initial consideration of a US$ 150 billion jobs promotion bill, the US Congress passed, with bi-partisan support, a slimmer version of it involving an outlay of US$ 18 billion.

[6] ILO/International Institute for Labour Studies, *The Financial and Economic Crisis: A Decent Work Response,* Geneva, April 2009.

Figure 5.2 Composition of stimulus packages as a percentage of the total for selected countries

Source: IILS, based on Bloomberg, Asian Development Bank, and *The New York Times*.



It offered tax breaks to companies hiring unemployed workers – a step in the right direction, but it fell far short of what was needed. Analysts estimated that the bill would generate only 250,000 jobs, making only a tiny dent into the 8.4 million employment deficit hovering at the time. In South Korea, small and medium-sized companies were the primary employers of migrant workers. In order to encourage them to hire more Korean workers, the government announced a scheme to provide a subsidy of 1.2 million Korean Won to a firm for every newly hired Korean national, but it excluded migrant workers.

In September 2009 the IMF estimated that the fiscal stimulus of 2 per cent of G20 countries' GDP and temporary government spending would increase by between 1.2 and 4.7 percentage points in 2009. With the growth prospects further improving, governments in many countries became more concerned about the extent of fiscal deficit and the risk of asset price bubbles due to lose money. The fiscal deficits were projected to rise on average by 5.5 percentage of national income across G-20 countries, compared with 2007. Public debt was set to stabilize at 85 per cent of national income for G20 countries by 2014; but advanced economies would see their debt rising to 120 per cent of GDP, up from 80 per cent before the crisis.

As discussed in Chapter 1, there has been, especially in the wake of the debt crisis in the eurozone, an increasing concern over the huge fiscal deficit and public debt in advanced economies. This makes fiscal consolidation critically important. Credibility in government commitment to fiscal stabilization over a specified period of time helps in rebuilding business and consumer confidence. But austerity alone cannot achieve this; nor can it be pushed too far. As part of a balanced strategy, governments also need to raise additional revenues to meet all their obligations, and lend credibility to their own commitment to fiscal stabilisation. This needs economic growth. It is also well recognized that increased growth critically depends on improvement in jobs and earnings and better consumer and business confidence that follow from it.

The incidence of public spending on growth remains, however, a subject of much controversy among economists. The estimated growth effects vary from $ 2 of GDP per dollar (or even higher under certain conditions) to 70 cents per dollar of public expenditure. Much seems to depend on how, in which sector and under what conditions of monetary policy public funds are spent. Robert Hall, professor of economics at Stanford University and a former president of the American Economic Association, thinks that in normal times the multiplier effect remains just under 1, but when monetary policy remains passive with a zero nominal interest rate, it could rise to 1.7 (Hall, 2009).[7]

The US Congressional Budget Office estimated that one dollar spent to help the unemployed created up to s $1,90 dollars in economic growth. To the extent the calculation of the growth effect is valid, it makes sense to maintain support for job creation. The strategy for fiscal consolidation must therefore – for its own sake – include increased effort on the job front as well. An additional justification for this stems from the need for maintaining social stability at a time when people are under strain, intra-societal tension is high and people's tolerance of foreigners tends to be low. It is now generally agreed that the extreme economic austerity that was imposed on Germany for paying reparation in the wake of the First World War made an important contribution to catapulting the Nazi party to power.

[7] Robert E. Hall, "How Much Does GDP Rise If the Government Buys More Output?" *Brookings Papers on Economic Activity,* Fall, 2009, pp 183–231.

Consistent with a well designed strategy to achieve fiscal consolidation, governments should therefore reallocate resources to programmes that have a direct impact on job creation, poverty alleviation, and confidence building. Public spending on job creation should however be highly selective. The emphasis should be on creating conditions conducive to job growth, but this should not exclude direct job creation, with attention being paid to ensure that any such action does not crowd out the private sector. In some cases, such as large-scale infrastructure projects it would be useful to explore possibilities of public/private sector collaboration. While creating jobs many such programmes could at the same time promote long-term economic growth and contribute to energy efficiency.

Earmark some quickly deliverable funds to help remittance dependent poor countries tide over the crisis

Most of the poor countries that were also heavily dependent on remittances found it difficult to develop robust stimulus packages of their own; and most of the same group of countries also lacked adequate social safety nets. As a consequence, the poorest in these poor countries have become even more vulnerable and their livelihood seriously threatened. As argued in the previous chapters, if these countries lagged behind and fell by the way side while the rest of the world made progress towards recovery, this would mean not only large-scale human hardships but also social unrest and conflict, encouraging irregular emigration and human trafficking. Worse still, as failed or fragile states the countries could fall easy prey to international terrorism.

These countries needed some quickly deliverable aid that can be provided by making effective use of existing institutions. For example, a special account can be set up for this purpose at the World Bank, and the funds disbursed in cooperation with the regional development banks. Many of these countries do not have enough budgetary resources, nor can they borrow easily in the international capital markets to launch robust stimulus programmes. The aid money under the special account could be used by these countries to promote targeted training and entrepreneurship development, direct job creation, infrastructure development and diversification of the economy, especially in countries that are now heavily dependent on migrants' remittances. Part of these resources could also be used to cover the cost of sudden and forced repatriation of migrants (as in Libya following the recent uprising) and their subsequent reintegration, including reestablishment of the means of their livelihood (see below). Geared and targeted differently from the

IMF's recently established "flexible credit line facility" to ease emerging economies' external funding difficulty, the special account would in some ways complement the latter for the poorer countries.

In the past, some of the aid funds have gone down the rat holes, although in many other cases aid has played a valuable catalytic role in promoting development. For the reasons mentioned in Chapter 6 in the context of MENA countries, prospects are far better now than in the past that the funds under the proposed special account would be effectively used. Even so, in order to ensure that the delivery would be fast, judiciously targeted and money well spent it would be essential to (a) establish within the existing institutional framework a special mechanism at the international as well as at the country level and (b) formulate specific guidelines for planning and disbursement of aid; and (c) institute arrangements for systematic monitoring, evaluation and appropriate follow up.

Crack down on human trafficking which could otherwise find (as explained above) an expanding market

At the time of writing, hard facts suggesting a serious increase in human trafficking as a consequence of the recession were lacking, although there was anecdotal and fragmentary information indicating that pressure for irregular information was building up. Also, both national and international legislation against migrant struggling and human trafficking is now well developed.

Even so, as discussed in Chapter 4, there continues to be a potential risk that with the spread of the economic woes to poor countries and shrinking opportunities for legal entry to destination countries, many would be impelled to seek escape abroad through irregular channels. And a good number of them may then turn to human traffickers on their own initiative or be persuaded to do so by traffickers' false promises. As noted, lack of cash would not be a major problem. Traffickers would welcome prospective migrants' personal bonds which would give them the means to exploit ruthlessly the victims and even their families for many years to come.

Given this possible scenario, governments should strictly enforce the laws against migrant smuggling and human trafficking, and, if necessary, tighten up existing national legislation. Precautionary vigilance should be an essential part of the process, in which human rights organizations, migrants' associations and other NGOs, too, should have an important role to play.

Strengthen vigilance against discrimination and abuse of human and labour rights of migrants and other vulnerable groups

Previous discussion, especially in Chapter 4, has shown that a combination of factors such as increased competition for jobs and resources, expansion of the black economy, including sweatshops, and the presence of an increased number of irregular immigrants (holders of job-related visas who have lost their jobs as well as new irregular flows) could create a climate that aggravates the danger of discrimination and abuse of human and labour rights of migrants and other vulnerable groups in the host countries.

Special vigilance is therefore needed against abuse of human and labour rights of migrants and other vulnerable groups. This should include, in particular, precautionary measures against arbitrary dismissal and expulsion of migrant workers. The fact that a number of sending counties have been actively engaged in promoting markets abroad to place their migrants lends additional importance to this. Some analysts and human rights activists have expressed concern over what they consider a "paradigm shift" in sending countries' migration policies from protective regulation to promotion of markets abroad for their workers. It is encouraging that at least some of these countries, for instance the Philippines and Sri Lanka, have tightened measures to protect their migrants' labour and human rights in parallel to their active search for alternative markets to place their migrants.

Governments of both host and home countries have a joint responsibility in the matter. If host countries have a responsibility to protect the basic human and labour rights of all those who are on their territories, the home countries cannot remain indifferent to the obligation to their own citizens (Ghosh 2003).[8] The role that NGOs, including in particular trade unions, human rights organizations, and migrants' associations can play in this connection should not be minimised. The agreements signed between Sri Lankan trade unions and their counterparts in Bahrain, Jordan, and Kuwait on the matter, with the support of the ILO, have shown an important new avenue of trade union action in this area (*Daily News,* 2009.)[9]

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[8] See, Ghosh, *Elusive Protection and Uncertain Lands: Migrants' Access to Human Rights,* IOM, Geneva, 2003.

[9] "Protection of Migrant Workers' Rights: Trade Union Agreements Signed," *Daily News,* 11 May 2009.

Take pre-emptive measures against possible widespread resentment of foreigners and rise of xenophobia

In times of economic difficulty when job losses increase and income falls, a host society tends to have less tolerance of foreigners than when things are normal. The presence of a social underclass of foreigners, in defiance of the country's established laws and regulations, could make the situation worse. These could be sources of widespread resentment against foreigners and give rise to xenophobia, sowing the seeds of social conflicts and tensions in interstate relations. The situation could threaten national and international stability and retard global economic recovery.

An initiative to counteract the rise of xenophobic violence was the adoption of a law in August 2008 by Côte d'Ivoire to impose sanctions on conduct that incites such violence. In South Africa, the "no to xenophobia" mobile phone network was initiated in the wake of violence of May 2008 (Interpress News Agency 2008).[10] These initiatives, though well meaning, did not make the desired impact.

Averting this danger through vigilant and pro-active measures should be a joint responsibility of both receiving and sending countries. As in other cases of possible human rights abuse, civil society, notably, human rights organizations, migrants' associations and trade unions should be encouraged to play an active role.

Intensify efforts to promote integration of migrants into the host society and, as far as possible, avoid cutting back on funds available for these activities

Many OECD countries are expanding their integration programmes, with emphasis on improving migrants' knowledge of host country's language and social and legal institutions and targeting labour market integration, especially through recognition of foreign qualifications. However, financial constraints have led countries likes Ireland and Spain and several states in the USA to cut back on funds for integration activities. While the need for budgetary restraints in times of recession cannot be questioned, it would be unwise to consider migrant integration as a low priority activity. It bears repetition that in times

[10] The impact of these initiatives is, however, yet to be known. In the case of the law in Côte d'Ivoire, for example, the initial reception, according to some, has been lukewarm. See, F. Zamble, "Politics Côte d'Ivoire: Law Gets Lukewarm Reception," Interpress News Service Agency, 21 May 2008.

of recession there is an increased potential danger of tension growing between the host society and the migrant community. This can easily turn into social unrest and conflicts involving high economic and human costs. Viewed from this perspective, migrant integration acquires added importance in times of recession. Cutting back on integration funding should not, therefore, be considered simply as an easy way of making budgetary saving.

As part of migration management and integration, adopt special measures to facilitate social and economic integration of young migrants of non-working age and of those who, though of working age, have entered though non-labour migration channels and have low employment rates

The high level of youth unemployment among migrants (and non-migrants) has become a cause for serious concern. The problem is compounded in those OECD countries which are set to witness a relative increase in the number of non-working age migrants. If the young migrants are properly trained and employed, it could be a bonus for ageing societies. To achieve this, it is critically important that they have adequate access to educational and job opportunities. If, however, they remain unemployed, disgruntled, and victims of social exclusion, there is a real risk that they could turn into agents of disruption and conflict. Their social and economic integration should therefore be a priority concern of migration management. Special measures should also be taken to facilitate the integration of those working- age migrants who have been entering through humanitarian channels as they often face greater difficulty in actively participating in the labour market and getting jobs

Ensure more effective use of remittances and encourage countries most heavily dependent on remittances to carry out necessary economic reforms to diversify sources of external financial inflows

Redouble efforts to encourage the use of formal channels by migrants to remit funds back home, to reduce transaction costs, and to ensure more effective use of individual and collective remittances. Closer (financial and product) market integration linking remittance receiving villages and local towns with other parts of the country should help transmit the remittance-induced growth impulses to much larger parts of the national economy, enhance remittances' multiplier effect on development, and reduce the risk of local inflation. This should be an integral part of future economic reform in these countries.

It is important to sensitize countries whose economies are far too heavily dependent on remittances about the possible volatility and procyclicality of remittances during global crises that seriously afflict the migrant-receiving countries, even if they are more stable than some other sources of external finance such as private flows and development aid. These countries should be encouraged and assisted, including through the special fund account mentioned earlier in this chapter, to carry out the necessary (but generally painful and thus often neglected) economic reforms and institutional measures to diversify sources of external financial flows in future.

Keep in readiness flexible arrangements to better manage return of migrants – returnees who wish to resettle at home as well as those who seek to be redeployed abroad when recovery begins

Although so far there has not been any massive return flows, it is important that as part of arrangements to deal with volatility of migratory movements, including return flows, migrant-sending countries keep in readiness special schemes of assistance and training for (a) those who wish to be reintegrated into the labour market and the wider society of the home country and (b) also for those who seek eventual redeployment abroad when the recovery begins and labour demand picks up. Pro-active labour market policies mentioned above should be flexible enough to respond to the special needs of the returnees.

As noted in Chapter 4, past experiences have shown that lack of such preparedness could throw the economy of the home country into disarray and cause high human cost in case of sudden and massive return of migrant workers. Unexpected repatriation of 1.9 million Egyptian workers and their dependents during the 1991 Gulf crisis threw the country's budget out of gear, just as the sudden return of Indian migrants to the state of Kerala in south India put its economy under heavy strain (Ghosh, 2006).[11] In the absence of anticipatory measures to reabsorb them, many would be jobless or withdraw from the labour market altogether. The prospects of self employment would remain slim for such returnees unless timely orientation and effective assistance are available under a well designed scheme. The sudden return of

[11] Bimal Ghosh, *Migrants' Remittances and Development: Myths, Rhetoric and Realities,* (2006), op. cit.

large numbers of migrants following the uprisings in Libya once more highlighted the importance of keeping plans ready to repatriate their migrants if needed and reintegrate them on return. As the situation of stranded Somalis and Eritreans in Libya showed that in the absence of any such plans, migrants could suddenly be thrown into a miserable situation.

The governments of a number of origin countries have initiated reintegration schemes or have expanded and reinforced the existing ones. In Bangladesh, for example, a World Bank-supported repatriation and livelihood restoration project covered the cost of repatriation, along with a one-time cash grant of about US$ 775 (equivalent to about 30 months average local wage) to cover migrants' immediate needs and help them re-establish means of livelihood. Nepal has used its Foreign Employment Welfare Fund to cover costs of repatriation of its migrants in Libya. In the Philippines departing migrants are required to pay a fee into a fund that can later be used to bring home stranded migrants, if needed. Separately, the Philippines has announced the establishment of an Expatriate Livelihood Support Fund to provide grants to returning migrants for their training to open a small business; on completion of training, they can also obtain loans to start an enterprise.

In 2007, under its National Plan for Human Development and Migration, the Ecuadorean Government launched its "Welcome Home" programme, providing an aid package to facilitate return and reintegration of migrants abroad. Recent measures under the programme included an agreement with a university in Madrid to start a training programme for migrants retuning to jobs in the agricultural sector where there was a shortage of labour. Likewise, Mexico (BECATE Programme of the National Employment Service) provides laid-off migrants grants for training linked to small business promotion. Both Kyrgyzstan and Tajikistan have launched programmes to promote domestic employment. Kyrgyzstan was planning new infrastructure activities such as hydroelectric projects to create jobs for returnees, while the emphasis in Tajikistan was on job creation through a multi-pronged approach covering promotion of small enterprises, rural employment, and construction work. Arrangements were being made to provide training for returnees, to develop entrepreneurship, and to grant loans to set up small enterprises. As regards rural employment, opportunities were being created for returnees to rent plots of arable land, and for training provided for jobs in rural areas. It is reported that by February 2009, a total of

150,000 jobs were offered to retuning migrants, including 20,000 in the construction sector. (Radio Free Press/Radio library, 2009).[12]

As can be seen from the above as well as from the sections on proactive labour market measures and stimulus spending in this chapter, many origin countries are setting store by the development of small enterprises for creating domestic jobs in response to declining emigration opportunities and also as a means of accommodating returnees. Small enterprises are generally labour-intensive and require relatively small initial capital outlay. As the origin countries respond to the crisis, their focus on the development of this sector is therefore both understandable and largely logical.

This, however, also holds a potential danger that needs to be guarded against. Past experiences across countries and regions have shown that even when initial capital funds are available, faulty project design, lack of careful market analysis, inadequate technical, institutional, and infrastructure support and systematic follow-up, often combined with the absence of the returnees' previous business experience, can lead to the failure of many of these initiatives, creating an unfortunate backlash. Government agencies, the private sector, and voluntary organizations can all play a part in addressing these deficiencies and constraints. The creation of one-stop shops as information centres, but not for specialized advice or services, is extremely useful, just as continuing monitoring of the ventures' progress and problems remains important to ensure their sustainable success.

[12] "As Work Dries Up, Central Asian Migrants Return Home," Radio Free Europe, Radio Library, 10 February 2009.

Part II

The Future

6

Arab Spring and Islamic Winter in the Middle East and North Africa (MENA): How Will It Affect Human Mobility Within the Region and Beyond?

This book has so far focused on migration issues in the context of recent and on-going economic crises. But history shows that political and economic events are often so closely interwoven that a full understanding of the realities surrounding migration is possible only when the two are looked at in combination and not in isolation. The political uprising that started in December 2010 in Tunisia, with a 26- year-old street vendor, Mohamed Bouazizi, setting himself on fire to protest against economic distress, and later swept a good part of the Middle East and North Africa (MENA), is a clear evidence of this reality. It was a powerful mixture of the frustration of the youth over unemployment and economic distress, sharpened by the Great Recession, and their long suppressed yearnings for good governance and political freedom that sparked the powerful and unprecedented revolts in the region, now widely known as "Arab Spring." Its underlying spirit has now spread even beyond the Arab world, and may have even inspired the protest movements in countries as different as Spain, Switzerland, the United Kingdom, and the USA, although their demands varied and the political contexts differed from those in the Arab world. The unfolding of the Arab uprising will have both near and longer term implications for migration in MENA countries and beyond.

Regardless of the nature of the final outcome of the Arab uprisings, the migration landscape in these countries will be vastly different from what it is now. As precursors of several long-term changes, the developments in the MENA region deserve special attention – the reason for which these are analysed separately in this chapter as part of the book's discussion on the future of international migration.

Despite the fact that the potential fragility of the political and economic system in most countries of the MENA region was not unknown, the rapid spread of the uprising that engulfed more than half a dozen Arab countries took many by surprise. The region consists of countries with different levels of income – ranging from Saudi Arabia and other oil-rich Gulf States to upper middle income countries like Algeria and Libya and lower middle income countries like Egypt, Tunisia, and Morocco. At the lowest end, it includes the Republic of Yemen, a low income country.

In the past (1960–1990), economic differences between the MENA counties also shaped the directions and pattern of their migration. Oil-producing Gulf States and Libya were the main receivers of migrants and the rest of the MENA countries were senders. Since then, there has been a change in this configuration as nearly all MENA countries became engaged in producing some oil and also became both senders and receivers of migrants. However, the old division between origin and destination countries has not lost all its significance in the sense that the richer oil- producing countries have continued to be the main receivers. Most of the other countries, especially those which were no longer oil producers such as Egypt and Morocco, were unwilling receivers only of relatively small numbers of immigrants and have remained major sending countries.

Over the long term, migration in MENA countries will be largely affected by the same global economic, demographic, and social trends as in the rest of the world (trends which are discussed in the next chapter). However, MENA's distinctive regional characteristics, including its past history and current conflicts, also matter. In the short- to medium-term, in particular, the on-going political uprisings in the region, combined with the rising expectations of the youth, will have a significant impact on its economies, labour markets, and the pattern of migration in MENA countries. Some of these effects will extend beyond the region, just as a few of them will have an enduring effect to influence migration beyond short and medium term.

At the time of writing, the situation was, however, still evolving and it was uncertain how it will play out. Even so, an insight into the economic, demographic, and political backdrop of the uprisings helps us to better understand and foresee the likely migration trends in the future.

Box MENA countries

Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait
Lebanon, Libya, Morocco, Oman, Palestinian territories, Qatar,
Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen
Note: Only Arab countries in the region are included in the study
Groupings within MENA
Maghreb (Western Arab states): Algeria, Libya,
Mauritania, Morocco and Tunisia
Mashreq (Eastern Arab states): Egypt, Iraq, Jordan,
Lebanon, the Palestinian territories, and Syria
Gulf Cooperation Council (GCC) countries:
Bahrain, Kuwait, Oman, Qatar, Saudi Arabia,
and United Arab Emirates
Southern and Eastern Mediterranean (SEM):
Algeria, Egypt, Israel, Jordan, Lebanon,
Libya, Morocco, Palestinian territories, and Syria

The landscape of migration in MENA

How past tradition reinforces new trends

The Middle East and North Africa have more than 26 million migrants.[1] In 2008, the World Bank had indicated that those of its citizens who were living outside their countries of origin, whether within the MENA region or outside, numbered a few million more. According to the Bank, in 2008 the net migration for the countries in the region as a whole stood at a negative total of 1.8 million persons (World Bank, 2008).[2] However, if the recent increase in the numbers of externally displaced Iraqis and of Palestinian refugees are taken into account, the picture changes, showing a positive net migration. Migrants now account for nearly 12 per cent of the total population of the region (UN DESA 2009).[3] With an annual average increase of 3.8 per cent in the migrant stock during 2005–2010, MENA now stands out as one of the fastest

[1] Includes the Arab Mashreq, and the GCC countries as well as Israel.
[2] *The Little Data Book,* The World Bank, 2010, Washington, D.C.
[3] United Nations Department of Economic and Social Affairs, *Trends in International Migrant Stock: The 2008 Revision,* United Nations, New York, 2009.

growing migrant receiving regions in the world. At the same time, the MENA region includes several countries which continue being important senders of migrants as a percentage of total population.

A large proportion of the Arab migrants live in other MENA countries. This is particularly so for migrants from Mashreq countries than those from the Maghreb in North Africa. Maghreb's proximity to Europe and the past migration links between them largely account for this difference. Based on Census data for 2000, the Development Research Centre on Migration, Globalization and Poverty at Sussex University estimated in 2007 that of the 6.6 million migrants from the Mashreq and Yemen, over 70 per cent lived in other Arab countries. Separately, an estimate made in 2006 suggested some 2.7 million Egyptians were living abroad, 70 per cent in other Arab countries and the remaining 30 per cent in Europe and North America. Over-all, probably about half of the migrants from MENA countries now live within the region (Fargues, 2008).[4]

Until recently the proportion of the region's female migrants had been relatively low, but their number was increasing fast. It reached 10.2 million in 2010, an increase of 20.4 per cent compared to 2005. They now represent 38 per cent of the total migrant stock, although there are considerable variations between countries, with only 20.8 per cent in Oman.

Major sending countries in the MENA – including Algeria, Egypt, Jordan, Lebanon, Morocco, Palestine, Syria, Tunisia and Yemen – have a long tradition of migration. Even before the recession of 2008–2009, in several of these countries the proportion of those living abroad had been rising. In Morocco and Tunisia, it may have doubled since 1993. And still more were considering to leave their homelands. According to a recent study, prior to the recession the proportion of Tunisians who were considering to move rose from 22 per cent in 1996 to 45 per cent in 2000 and a staggering 76 per cent in 2005 (Fargues, 2011a).[5]

What did spur the Arab Spring? The genesis and backdrop of the uprising

Despite some significant improvement in the employment situation in a number of MENA countries during 1999–2004, joblessness and lack of

[4] Philippe Fargues, "Emerging Demographic Patterns across the Mediterranean and their Implications for Migration through 2030," MPI, Washington, D.C, 2008.

[5] Philippe Fargues, "Voice and after Exit: Revolution and Migration in the Arab World," MPI, Washington D.C. 2011

Table 6.1 Unemployment rates in selected countries (most recent figures available) (in percentages)

Country	Year	Total	Urban	Rural	Youth
Algeria	2007	13.8	14.2	13.1	27.4
Morocco	2007	9.6	15.4	3.7	31.5
Tunisia	2007	14.1	–––––	–––––	34.1(15–19 years) 30.2(20–24) years

Source: IILS (based on national statistics and IILS country background papers) (http://www.ilo.org/inst-migration).

economic opportunities have long been a source of frustration among the youth in most countries of the region, including in particular those in Mashreq. Even if economic growth was there, the gains of growth did not reach or even trickle down to the people. Youth unemployment in the region at 25 per cent was among the highest in the world; and with joblessness running as high as 30 per cent, the situation was worse for young Arab women. A recent report from the International Finance Corporation and the Islamic Development Bank estimated that the unemployment was costing the region as much as USD 50 billion a year, roughly equivalent to the combed GDP of Tunisia and Lebanon (*Time,* 2011).[6]

In Algeria, according to an official survey, 31 per cent of young people, aged 20–24 years and 26 per cent of those in the 25–29 age group were unemployed in 2004 (Office National de Statistique Alger, 2007).[7] In 2007, the total youth unemployment rate was still 27.4 per cent (Table 6.1). In Morocco, total youth unemployment was 31 per cent; and in Tunisia it was more than 30 per cent. In all these countries, unemployment was more prevalent in urban centres than in rural areas; and the youth in urban centres were more seriously hit. In Morocco, 80 per cent of urban unemployment was concentrated in the 15–35 year age group. Another striking feature of the situation was that the situation was worse for the educated persons: 24 per cent of those with a university degree were unemployed, compared to only 9 per cent for those without a diploma. Also the higher the level of educational attainment, the longer was the period of unemployment (IILS, 2010).[8]

[6] Michael Schuman, “Seeking Growth after the Arab Spring,” *Time,* 22 August 2011.

[7] Office National de Statistique Alger, “Enquete sur l’emploi de septembre 2004, 2007.”

[8] IILS/ ILO, 2010. (http:/ilo.org/inst-migration).

A number of these countries have included social security strategies for growth, poverty alleviation, and sustainable development. However, even when they provided for unemployment benefits, which was not always the case, the actual coverage has remained extremely limited because of the restrictive rules governing the programmes and the existence of a huge informal sector. For example, only 4 per cent of unemployed workers in Algeria were receiving unemployment benefits in 2007 (ILO, 2009b).[9]

Why is so much youth unemployment in these countries? The problem is closely linked to the region's demographic change in recent years, leading to the emergence of a bulge of young population: two-thirds of the population were 29 years old or younger. By 2010 peaks in young population, aged 20–25 years, were already reached in countries like Morocco, Algeria, and Tunisia. Between 2015 and 2030, the same is expected to take place in almost all other MENA countries, whether (mostly) migrant sending or receiving (See Figure 6.1 and additional discussion later in this chapter).

The presence of so many young workers – the youth bulge – is generally regarded as a boon or demographic bonus that helps accelerate development. The reasoning behind this thought is that with less children of their own (due to lower birth rates) and a lower burden of an aging population (due to more people of working age), they can earn and save more, take entrepreneurial risks and spur rapid economic growth. This is a valid hypothesis, but subject to one critical condition: the youth need to be

Figure 6.1 Year in which young population, aged 20–25 years, peaks in MENA countries
Sources: UNPD, Fargues (2005).

Year	Mostly origin countries	Mostly destination countries
2005	Morocco	
2010	Algeria, Iran, Tunisia	
2015	Lebanon	
2220	Jordan, Turkey	
2025	Egypt	
2030 +	Iraq, Mauritania, Palestinian territories, Sudan Syriam, Yemen	Kuwait, Libya, Oman, Qatar, Saudi Arabia, United Arab Emirates

[9] ILO, *Social Security around the World: Facts and Figures,* 2009, Geneva.

adequately trained and employed to earn and have the inducements to save and invest. In MENA countries these conditions were largely lacking.

Clearly, the younger generations, by and large, were better educated than the previous generations (although it is not sure that the content of their education was fully attuned to the specific skill requirements of the economy). However, large numbers of them remained unemployed, as the region's economies were unable to keep pace in creating enough jobs. Even those who were employed had to wait to 2–3 years on completion of their education before they could find jobs, which, furthermore, were not always commensurate with their skills or education.

Thanks mainly to its oil resources, the MENA as a region had a relatively high rate of growth. In 2008, prior to the recession it had a growth rate of 5.5 per cent. Although the growth rate declined (2.5 per cent) in 2009, it was 4.4 per cent in 2010.[10] (IMF/ WEO, 2011). A few countries had already set up manufacturing or service industries. Qatar, United Arab Emirates and Bahrain, for example, were promoting financial services as well as information- and knowledge-based industries. With its well advanced infrastructure and religious tolerance, Dubai in the UAE has also developed a transport hub. Taking advantage of its proximity and low labour costs, Tunisia has developed textile, automobile parts, and tourism industries.

However, by and large MENA economies have been mostly dependent on export of oil and other commodities and, in some cases, tourism. In a number of countries, extensive foreign investment had arrived, mostly in the hydrocarbon sector and some in real estate. Also, in the absence of economic diversification sustained by a dynamic and modern industrial sector and a fair distribution of income, the high rate of growth was not sufficiently broad-based to create enough opportunities for employment. High level jobs, normally associated with diversification and upgrading of an economy, was particularly scarce. Indifferent to inefficient management of the economy, accumulation of wealth and concentration of ownership and control of assets by a small group of people who were already rich, and poor governance were the main constrains that retarded sustained economic expansion. As John Sfakianakis, chief economist at Banque Saudi Fransi, put it, "It has been common amongst Arab political leaders to use their public roles to amass wealth and enhance their personal net worth…. Businesses failed to compete on a global scale. In 2003, the Philippines had more

[10] IMF, *World Economic Outlook,* September 2011, Washington D.C.

manufactured exports than the Middle East combined. There were pockets of excellence, but they were exceptions"(*Financial Times,* 2011f).[11]

When in 2008 the recession struck the global economy and commodity prices and export revenues started falling, even the oil-producing rich countries like Saudi Arabia and Kuwait were themselves faced with the problem of unemployment at home. As discussed in Chapter 3, several of these countries, which were heavily dependent on migrant labour, found it politically convenient to cut back on immigrant workers and give preference to their nationals.

If the gloomy employment situation was causing frustration among MENA's young people, it was heightened by the fact that their aspirations were rising much faster than those of the previous generations. With higher education, better knowledge of the happenings in the world outside and relatively free from family burden, they had pitched their ambition high, which however remained unfulfilled.

The changing role of women further aggravated the situation. In the past because of their early marriage and high fertility, women in MENA countries had been mostly family bound with little participation in economic activities outside the household. They thus refrained from participating in the labour force; and if they did, they were most likely to leave it after marriage. As noted, for years the region thus had one of the world's lowest rate of female participation in the labour force. But this was changing. As Arab women delayed their marriage and their total fertility fell, they could pursue education and join the labour force. This added to the competition in the already crowded job markets. Like their male counterparts, young and educated Arab women started nurturing ambitions to build their career and move ahead. But as opportunities lagged behind, they, too, felt frustrated. Growing empowerment of educated Arab women, like the young males, could have been an asset, but it was not: it only added to the despair and frustration of their male cohorts.

If these countries would have had vibrant democratic institutions and adequate freedom of expression, permitting the youth to have a meaningful dialogue and systematic interaction with the authorities, their frustrations might have been contained and even fed into constructive channels, helping development. But the political environment was hardly conducive to this. With rare exceptions, the authoritarian

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[11] John Sfakianakis, "The Arab Spring Risks Economic Malaise," *Financial Times,* 6 April 2011.

regimes failed to allow enough political space for the youth to air their grievances or engage in a constructive dialogue. If political institutions were controlled by the ruling elite, civil society organizations hardly existed and if they did, they too were under the influence of the ruling class. If and when elections were held, it was not difficult for the ruling class to manipulate them in its favour and continue to be in power. The political process was thus deprived of its credibility.

What made the situation worse and led to a dwindling of economic opportunities for the general public, including the aspiring youth, was the interlocking of political power and economic interests. The small elite which controlled the state apparatus also dominated the economy through direct or indirect ownership of state-backed economic undertakings. Not surprisingly, there was a build-up of simmering frustration and resentment in several of these countries which were waiting to be exploded. On 17 December 2010, the immolation of the young vendor on the street of Tunis provided the spark for this to happen.

The unrest, protests and uprising in MENA: But the situation varies

The wind of Arab Spring has been blowing through nearly all MENA countries, whether migrant senders or receivers, although the impact so far has varied between countries. At the time of writing, with transfer of power from the ruling authorities, three countries – Egypt, Tunisia, and subsequently Libya – had already seen the completion of the first phase of the uprising. A number of other countries – including Bahrain, Syria, and Yemen – were still in the in the midst of the conflict itself. In Yemen, although Ali Abdulla Saleh, the president, was forced out, tension and protests were continuing at the time of writing.

A third group of countries – including Algeria, Morocco, Jordan, and Oman and to a lesser extent Saudi Arabia – have also witnessed scenes of protest. Although at the time of writing the protest in this group of countries was largely contained, the situation varied. For instance, the wind of Arab Spring passed through Algeria, and some mass protests followed, but the situation was brought under control. An uneasy calm has since returned in the country, but it is difficult to foresee how it will play out.

Likewise, in Morocco, political concessions made by King Mohammed seemed to have at least temporarily diffused the protests. But the undercurrent of unrest persisted, and on 25 September 2011, the protest flared up again in Casablanca, and on a small scale, elsewhere in the country, demanding improvement of employment and living conditions. Pending a durable settlement of the protesters' demand, the situation remains fluid. In November 2011, Moroccans voted for a new parliament empowered by a recently enacted constitution. The king had hoped that the parliamentary election and the constitutional reforms would lend legitimacy to the political process for change. Many others, too, thought that Morocco might offer a third way between violent revolution and brutal crackdown by those in power. Things, however, seemed to be turning out somewhat differently. Many of the protesters in the so-called February movement saw the election as an attempt to put a veneer of democracy on a regime that remains fundamentally authoritarian. The turnout for the parliamentary election in 2011 was low at 22.4 per cent. The loose coalition of activists claimed that the political process was rigged. As the activists planned more protest marches, the peace the country enjoyed seemed to be an uneasy one. (*Financial Times,* 26–27 November, 2011r).[12]

Jordan and Saudi Arabia have so far avoided massive popular unrest. Even so, the Arab Spring was clearly transmitting a new impulse to the pressures for change that have been lying dormant in these countries as well. Inspired by the Arab uprisings elsewhere, protesters have held several rallies in the Shia-populated area of Quatif of Saudi Arabia. In October 2011, clashes with security forces left 14 people injured. Not surprisingly, in the wake of the uprisings in neighbouring countries, Saudi Arabia has increased social spending and taken some small steps in political reform. This included King Abdullah's announcement in February 2011 of a benefit package worth US$ 35 billion, and in September 2011, of women's rights to vote and hold elective municipal posts.

Jordan, too, has made some symbolic changes in the government as part of political reform, but it was facing a difficult situation as its economy suffered badly by the region's political instability and rising food prices. Early in 2011 the government promised to keep energy and food prices subsidized, while raising wages and pension. However, it was already facing a fiscal deficit of 5.5 per cent of GDP. According to some observers, Saudi Arabia, which was providing Jordan a fresh grant of US$ 400 million, was determined to show that conservative, pro-western monarchies can stand apart from the Arab uprisings. However, in November 2011, while King Abdullah of Jordan was calling for the

[12] Borzou Daragahlan and Ellen Byrne, "Moroccans Reluctant to Embrace a 'Third Way' 'Offered by Election," *Financial Times,* 26–27, November 2011.

Bashar al Assad of Iraq to step down, the first Arab leader to do so, he was facing increasing pressure for reform in his own country. One thing was clear: Jordan, which has long been primarily a migrant-sending country, will face increasing emigration pressure unless it can well manage the difficult economic situation. Oman, also a Gulf Arab country, faced protests in February 2011, which led Sultan Quaboos bin Said al Said, an absolute ruler, to promise political reforms. Since then, two leading protesters have been elected to the country's 84 member consultative council, raising hopes that calls for reform will be heeded by a more empowered council.

As indicated above, even before the uprisings the suffocating economic environment in several MENA countries had encouraged people to leave their homeland in search of better opportunities abroad. Often the lack of freedom was also a contributing factor. Some expatriates who would have liked to return when the economic situation was somewhat better decided not to do so for lack of freedom and civil rights. A survey of highly educated Algerian expatriates in Canada showed that political conditions – lack of democracy and individual freedom – were the reason for their not returning to Algeria (Fargues 2011a).[13]

The current uprisings revealed that the Arab youth's political yearnings and economic aspirations have now become even more closely enmeshed than in the past. The impact of the uprisings on migration, and the final outcome of the uprisings themselves, will therefore depend on how both political and economic conditions evolve in these countries.

In trying to discern the immediate or short-term effect of the uprisings on migration, it is also important to bear in mind that all MENA countries were not, as already mentioned, similarly affected by them; nor was the situation evolving at the same speed. Accordingly, the discussion below on the migration situation and trends makes a distinction between three groups of Arab countries in MENA: (a) countries which were still in the midst of conflict; (b) countries where the conflict had already ended and a new regime, in most cases provisional, was already in power and (c) MENA countries in general, including those that were not at the time of writing directly affected by the uprising. Thus while the analysis for countries in (a) and (b) deals with the immediate as well as short- to medium- term migration trends as an outcome of the

[13] Philippe Fargues. "Voice after Exit: Revolution and Migration in the Arab World," 2011 op. cit. The date of the survey is not mentioned.

uprising, the focus for counties in (c) is on longer term migration trends in MENA countries as are likely to be shaped by changes in structural and other embedded factors. [This discussion on (c) is included in the last section of this chapter].

Countries still in the midst of conflict: flights of people for safety and survival

At the time of writing, a number of MENA countries, such as Syria, Bahrain and (arguably) Yemen, had not seen the end of fighting. Syria, a country torn apart by a continuing brutal assault by government forces on the mostly unarmed protesters, saw thousands of refugees moving into Turkey, with many more waiting at the border to do so. As of November 2011 some 4000 people, mainly protesters, were killed; and already by end of the year the number rose to 5000, (and was hovering above 9000 in March 2012). The Office of the United Nations High Commissioner for Refugees (UNHCR) reported that some 3000 refugees were being housed in the refugee camps that Turkey had opened in nearby Altinozu. There were talks that if the pace of killings rose, Turkey might be persuaded to create a buffer zone to protect the refugees. Meanwhile, the threat of increasing refugee flows was placing a severe strain on the close relations that had existed between the two countries. As the book was going to press, the UNHCR announced that some 2000 additional refugees had fled to Lebanon, and the death toll was rapidly rising.

The government had agreed to end the conflict under a peace plan drawn up by other Arab states, and an Arab League monitoring team was sent to Iraq, but it was hardly effective. In January 2012 as external pressure on the regime was mounting, the government offered an amnesty plan for those who had actively revolted against the regime. It was rejected by the opposition. With violent repression continuing, the opposition was skeptical. The GCC countries decided to withdraw their members of the monitoring team. Many activists were fleeing to Cairo – although their exact number was not easily obtainable – making Cairo a centre of opposition to the Syrian regime.

In 1994 Yemen saw a bitter civil war between its northern and southern regions shortly after the 1990 unification of the country. The present conflict led to considerable internal displacements as hundreds of residents of Sana'a, the Yemeni capital, fled the city due to heavy fighting between the government troops and opposition gunmen. As this book was going to press, it was announced that parliament has approved amnesty for President Saleh, facilitating his stepping down from office (although he was to remain honorary president until 21 February 2012 when new elections were to be held). A settlement of the current conflict seemed to be in sight. But there are already protests against the amnesty, and the unrest has not ended. If the settlement turns out to be a fragile or unstable compromise, and the conflict continues, the number of migrants could increase.

In Bahrain, Saudi Arabia-led Gulf troops were sent to the island in March 2011 to back up the government crackdown on swelling protests. Three months later, Bahrain's king initiated a dialogue with politicians and civil society groups to quell the protests. In January 2012 the king announced reform proposals to grant additional powers to parliament as tensions were rising ahead of the pro-democracy uprising's anniversary in February. But the announcement was unlikely to diminish the daily protests across the island, led by the majority Shia community whose leaders want an elected government. The opposition groups were claiming that the conciliatory gestures of the government coincided with harsh treatment of protesters. The situation looked tense and unstable.

Clearly, as long as the conflicts and violence continue, outflows of people from these countries through regular or irregular channels will remain unabated. The actual level of such flows may rise or fall, and cannot be foreseen, as much would depend on the duration, extent, and intensity of the conflicts, and on how they affect the security and livelihood of the general public. These movements will be more of a forced nature. It can be assumed that over the near- to medium-term, open and large-scale conflict in these countries will be over. It is most likely however that even after the cessation of hostilities the political and economic situation will continue to be fluid or unstable for quite some time. As a consequence, there will still be considerable pressure for emigration, though the underlying motivations may change. In the next sections, this is discussed separately for post-conflict countries and those still in conflict.

Near- to medium effects on migration in countries affected by conflicts

Post conflict countries: Continuing outflows of people, but of a different nature

At the time of writing, the people's uprising in Egypt, Tunisia, and Libya had already brought down the authoritarian governments, and the second phase of the Arab Spring was struggling to take shape. The experiences of these countries experiences are to foreshadow what might also be the likely effects of similarly placed MENA countries in the near- to medium-term following the uprisings.

History shows that when popular uprisings, such as those now happening in MENA countries, lead to the realization of people's aspirations and demands – or at least they have the conviction that they were in the process of achieving this – many of those who might have previously thought of leaving the country would like to stay on and at least some of those already abroad would return. At the time of writing, this had not yet happened in any of the post-conflict countries. By contrast, there could also be a danger that if the anticipated reform process stalls or takes a negative turn and a feeling of betrayal takes hold among people, this would trigger a massive increase in emigration, fuelled by frustration and disillusion. Despite some setbacks due to continuing conflicts and delay in the process towards establishment of democracy and sound economic reform, the situation in any of these countries was not as bleak as that.

To put it differently, these post-conflict countries are currently at a mid-point between the above two extreme situations. There has not been, nor is it likely that there would be, any massive post-conflict outflows of nationals from these countries. And yet, regardless of the level of violence and the intensity or duration of the conflict, lack of safety, disruption of essential amenities and supplies, and human distress, combined with future uncertainty, have been driving some people to leave the post-conflict countries; and for the reasons discussed below, it is unlikely that these outflows will stop in the near future.

At the time of writing both Egypt and Libya and, to a lesser extent, Tunisia were facing a volatile political situation while their economies were wobbling. In Egypt, dissensions and bickering among different political groups had sharpened as they tried to fortify their respective ideological positions and jockeyed for power in the country's future political institutions. Tension has been developing between the country's ruling military council and the Islamists as the military council revealed its proposals that would guarantee its right to intervene in the political process even after a new government has been democratically elected. During the uprising, young Muslims and Christians joined together and challenged an autocratic regime in a highly disciplined manner. But the violent clashes that broke out between Muslims and Coptic Christians in October 2011 shattered that unity and brutally revealed the potential danger that the political revolution could be hijacked by sectarian differences. A security vacuum and economic difficulties were exacerbating the danger. Police were unable to stop violent crimes and restore order.

Clearly, though, there were still scattered rays of hope and optimism. As Yasmine el-Mehari, a 30-year-old young female entrepreneur put it, "the evolution really made my generation believe in ourselves" (*The New York Times*, 2011f).[14] Some of the better educated and outward-looking young people were striving to seize the moment and launch start-up ventures to secure what they really went into Tahrir Square for. But there were not many feeling or doing the same. Several months after the uprising, the overall feeling in the country was one of continuing uncertainty. In November 2011, the provisional civil government's offer of resignation, which followed the renewal of mass demonstrations in Tahrir square against the military council, was yet another sign of continuing political unrest in the country.

On the positive side, the peaceful running of parliamentary elections (which at the time of writing was just being completed) and the declarations of the Muslim Brotherhood, presenting itself as a centrist force for stability and national unity, were hopeful signs. Yet there was considerable anxiety both among the Copts, Egypt's main Christian minority, and the secularist middle-class protesters. At the same time, there were still lingering differences and tension between the army and the Brotherhood, (although for a while during the turmoil they seemed to be closer to the army than the protesters) and also between the Islamist groups – the Brotherhood (Freedom and Justice party) and the Salfis (Nour party). The Brotherhood was about to form a coalition government with participation of Islamist Nour and Wafd (liberal) parties. However, many Copt Christians and secular protesters continued to be uneasy about the situation. Meanwhile, with the country's police force seriously discredited, the law and order situation has deteriorated. Some 73 people died in a riot after a football match in February 2012, making some people wonder if there were hidden hands of political groups behind the skirmishes.

Alongside political volatility, it was widespread economic uncertainty that seemed to be worrying many people, including the youth. The International Monetary Fund estimated that Egypt's rate of economic growth would fall from 5 per cent to 1.3 per cent in 2011. The fiscal deficit could reach 10 per cent of GDP, and the borrowing costs to meet the deficit have soared above 15 per cent. After having turned down earlier a possible World Bank loan of US$ 2.2 billion and an IMF loan of US$ 3

[14] Cited in Hannah Seligson, "Arab Spring, Start-up Summer?" *The New York Times,* 16 July 2011.

billion, the government has more recently asked IMF for a US$ 3.2 billion stand-by facility to help shore up the economy. Investments have plunged; unemployment was increasing and already hovered around 12 per cent. Youth unemployment may well be 25 per cent or more. Factories were paralyzed by strikes; and protests in Tahrir Square continued. Tourism, which used to account for 13 per cent of Egypt's GDP and 11 per cent of employment, has sharply declined. The country's foreign currency reserves had dwindled from US$ 36 billion to US$ 10 billion in 2011. The country was facing a budget deficit of 10 per cent of GDP and inflation was rising, making people fearful of depositing money in banks.

People wanted to see changes in their livelihood as a result of the opening up of new opportunities, but for many changes were not coming soon enough. The collapse of old structures and practices did not immediately usher in conditions helping the aspiring youth to create wealth and build the economy. Many of the old constraints were preventing the considerable pent-up entrepreneurial energy of the country to be unleashed.

Not surprisingly, some recent field surveys suggested that the continuing economic uncertainty (at least partly linked to political instability) was a dominant factor in shaping people's attitude towards migration. An IOM survey in May 2011 sampling 750 young Egyptians who planned to migrate, found that despite their optimism about the future of the country, 44 per cent who had already decided to migrate before the uprisings in January 2011 remained committed to their plans. Another 41 per cent said that the events following the uprisings slightly influenced their decision to migrate and nearly 15 per cent confirmed that recent changes had made them decide to leave the country. The main push factor, aside from lack of security, was the economic decline, including unemployment, low wages, and unsatisfactory living condition. About two-thirds of respondents who were working prior to January 2011 either lost their jobs or faced a reduction in pay due to the recent changes (IOM, 2011).[15]

The second phase of the Arab Spring in Tunisia was revealing a broadly similar situation as in Egypt, and yet it was slightly more hopeful and promising. The uprisings there began in the country's impoverished interior as a protest against its dismal economic conditions.

[15] IOM, "Survey Finds Egyptian Youth Still Plan to Migrate but Remain Relatively Optimistic about the Future of their Country," press briefing, 31 May 2011. www. egypt.iom.int/publications

Subsequently, as it reached the educated class in the coast, it took on demands for freedom and democracy as well. However, as in Egypt, both the inlanders and those in the coastal areas were feeling disappointed that the uprisings had not brought the opportunities they had hoped for. Security concerns had led to a serious decline in tourism, an important source of revenue. Industries controlled by the elite and often supported by state were on decline. According to the IMF, its rate of economic growth would be sharply lower from 3.1 per cent in 2010 to zero in 20 11, although it was expected to rise to 3.9 per cent in 2012. Barclays Capital estimated the decline would be from 3.7 per cent in 2011 to 1 per cent in 2012.

Also, as in Egypt, volatile politics was creating considerable uncertainty, retarding investment and growth. Some of the politicians associated with the previous regime were trying to regain their influence, while some of old leftist parties as well as religious groups, led by Nahda, were also striving to remerge. And parts of the country's labour movement were stepping up their demands or returning to their radical roots. Amid rising political tension election for a constituent assembly had to be postponed twice.

However, the elections, finally held in October 2011, were a significant success and aroused hopes for the country's peaceful transition. And yet, the rise of the Islamist party was causing some concern among the secular parties. It has particularly unsettled women's groups who were afraid that they might lose some of their long-established legal rights, although Nahda has been trying to calm these concerns. A sense of stability and optimism for the future bounced back in the country following the success of the November 2011 elections and the moderate stance of the Nahda leadership, which agreed to form a coalition government with smaller secular parties. However, there were still considerable frustrations and disturbances. The government recorded 330 sit-ins and other protests in the first three weeks of January 2012 over a lack of public services (*The Economist,* 2012b).[16] Economic uncertainty continues as the government has confiscated 300 companies regarded to be owned or controlled by the discredited cronies of the old regime.

Given the continuing economic uncertainty during the transition and Tunisia's long tradition of emigration, it was not surprising that in just the first three months of 2011 it had seen a surge of emigration, with some 25,000 irregular migrants arriving in the Italian island

[16] "Arab Spring Economies," *The Economist,* 4 February 2012.

of Lampedusa alone; and subsequently many more followed (Most of them have since been repatriated.) By all indications, in the near- to medium-term, pressure for emigration in Tunisia will increase rather than decrease (further discussed below).

As for Libya, at the time of writing, the new interim government had received formal recognition at the United Nations as well as by a significant number of individual governments. Before the uprising, Libya was hosting large numbers of migrant workers – according to the United Nations, (UNDESA, 2009)[17] some 682,000 in 2010 – from MENA countries, sub-Saharan Africa, and Asia. Some other estimates put the number at around 1 million. The International Organization for Migration (IOM) estimated that by the end of May 2011, a total of more than 900.000 people, inclusive of both migrants and Libyans, had already fled violence and moved to Tunisia, Egypt, Niger, Algeria, Chad, and, Sudan.[18](Table 6.2). A number of the Libyans who had fled their country amid fighting subsequently returned.

Two neighbouring MENA countries, Tunisia and Egypt, were the main receivers. From Libya refugees. even from isolated mountain villages that were yet to experience any fighting, had poured into Tunisia through the Dheba border crossing. At the time of writing many sub-Saharan migrant workers who suffered from the civil war and discrimination (discussed in Chapter 4) were waiting at coastal camps near Tripoli and elsewhere to flee Libya, but were yet to find the means of transport for doing so.

Although the Gaddafi regime had fallen and the fighting had stopped, the old division between eastern and western parts of the country was creating uncertainty, compounded by divisions and tensions among different tribes. The new government is committed to peaceful national reconciliation, but cases of retaliatory violence by both pro-and anti-Gaddafi forces have been reported. In October 2011, Chairman of the National Transition Council, Moustafa Abdel Jalil, announced that alleged human rights violations would be investigated. However, if the remnants of the old regime unleash indiscriminate insurgency, reconciliation may be difficult to achieve or may not endure. Some were even drawing parallels to the fall of the Saddam Hussein regime in Iraq and the sectarian violence that followed (*The New York Times,* 2011h).[19]

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[17] UNDESA 2009, (Update).

[18] A small number of persons returned to Libya to support the uprising.

[19] Anthony Shaad, "After Arab Revolts, Reigns Uncertainty," *The New York Times,* 24 August 2011.

Table 6.2 Cross border movement of migrant arrivals
Please note that since 15 December 2011, there have been no new records of migrants crossing the borders

		30 Jan 2012		31 Jan 2012	
Arrived in	**Nationality**	**Daily**	**Cumulative**	**Daily**	**Cumulative**
Egypt	Egyptians	–	173,873	–	173,873
	TCNs	–	89,681	–	89,681
	Total	–	263,554	–	263,554
Tunisia	Tunisians	–	136,749	–	136,749
	TCNs	–	208,489	–	208,439
	Total	–	345,238	–	345,238
Niger	Nigeriens	–	79,720	–	79,720
	TCNs	–	5,699	–	5,699
	Total		85,419	–	85,419
Algeria	Algerians	–	1,666	–	1,1566
	TCNs	–	12,296	–	12,296
	Total	–	13,962	–	13,962
Chad[2]	Chadians	–	50,874	–	50,874
	TCNs	–	S03	–	808
Italy[1]	Total	–	51,682	–	51,682
Malta[1]	Total	–	25,935	–	25.915
Sudan	Total	–	1,530	–	1,530
	Total	–	2,800	–	2,80C
TOTAL ARRIVAL		–	790,120	–	790.12C
TOTAL TCN			316,973	–	316,973

*Tunisian authorities have stopped giving IOM tfie stats at the border since 31 October.
[1] Number only reflects arrivals from Libya (and not from Tunisia).
[2] Figures for Chad include arrivals in Faya, Kalait, Mao, Mourdi and Ouniangakebir

An equally disturbing element concerns the refusal of many of the militias who had helped to bring down the Gaddafi regime to give up their arms as they had previously promised. The National Transition Council, led by the new prime minister, Abdel Rahim el-Keeb, was seeking their dissolution and eventual incorporation in a regular national army. However, many militias were keen on preserving their autonomous military power and influencing political decisions as “guardians of the revolution” (*The New York Times,* 2011i).[20] The harsh treatment and detentions of dark-skinned, sub-Saharan migrant workers were also

[20] “The Fighting May Outlast the Revolution,” *The New York Times,* 1 November 2011.

worrisome. As Peter Bouckaret, a researcher with Human Rights Watch, put it, these detentions reflected "a deep seated racism and anti (sub-Saharan) African sentiment in Libyan society" (*The New York Times,* 2011c).[21]

Meanwhile, the rise of Islamists and their increasingly assertive role were creating tension within a fragile transitional national council, obliging the then prime minister Mahmoud Jibril to postpone the formation of a new cabinet, although a solution was subsequently found. In October 2011, interim leader Moustafa Abdul-Jalil upset many Libyan women and secularist liberals by his affirmation of Islamic laws on women and banking. Also, the old tension between the eastern and western parts of the country was showing no signs of waning; it was resurfacing. And yet another concern about the country's future stability related to the West's active involvement in Libya's revolt. Western intervention has robbed Libya's uprising much of the luster enjoyed by Egypt and Tunisia. It has inspired suspicions among some in the region that the West nurtured economic interest in Libyan oil. If this feeling gains ground and is exploited by radical political elements, this could also be a source of future political instability.

Despite these ominous signs, the initiative by the transitional prime minister to form a cabinet was expected to allay fears of factional violence and regional infighting among the anti-Gaddafi militias. The reported amnesty for the former supporters of the Gaddafi regime should also help in restoring political stability. Meanwhile, however, economic reconstruction remains an uphill task. According to a former Libyan banker, the ravages of the conflict may have cost the country as much as US$ 15 billion. Economic uncertainty was worsened by general insecurity. Lack of responsible institutions – they hardly existed during the Gaddafi regime – meant they have to be built from scratch. In view of the past crony capitalism, with the benefits of any privatization going to those close to the regime, new leaders were afraid to approve and sign new projects contracts. They were fearful that they, too, might come under suspicion and might have to answer questions in court. As new rulers were also pondering revision of some oil contracts, that was adding to economic uncertainty.

As for migration, the relatively small number of migrant workers who were stranded or detained by the opposition forces during the conflict

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[21] David Kirkpatrick, "Libyans Turn Wrath on Dark-Skinned Migrants," *The New York Times,* 4 September 2011.

were to be repatriated On the other hand, as an oil producing, capital rich country Libya has long been a migrant-receiving country, and it will no doubt continue to need some migrant workers to ensure the running of its oil industry at full capacity and to speed up the reconstruction work. It may, however, have some difficulty, at least temporarily, in attracting migrant workers from sub-Saharan Africa because of the harsh treatment they received during the conflict (*Financial Times,* 2011o)[22] (See below.)

Countries in conflict face potential perils of spillover effect of sectarian divisions:

Can this fuel new migration?

It is reasonable to imagine that over the near- to medium-term (following the future cessation of hostilities), the situation in countries like Syria, Bahrain and Yemen will be marked by political instability and economic uncertainty. This in turn will encourage some new migration flows. Here again, much depends on how the conflict plays out and, more specifically, how and to what extent the settlement of the conflicts entails, and is followed by, genuine reconciliation between the various religious and other sectarian groups. The latter is critically important for the countries in conflict in the Mashreq because of the complex and sensitive religious/sectarian composition of the populations both within and across these countries. As briefly outlined below, it holds the potential of generating considerable crisscross movements almost throughout the region.

Even if the hostilities in these countries soon come to an end, there is a potential risk that a rekindling of the ethnic/tribal, religious, and other internal divisions, many long embedded in history, could make the period of their political instability longer than expected even for countries like Egypt and Tunisia as discussed above.

In Bahrain, the political power is held by a Sunni monarchy, while the protesters are mainly Shiites, who constitute the majority in the country. Prior to the conflict, the country was a net receiver of migrants. In 2008 it had a net intake of 20,000 migrants, and, barring any radical change in the situation, it will continue to need some migrant workers for its oil industry and household work. But the migration situation

[22] "Migrants' Prejudice Claims Threaten Libya's Recovery", *Financial Times,* 2 September 2011.

could change if the uprising against the ruling power degenerates into a sectarian conflict. In such a situation even if a political settlement is reached between the government and the protesters, tensions and rifts between the two religious sects may continue threatening stability. Already, one claim of Shiite protesters was that naturalized immigrants from Pakistan and some Arab countries – all of them Sunnis – should be deprived of their newly acquired citizenship.

The sectarian division could even have wider spillover effects. Both Bahrain and Saudi Arabia are members of the Gulf Cooperation Council, and both are monarchies. The fact that both are Sunni monarchies adds to their affinities. When Saudi Arabia sent troops to Bahrain in support of the country's rulers, it was the sectarian affinity that came under spotlight as this was perceived by many in the region as an act of Sunni solidarity. This caused uneasiness among the Shiite populations in neighbouring countries. The situation could be explosive, if other Sunni and Shiite dominated states in the region start siding with one or the other of the two opposing camps based on religious sects.

A domestic conflict could thus easily take on a regional dimension, posing a delicate dilemma for outside powers in the region. During the Bahrain conflict Kuwait, where between 25 and 30 per cent of citizens are Shia, found itself in such a situation. When Saudi Arabia sent troops from the Gulf Sunni monarchies to help suppress the Shia-led protests in Bahrain, the situation exposed the sectarian divisions in Kuwait as public rallies were held in support of both sides of the delicate question of whether or not to comply with the Saudi request and intervene in Bahrain. In the end Kuwait decided to send two warships as a token contribution, but no ground troops. As questions were tabled in parliament about the handling of the matter, the whole government decided to resign in order to avoid sectarian passion. The episode brings out the complexity of the sectarian divisions that runs though the entire region. The future pattern of migration in Bahrain thus critically depends on how the internal divisions are managed.

Syria, too, contains a string of centrifugal forces that could lead to continuing political instability even after the on-going conflict is resolved. Syria's problem lies in its diverse and fractious groups which entangle both the ruling regime as well as the opposition. In September 2011, six months into the uprising that had by then already taken 3000 lives, a unified leadership had not emerged. Protesters had a new slogan: "The people demand unified opposition." Since then, however, some progress has been made in unifying the opposition under a joint council. Syria had managed its sectarian differences rather well in the past, despite concentration of power among Alawites, an offshoot of Shia Islam, (to which President Basher el-Assad belongs). They make up 12 per cent of the population. Somewhat paradoxically, the popular uprising has given rise to tension between religious communities. Although the Alawite is the second most under-developed region in the country (and some Alawites oppose the Basher regime), people unleashing the repression are mostly Alawites and the protesters are mostly Sunnis. The regime reportedly had also been using the Shabbiha, an Alawite militia, to enforce the crackdown, creating the impression that one religious sect was fighting the other. Analysts suspected that President Assad might be seeking to provoke a small-scale civil war in which Alawites would be forced to fight for the survival of their community – and thus the ruling family – while scaring off other Syrians and the international community (*Financial Times,* 2011g).[23]

Another complication relates to the role of the Christians. They make up some 10 per cent of the population, and are closely linked to the ruling regime. They seemed to believe, like many Alawites, that the protest was being driven by Sunni fundamentalists. This has made them fearful that if the regime failed to the Sunni majority, they will suffer along with the Alawites. If sectarianism gets the upper hand during or in the wake of the conflict, it could have, as in Bahrain, an ugly and wider spillover effect in other countries of the region. As Raymond Moussalli, a Syrian and Chaldean priest in Amman, agonized: "if sectarianism enters into the Syrian equation, the whole region will explode, especially Jordan and Lebanon." As in Libya, Syria seems bereft of sound social institutions or a civil society capable of engineering a peaceful transition. Some are afraid that Syria could possibly become another Lebanon, acting as proxy battle ground for regional powers. (*Financial Times,* 2011x)[24]

As for Yemen, the Gulf Cooperation Council's initiative calling for transition of power followed by general election led to new clashes between government forces and the protesters. Violent clashes took place again when President Ali Abdullah Saleh, who was badly injured in an attack on his compound in June 2011, returned after his treatment in Saudi Arabia. Multiple divisions within the country were making a compromise more difficult and signalling continuing instability.

[23] Roula Khalaf,"Unity against Assad Faces Test as Uprising Takes Militarised Turn," *Financial Times,* 5 October 2011.

[24] Ed Hussain, "Assad Need Not Feel Threatened by Gaddafi's Fate," *Financial Times*, 24 August 2011.

The army was divided, as an army commander, Ali Mohsen al-Ahmar, joined the protesters in March 2011. The division also tended to be tribal as the Sadeq-al Ahamar, leader of the Hashid tribal confederation, was opposed to the regime, and his tribal militia was fighting the government forces. In fact, the wider objective and role of the protest movement was being overshadowed by fighting among three well-armed rivals: the ruling Saleh family, the Ahmars and his tribe, and General Ahmar's armed division.

Even before the present uprising, Yemen was a volatile country, with a long history of war between ideologically divided North and South Yemen, and, following unification, between the Houthi movement in the North and the government forces. The conflict became more complicated because of alleged Iranian support to the former and Saudi Arabian support to the latter. More recently, during the protest movement, Islamic militants took control of several regions, and the threat of Al-Qaeda terrorism has been looming large for quite some time.

Given this volatile and violent background and the country's widespread poverty, it is hardly surprising that Yemen has long been a (net) migrant-sending country. In 2008 it had sent a total of 100,000 migrants abroad[25](World Bank, 2010), although it also hosted immigrants, with the stock rising from 414,000 in 2000 to 455,000 in 2005 and 518,000 in 2010. As this book was going to press, it was announced that parliament has approved amnesty for President Saleh, facilitating his stepping down from office (although he was to remain honorary president until 21 February 2012 when new elections are to be held). A settlement of the current conflict now seems to be in sight. But there are already protests against the amnesty, with no clear signs of an end to the conflict.

If the settlement turns out to be a fragile or unstable compromise, and the conflict persists, the number of migrants could increase. At the same time, it will continue to have an increasing flow of refugees and irregular migrants mostly from Somalia and Ethiopia. Between 2008 and 2009, this number grew nearly by 50 per cent from 50.000 to 74, 000 (UNHCR 2009a).[26] The severe drought in the Horn of Africa, the worst in 60 years, is most likely to increase the inflows.

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[25] World Bank, *The Little Data Book,* No. 10 op. cit

[26] UNHCR, "Yemen – Record Number of Arrivals by Sea from the Horn of Africa," *Briefing Notes,* 18 December 2009. http//www.unhcr.org/4b2b6d639.html

In Oman, the ethnic loyalties of tribes who are descendants from the Gulf interior, Persia (now Iran), Baluchistan (in Afghanistan) east Africa and India, are firmly entrenched. They also have strong religious affiliations to the Shia, Sunni, or Ibadhi Islamic sects. Although their fierce rivalry has been kept under control, there is a danger that it could blow up. Meanwhile, its stock of migrants has increased from 624, 000 in 2000 to 666,000 in 2005 and 826,000 in 2010.

To sum up, all the countries still in conflict have a long history of internal divisions, with a violent and politically volatile past. Even in countries such as Syria, where strong, autocratic governments managed to contain these divisions in recent years, the undercurrent of suspicion has always been alive. There is a real danger that as each of these different groups tries to take advantage of the current instability to consolidate its power and highjack the Arab Spring uprising to serve its narrow interest, a revival of old animosity could burst out in more conflicts and create additional violence and continuing instability. If this happens, there would be more internal displacement and outflows of people. As discussed above, since these religious/sectarian divisions cut across countries, a domestic conflict can suck in other regional powers. In that unlikely event, there could be large-scale cross-border movements of people, the extent of which cannot be anticipated.

Effects beyond the MENA region: Europe and Sub-Saharan Africa

Arab Spring, migratory flows, and challenge to Europe's freedom of internal movement

The migration outcome of the Arab Spring will not be confined to the MENA region; it will extend far beyond. In Europe, one of the immediate and much publicized effects was the inflows of refugees/irregular migrants from Tunisia who landed in the southern Italian island of Lampedusa. The EU has long encouraged and relied on North African governments to contain irregular migrants from the region flowing into the Schengen area. Its trade and aid policies, including bilateral and regional arrangements, have been at least partly geared to this objective. And in keeping with this objective, EU leaders have often looked away even when evil acts were committed by oppressive regimes in the region.

Significantly, at the beginning of the revolt in Libya, Colonel Gaddafi found it expedient to exploit the situation by declaring that "thousands of African migrants will invade Europe if there is nobody to stop them in

Libya" (Fargues, 2011a).[27] When Tunisian and Somali migrants started arriving in Italy, the Libyan regime tried again to use migration as a weapon against the bombing of Libya by NATO countries: it claimed that increased migrant crossings to Europe would be an inevitable consequence of NATO attacks. *L'Unita,* an Italian newspaper, reported (and was later echoed by the United Nations High Commissioner for Refugees in a press conference in Paris) that the Libyan government was sending Somali refugees to Europe by forcing or cajoling them (24 News, Paris, 2011).[28]

By May 2011, hundreds of thousands of persons, both Libyans and migrants, left Libya and many others moved from Tunisia. Of those who left Libya only 18,000 thousand headed for Italy, and the rest to other destinations, most of them within the MENA region – (Egypt, Algeria, Chad, Malta, Niger, and Malta Sudan) (24 News, 2011).[29] Revised figures issued by IOM in January 2012 showed that by the end of 2011, nearly 800,000 migrants, excluding Libyans, crossed borders. (See Table 6.2)

Those who left Tunisia for Italy numbered some 25,000, making a total of 43,000 arrivals in the country. Following the traditional route, several thousands of them landed in the more easily accessible small Italian island of Lampedusa which hardly had the infrastructure or services to deal with the flow. It was clearly a heavy burden for the island, but far less so for the Schengen area as a whole, given its size and total population, or even for Italy with a population of 60 million. In fact, there was a suspicion among some locals in Lampedusa that the Italian government itself was capable of addressing the crisis (*Financial Times,* 2011v).[30]

Surprisingly, however, the issue was politicized as Italy sought to impress on the European Union and its neighbours the gravity of the situation. The Italian authorities turned a blind eye to the Tunisian migrants absconding from detention camps, then later granted them temporary identification papers to facilitate their onward travel. As the

[27] Cited in Philippe Fargues, "Voice after Exit: Evolution and Migration in the Arab World," 2011, op cit.

[28] "Libya Using Migrants Against EU/UN in war," 24 News, Paris, 11 May 2011.

[29] "IOM Response to the Libyan Crisis: External Situation Report," 31 May 2011. www.migration-crisis.com/libya. Table 6.2.

[30] "Berlusconi Vows to Return Migrants from Tunisia," *Financial Times,* 31 March 2011.

French-speaking migrants crossed borders to enter France, the French authorities were upset, imposed border controls, and sent back several hundred Tunisians to Italy. A spat between Paris and Rome followed; and soon it became a sensitive EU-wide political issue, challenging the foundations of the EU's 1995 Schengen agreement. Adding to the confusion, Denmark reestablished permanent customs checks at its borders with its neighbouring countries. The controversy that followed created an uncertainty within the EU concerning free movement of people.

Subsequently patching up their difference, Italy and France turned to the EU with joint proposals for a revision of the Schengen agreement on open borders and the establishment of a multi-billion euro aid package. Under pressure from the two countries, the EU Commission proposed in May 2011 that an EU country could, under exceptional circumstances and for a strictly limited period, re-introduce internal border controls. Such a limited suspension of the Schengen rules would be permitted if, for instance, an EU member state failed to meet its obligation to control its part of the bloc's external border, or if a part of the external border came under heavy pressure because of turmoil beyond Europe. At the time of writing, the EU leaders were still divided on the issue, especially as regards who decides the circumstances under which a state could revive border controls. Some states were afraid that these could undermine free movement within the eurozone and argued for a collective decision by national leaders and the EU. Clinging to the concept of state sovereignty, some others felt that the decision must be a national one.

If the episode reveals fragility of the commitment of some member states to the principle of EU-wide freedom of movement, it also brings out an institutional deficiency in the present arrangement. The fact is that the Schengen arrangement was never designed to cope with migratory pressure of the kind that was building up in the wake of the Arab uprising. True, given its anxiety to avoid the influx of irregular migrants, the EU quickly mobilized its Agency for the Management of Operational Cooperation at the External Borders and its Humanitarian Aid and Civil Protection department; it also extended help to enable African migrants stranded in Libya to return to their home countries. All this certainly helped in reducing the migratory pressures on external borders of the Schengen area. However, once the migrants were already inside the Schengen area, the arrangement for burden-sharing to help the state or states bearing the brunt of the situation was found inadequate. This places the EU's peripheral countries in the south and Malta, which are more exposed to such sudden inflows, at a clear disadvantage. Just as signatory states enjoy shared benefits from the Schengen arrangement, its costs too should be (more) equitably shared by them.

In the absence of an agreed multilateral or inter-regional (e.g. EU-MENA) framework of joint action, with an in-built anticipatory capacity to deal with such sudden movements (including eventual return) in an orderly and predictable manner, it will always be difficult for the states concerned to avoid uncertainty and likely confusion. This is further discussed in part III of the book.

Although the magnitude of the problem sharply differed in two cases, the kind of uncertainty created in the EU by the recent North African inflows to Italy was not dissimilar from what happened when, at the height of the Bosnia crisis, some 2.5 million temporary refugees and externally displaced persons suddenly entered Western Europe and sought protection. In the absence of a common asylum policy, EU countries were initially at a loss to deal with the situation and their policy responses differed widely. Subsequently, however, they forged a common policy approach, even if some gaps remained.

Transit migrants in MENA countries

The Lampedusa/EU episode is not isolated an event. It is largely a reflection, also, of Europe's long standing concern about perceived mass exodus of African migrants fleeing poverty and war in their homelands and trying to reach European shores. Despite the recent increase in irregular migration into Europe, the concern seems to be somewhat exaggerated. Irregular migration from Africa to Europe is not new. What is rather new is that sub-Saharan migrants have now joined the North Africans and may have outnumbered them as the largest group of irregular boat migrants.

The flow between West Africa and the Maghreb, however, dates back to the pre-colonial era when ancient trade and caravan routes crossed through the Sahel and the Sahara. The routes were choked off during the colonial rule and later by imposition of national borders. But they regained their importance when in the early 1960s migrant workers from the Sahel countries started working on the development projects in Algeria and in the oil industry in Libya. And from the 1990s, larger numbers of sub-Saharan Africans moved to Libya and later also to

Algeria, Morocco, and Tunisia, and their numbers increased over the years (DIIS, 2011a).[31]

However, all these sub-Saharan migrants did not move or try to move to Europe. Increasingly, they have been remaining in the Maghreb countries. According to one estimate, between 65,000 and 129,000 sub-Saharan migrants enter the Maghreb annually overland, of which between 20 and 38 per cent possibly enter Europe. It further suggested that the number of successful irregular crossings by sub-Saharan migrants might be between 25,000 and 35,000 a year (De Haas, 2008).[32] A separate study estimated that in the early 2000s of a total of 5.6 million immigrants in Southern and Eastern Mediterranean countries (SEM) four million were labour migrants, both regular and irregular, employed in local economies; another 1.5 million were Palestinian refugees; and the remaining 100,000 were transit migrants trying to reach Europe (Fargues, 2008).[33]

While it is difficult to be sure about the exact number of sub-Saharan transit migrants who ultimately make it to Europe, there is little doubt that not all of those who move from sub-Saharan Africa to the Maghreb countries seek to enter Europe illegally. In fact, these migrants are a diverse group in terms of their underlying motivations and legal status. They include labour migrants who entered either through irregular channels or legally but some overstayed; students to pursue higher education or Islamic studies; persons fleeing from conflict and violence; and some who hoped to move to Europe. Many, including some of those who wanted to move to Europe, get stuck on the way and are constrained to take up jobs in the local economy. Thus, the majority of sub-Saharan migrants end up staying in the Maghreb countries. Sizable and growing communities of sub-Saharan African migrants have sprung up in Rabat, and Oujda in Morocco, Algiers in Algeria, Tunis in Tunisia and Tripoli and Benghazi in Libya. (Many of those in Libya were fleeing as a result of the conflict.) (DIIS, 2011a).[34]

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[31] "Europe Fighting Irregular Migration; Consequences for the 27 EU Countries, West African Mobility," DIIS Policy Brief, Danish Institute for International Studies, Executive Summary, Copenhagen, October, 2011.

[32] De Hass, *Irregular Migration from West Africa to the Maghreb and the European Union : An Overview of Recent Trends,* IOM, Geneva, 2008.

[33] Philippe Fargues, 2008, op. cit.

[34] *DIIS Policy Brief,* 2011. op. cit.

It is difficult to assess the extent to which future transit migration is likely to be affected by the recent uprisings. It is worth recalling that largely at the behest of the European Union, countries in the Maghreb had been tightening their immigration legislation and border control. They also established bilateral agreements and other cooperative arrangements with the EU to manage migration flows from or through their territories. As many as 18 such agreements were signed by countries in the Maghreb and 10 were being negotiated as of August 2009. These agreements seem to have been suspended, but new ones were underway; Morocco and Tunisia, have already started discussions with the EU for this purpose. Some analysts are arguing that the new arrangements should be different from the existing Mobility Partnership agreements that the EU has signed with several other countries. More specifically, they should be based, according to these analysts, on the bilateral best practices adopted across the 27 EU member states, reflect more clearly the EU's solidarity and shared responsibility in dealing with arriving migrants and refugees and better safeguard migrants' rights (DIIS, 2011b).[35]

The future of transit migration would depend largely on when these new agreements are signed, and, even more importantly, on how effectively their provisions, including those concerning immigration regulation and border control, are enforced. Tighter border controls by the new regimes may discourage some sub-Saharan migrants from using the established routes to Maghreb countries and then to Europe, and seek other, possibly riskier, routes (DIIS, 2010a).[36] As noted, some of these migrants plan their eventual migration to Europe as a two-stage process, staying and taking up jobs in the formal or informal economies of Maghreb countries in the first stage, and keeping the option open to move to Europe when convenient at a later stage. In future such movements would also be influenced by the pace of economic reconstruction in the Maghreb countries. If, amid political squabbles and insecurity, their economies falter and internal competition for jobs and scarce resources stiffens, there would be much fewer of these transit migrants, even if entry becomes easier due to lax border control.

The demand-pull in Europe for low-skilled labour and the "supply"–push in sub-Saharan Africa are other determining factors. As will be discussed in the next chapter, the demand for low-skilled labour in the

[35] Anne Sofie Westh Olsen, "The Right Mobility Partnership Between the European Union, Morocco, and Tunisia" *DIIS Policy Brief,* December 2011.

[36] *DIIS, Policy Brief* 2011a.

rich countries (including Europe) is likely to fall over time, which may make Europe a less attractive destination for sub-Saharan migrants. However, at least in the short- to medium-term, there will continue to be a demand (Ghosh 1998)[37] for low-skilled (also irregular and therefore docile) immigrant labour from Europe's extensive informal economy. In the short- to medium-term the onslaught of the severe drought, the worst in several decades, that has afflicted its neighbouring countries in the Horn of Africa, including in particular Somalia, may also drive some sub-Saharan migrants towards the Maghreb as a transit post or as a destination. These are of course wider issues, of which transit migration through the Maghreb is only a small part.

Effects on remittances in MENA countries and beyond

Discussion in Chapter 4 has shown how the return of migrants, due to the economic crisis, affected the migrants and their countries of origin. As oil prices fell with the economic recession in 2009, the demand for workers in GCC countries declined. The recession also reduced intakes of Arab migrants in North America and the EU. Soon remittances outflows to migrant sending Arab countries started falling too (see Figure 6.2). In the second quarter of 2009, for example, Lebanon saw a fall of nearly 69 per cent; Egypt 23 per cent and Jordan 7 per cent in their remittance receipts. Egypt saw a fall of 29 per cent from North America in the second quarter of 2009, and a similar decline (in percentage terms) from the European Union in the third quarter of 2009. Its remittance receipts from Arab countries was down by 18 per cent in the second quarter of 2009. Over-all, the remittance receipt for the region saw a decline of 6.7 per cent in 2009, and crawled back to an increase of 3.3 per cent in 2010. (See Table 4.1). According to the World Bank group on migration and remittances, the rate of increase further decelerated to 2.6 per cent in 2011. The group anticipated an increase of 5 per cent in 2012 and slightly more for the following two years, but added that there was considerable uncertainty about the future trend.

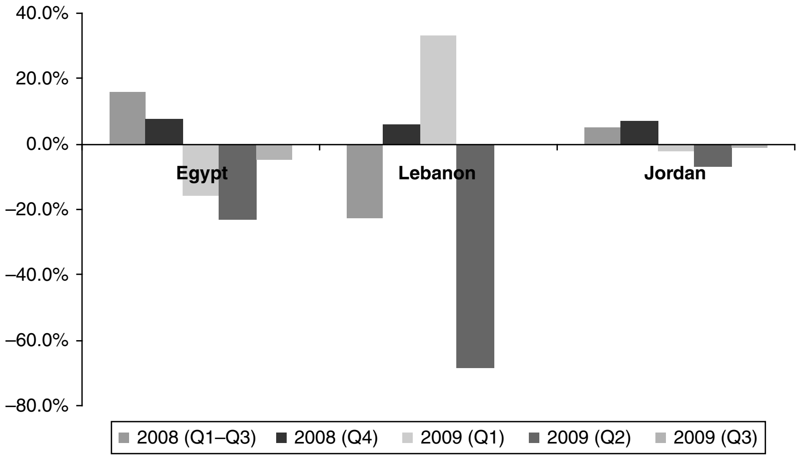
Countries which sent migrant workers to Libya and other MENA countries faced a difficult situation due to a deceleration in the growth of remittances, first by the economic crisis and then by the uprisings in the region in 2011. The instability created by the uprisings affected

[37] For a discussion of the growth of the informal economy in Europe, see Ghosh, Huddled Masses and Uncertain Shores: Insights into irregular Migration, chapter 2 Martinus Nijhoff Publishers, The Hague/ Boston/London, 1998.

Figure 6.2 Remittance inflows to selected MENA countries, 2008–2009

Source: Based on data from respective central banks. World bank/IOM.

Note: Data for Lebanon are available only for 2008 but include remittance inflows and outflows. Total remittances in 2008 reached USD 8.7 billion in Egypt, USD 2.2 billion in Lebanon and USD 1.4 billion in Jordan, according to the respective banks.



not just the migrant-sending MENA countries but also countries in Asia and sub-Saharan Africa. By the end of June 2011, more than 143,000 third country nationals from around 50 different countries were evacuated.

Sub-Saharan migrants in Libya, already victims of prejudice and discrimination in the Arab-dominated country, suffered most. (However sub-Saharan Africa as a region saw an increase in remittance inflows in 2011, as mentioned in Chapter 3). Niger is a case in point. More than 200,000 Nigerians fled the fighting in Libya between March and September 2011, according to the government sources. Some returned home through Egypt and Tunisia. Many others were still stranded. By June 2011, the forced departure meant a loss of US$ 80 million for the country's economy and since then it may have grown further, with disastrous results in a country where 60 per cent of the people live in extreme poverty and half the national budget depends on external aid.

A *New York Times* article vividly depicted the sad plight of the returnees: "Suddenly, the migrants who had supplied Libya's labor…find themselves thrust into a domain where limbless beggars congregate at intersections and food is sold from crude tin-roof shacks. The transition, after a grueling and sometimes lethal, month-long trip across the boiling Sahara, has been painful" (*The New York Times,* 2011d).[38] In September 2011, a government spokesman claimed that addressing the situation needed US$ 60 million, and that the US$ 2 million already distributed "represents absolutely nothing." Given that some of Col. Gaddafi's henchmen and followers moved into resource-short Niger, the situation may become more complex.

As for Asia, GCC countries' intakes of migrants from Asian countries such as Bangladesh, Pakistan, and the Philippines, which had peaked in 2008, sharply declined in 2009; and so did the remittances. However, remittance outflows from Saudi Arabia, and to a lesser extent from other GCC countries, excluding UAE, showed an improvement in the last quarter of 2009. In the wake of the Arab Spring uprising migrants coming from these Asian countries suffered along with their sub-Saharan counterparts. Between 26,000 and 30,000 Filipinos, mostly migrant workers, were in Libya before the uprising. Some 10,000 of them had to be repatriated. Bangladeshi migrants were repatriated with help from a World-Bank funded project and partly executed by IOM. (See Chapter 5 for additional details.)

The future outflows of remittances from GCC countries will be largely influenced by the oil prices. High oil prices and increased infrastructure spending in GCC countries kept the outflows from these countries high in the first part of 2001 to countries like Bangladesh and Pakistan, compared to the previous year. However, the on-going economic crisis, uprisings in MENA countries and the massive returns that followed especially from Libya, suggest a likely deceleration in the growth of their remittance outflows in the coming years from GCC countries and Libya.

In addition to the recession-related fall in GCC countries' intakes of migrants and policies preferring recruitment of local workers,[39] the likely trend to increase their social spending and some of their own profligacy in using subsidized oil may lead to less government spending on projects requiring foreign labour. If this happens, it would also slowdown remittance flows. In the UAE, for example, government salaries for nationals were increased by as much as 100 per cent in certain

[38] Adam Nossiter, "As Thousands Leave Libya, and Jobs , Niger Feels Impact," *The New York Times,* 27 September 2011.

[39] Despite the announced policies the possibility of recruiting local workers remains limited in most cases.

sectors. In addition to a new housing programme, the government has announced an allocation of US$ 1.6 billion to expand water and electricity supplies in the northern emirates. However, the economy is coming under stain. The Dubai financial crisis, combined with the global economic downturn and a sharp fall in real estate prices led to investment writedowns at some of the state-backed funds, and added to the strain. Not surprisingly, the number of the expatriates who had rushed to the emirate to cash in on the economic boon has been declining; hundreds have lost their jobs, with some being replaced by locals.

Development aid as an instrument of democratic change: will it work?

In May 2011 at their summit at Deauville in France, leaders of the Group of Eight (G-8) pledged Egypt and Tunisia US$ 20 billion in international loans to help their "transformation into a democratic and tolerant society".[40] The communiqué declared "Democracy lays the best path to peace, stability, shared growth and development." – a bold statement, but few would disagree with it. The question remains: how useful is external aid for these countries to achieve democracy as a path to political stability and economic development?

These loans were to be made by multilateral development banks in 2011–2013, while the USA, the EU, and other rich nations would provide additional bilateral aid. A new role is also envisaged in the region for the European Bank for Reconstruction and Development (EBRD) which has the long experience of helping post-Soviet Europe in rebuilding their economies. The EBRD soft loans, totaling EUR 2.5 billion a year for the region, is to be tied to democratic freedoms, including the holding of fresh elections.

Since the uprisings these countries, as already discussed, have undergone serious economic dislocation, especially with tourists and foreign investors shunning the area. The political turmoil has seen risk premiums rise and private financing fall. Also, as noted, tourism receipts have declined not only in countries directly affected by the turmoil but the region as a whole. The IMF has estimated that oil importing Arab

[40] The total package was expected to be US$ 40 billion, with additional contribution of US$ 10 billion each from western governments, bilateral programmes and Arab states. However, as of November 2011, the countries seemed to have received on a fraction of the funds promised, with the Tunisian finance minister saying that they had received "nothing."

countries will need US$ 160 billion over the next three years. Between January and May 2011 Egypt lost US$ 8 billion of its foreign exchange reserves. Egypt's fiscal deficit was 10 per cent of GDP in 2011, one-fifth higher than budgeted. Its credit rating has been lowered. Also, unemployment is rising, and in both Egypt and Tunisia authorities have been finding it hard to meet widespread demands for jobs and higher pay. As a consequence, emigration pressure and related instability are rising. Tunisia, for example, intends to invest US$ 5 billion for the next five years to alleviate joblessness and improved living standards – -issues that helped trigger the revolt. These countries are also hosting large numbers of refugees. Tunisia, for example, had opened its doors to nearly 150,000 fleeing Libyans and some 200,000 additional refugees from other countries, although some have returned.

In short, these countries are facing several economic challenges at the same time. They have to meet their immediate financial (including foreign exchange) needs, pay attention to widespread social demands and at the same time launch long-term programmes of structural reform to reduce fiscal deficit, improve infrastructure, and increase competitiveness. The countries also badly need to strengthen their civil society institutions, for which Robert Zoellick, the World Bank president, recently pondered possible international funding.

Given these circumstances, the loan money to these countries from different external sources will be useful during the transition in maintaining the social programmes and containing unrest and disorderly migratory flows. It can also provide support to small-scale business and start-up projects, encouraging entrepreneurial development just as it can be of great help in modernizing the education and training systems. Creating conditions conducive to promotion of job opportunities and self-reinforcing growth should be among the primary objectives of such aid-supported projects. Since several of these countries have been hosting large numbers of irregular migrants, refugees and transit migrants while facing rising emigration pressure from within, some aid funds should also be used to enhance the capacity of the government agencies dealing with migration. Part of the resources of a global account with immediately disbursable funds proposed in Chapter 5 can be used for this purpose

These countries also need modernization of their infrastructure. Tunisia, for example, has prepared a US$ 20–30 billion plan on transport, infrastructure and industrial zones in the country, and has vowed to raise growth to 8 per cent and reduce unemployment from 19 per cent to 8.5 per cent by 2016. It will be wise however to embark on such expensive and long-tem projects only after a degree of stability has returned under the new democracy and adequate mechanism is available to avoid misuse of the funds and ensure public support for the projects through full transparency in their planning and execution In the past aid money, and the power granted by its control have often been abused by the ruling regimes to strengthen their rule and build corrupt client networks. Nascent democracies need to be particularly careful about this potential danger. Meanwhile, however, in order to respond to urgent or immediate needs some funds should be made available with the necessary safeguards against misuse.

When it comes to structural reform, including creating or strengthening civil society institutions, although they are critically important, it is important that external aid is used with caution and circumspection. History of development aid tells us money alone cannot buy reform. When the reform process is engineered by external agencies, or is perceived to be so, it often becomes counter-productive. External aid could then be a focus of a country's, often bitter, political and ideological differences.

Future scenarios of MENA Migration

Continuing fluid political situation and uncertain short-term economic outlook

The Arab Spring has ushered a powerful process of change. It has unleashed rising hopes for a new Arab order which is still to take shape. Until this happens, instability in the region is likely to continue. It will be unrealistic to expect a quick turnaround and return of stability in the region. This will invariably have effects on migration. Some of the political and sectarian divisions, some currently submerged, others already painfully visible, (as mentioned in the preceding sections), will not suddenly go away. Despite calls for unity and reconciliation by progressive and secular forces, as political and religious groups fight for power and their ideological objectives, some may find it convenient to exploit these divisions, and sharpen them in many different ways. Should this happen, political instability will continue.

Also, even if new governments can restore a degree of political stability, fixing the economies may not be easy. History shows that post authoritarian governments generally face a difficult, and often prolonged, transition before they can put the economies back on the track to stable growth.

In Iraq, even years after the restoration of democracy, the economy has been grappling with serious difficulties, which are compounded by frequent outbursts of sectarian violence. In Indonesia, following the fall of the Suharto regime in 1998, the new leaders took several years to get the economy move forward. The Berlin Wall fell in 1989, but it is only years after that countries in Central and Eastern Europe could build a new foundation for economic growth, and some are still struggling.

In September 2011, the IMF estimated that the growth rates of the Maghreb countries will decline from 3.5 per cent in 2010 to 2.9 per cent in 2011, but rise to 3.9 per cent in 2012. (Table 6.3). For Mashereq countries the fall will be much sharper from 4.9 per cent in 2010 to 0.8 per cent in 2011, rising modestly to 1.9 per cent in 2012. As for the region's oil exporting countries, growth rate will rise slightly from 4.4 per cent in 2010 to 4.9 per cent in 2011 but it will then show sharp decline to 3.9 per cent in 2012. In summing up the situation in MENA, the IMF stated that the short term outlook was still subject to unusually large uncertainties stemming mainly from the fluid political and security situation as well as a growing uncertainty about external demand. The organization emphasized that most risks were related to domestic instability, compounded by intra-regional contagion. Maintaining macro- economic stability while building social cohesion should be an immediate priority, restoring fiscal discipline and designing growth models capable of achieving inclusive medium term growth and employment also remained critical, the report added.

Most of these countries have been late in taking advantage of the opportunities opened up by globalization of markets, and have thus been left out of the global supply chain. Despite the recent increase in primary and secondary school enrolment, the countries are yet to develop a flexible and skilled workforce, and a pool of engineering and innovative talents. The IFC study mentioned earlier found that only a third of new recruits arrived adequately prepared for workplace. The gap between education and the job market was too wide.

Adding to this, several other constraints – such as inadequacy of infrastructure and weak legal systems, often arbitrarily applied under authoritarian rulers – made these countries less attractive to foreign investors, including high-tech companies, than most other emerging economies. In today's highly competitive global market, productivity growth, in which human skills and technology play a critical role, is essential for success. MENA countries do not have an impressive record of total factor productivity growth. In a recent competitiveness survey

Table 6.3 Selected MENA counties: real GDP, consumer prices, current account balance and unemployment, 2010–2012
Selected Middle East and North Altican Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment
(Annual per cent change unless noted otherwise)

	Real GDP			Consumer Prices[1]			Current Account Balance[2]			Unemployment[3]		
		Projections			Projections			Projections			Projections	
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Middle East and North Africa	4.4	4.0	3.6	6.8	9.9	7.6	7.7	11.2	9.0	...	...	...
Oil Exporters[4]	4.4	4.9	3.9	6.6	10.3	7.6	19.6	15.0	12.4	...	...	...
Islamic Republic of Iran	3.2	2.5	3.4	12.4	22.5	12.5	6,0	7.8	7.1	14.6	15.3	15.6
Saudi Arabia	4.1	6.5	3 6	5.4	5.4	5.3	14,9	20.6	14.2	10.0	...	...
Algeria	3.3	2.9	3.3	3.9	3.9	4.3	7.9	13.7	10.9	10.0	9.8	9.5
United Arab Emirates	3.2	3.3	3.8	0.9	2.5	2.5	7.0	10.3	9.2	...	...	...
Qatar	16.6	18.7	6.0	–2.4	2.3	4.1	25.3	32.8	30.1	...	...	...
Kuwait	3.4	5.7	4.5	4.1	6.2	3.4	27.8	33.5	30.4	2.1	2.1	2.1
Iraq	0.8	9.6	12.6	2.4	5.0	5.0	–3.2	–0.9	–1.2	...	...	...
Sudan[5]	6.5	–0.2	–0.4	13.0	20.0	17.5	–6.7	–7.3	–7.6	13.7	13.4	12.2
Oil Importers[6]	4.6	1.4	2.6	7.6	7.5	7.7	–3.9	–4.8	–4.7	...	...	...

Egypt	5.1	1.2	1.8	11.7	11.1	11.3	−2.0	−1.9	−2,2	9.0	10.4	11.5
Morocco	3.7	4.6	4.6	1.0	1.5	2.7	−4.3	−5.2	−4.0	9.1	9.0	8.9
Syrian Arab Republic	3.2	−2,0	1.5	4.4	6.0	5.0	−3.9	−6,1	−5.1	8.4		
Tunisia	3.1	0,0	3,9	4.4	3.5	4.0	−4,8	−5.7	−5.5	13–0	147	144
Lebanon	7.5	1.5	3.5	4.5	5.9	5.0	−10.9	−14.7	−13.8			
Jordan	2.3	2.5	2.9	5.0	5.4	5.6	−4.9	−6.7	−8.4	12.5	12.5	12.5
Memorandum												
Israel	4.6	4S	36	2.7	3.4	1.6	2.9	0.3	0.7	6.7	5.9	5.8
Maghreb[7]	3.5	29	3,9	3.1	3.1	3.8	4,4	4.9	3.7			
Mashreq[8]	4.9	0,8	1.9	9.6	9.6	9.5	−3.6	−4.5	−4.7			

[1]Movements in consumer prices are shown as annual averages. December–December changes can be found in Tables A6 and A7 in the Statistical Appendix.
[2]Per cent of GDP.
[3]Per cent. National definitions of unemployment may differ.
[4]Also includes Bahrian, Libya, Oman, and Republic of Yemen. Excludes Libya for the projection years due to the uncertain political situation.
[5]Projections for 2011 and later exclude South Sudan.
[6]Includes also Djibouti and Mauritania,
[7] The Maghreb comprises Algeria, Libya. Mauritania, Morocco, and Tunisia. It excludes Libya for the projection years due to the uncertain political situation.
[8]The Mashreq comprises Egypt, Jordan. Lebanon, and Syrian Arab Republic.
Source: IMF.

by the World Economic Forum, Egypt, Syria, and Libya ranked behind Rwanda, Guatemala and Kazakhstan. In the World Bank's 2010 "Doing Business" report Egypt ranked 120th for workers' efficiency among 183 nations.

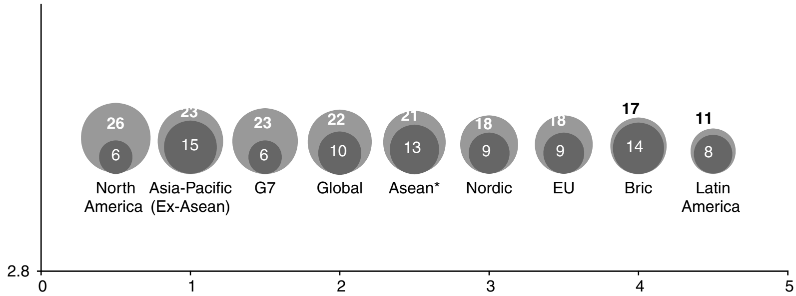
In the Gulf States, 90 per cent of the labour force in the private sector are foreigners, causing resentment among locals. Governments have been trying to create highly paid jobs for citizens, with better wages and entitlements than foreigners. In August 2010, the Saudi government pledged to spend US$ 385 million on schools, hospitals and infrastructure to halve unemployment by the end of 2014. However, employers are often reluctant to recruit locals, especially at the middle level, as they find fault with local workers' skills, productivity and work ethics. An additional reason was that labour laws made it more difficult and costly to fire Saudis in contrast with foreigners.

The uprisings have led to some serious dislocation in the MENA economies and several foreign companies operating in the region have taken losses and some others faced the prospect of financial damage or campaign against them by activists. After the large-scale devastation it has suffered during the conflict, Libya, for example, is ripe for reconstruction. However, given the corruption and state monopolies fostered by the old regime and with armed militias steel on the street overseas companies are in no haste to move in (*Financial Times,* 2011p)[41] A study made by Grant Thornton, an accountant and consultant firm, shows that the losses already suffered by businesses may have a longer term negative effect as companies appeared less willing to do business in the region in future (see Figure 6.3). Meanwhile, the political turmoil has seen risk premiums rise and private financing fall not only in countries directly affected by the turmoil but throughout the region.

In October 2011, Mahmoud Jibril, the outgoing provisional prime minister expressed concern over the situation and underlined the need to create a sense of order to help attract the companies driven by the war. Clearly, in addition to overcoming religious, sectarian, and ethnic tensions, the countries need to intensify efforts to develop institutions, establish rule of law, and embed a competitive economy and pluralist society.

[41] Borzou Daragahai, "Reconstructing Libya: In a Ruinous State," *Financial Times,* 18 November 2011.

Figure 6.3 Impact of Arab Spring uprising on business
*Association of South East Asian Nations
Sources: Grant Thornton/FT.



Stalling growth and demographic change amid continuing uncertainty will keep emigration pressure unabated

All economic and social problems that countries in the MENA will face in future, including those that will influence migration, are certainly not new. Some are a continuation from long before the Arab Spring blossomed (discussed above). Demographic change is one of them. They had experienced a sharp fall in woman's total fertility rate from around 7 per cent in the 1980s to 2.7 per cent in 2008. In Mashreq countries, as many as 57 per cent of the population were forecasted to be under 24 years of age in 2010 (UNDESA, 2008 a, 2008b).[42] The generations born in the 1980s have already become the largest young group to enter the labour market. As already discussed earlier in this chapter, demographic changes, both quantitative and qualitative, have not only created a huge youth bulge of men and women but has also imbued them with new aspirations. This explains much of the magnitude and urgency of the challenge of youth unemployment in MENA countries.

Present demographic projections suggest that in MENA countries until 2030–2035, the youth reaching working age will be much a larger group than the people reaching the retirement age. Despite a slight slowdown between 2010 and 2025 (including a small decrease in 2015–2020) in new additions to the labour market, the size of the total working population will continue to rise, from 322 million in 2010 to a total

[42] UNDESA, World Population Prospects. The 2008 revision. Population Division, New York. http://www.un.org/esa/ unpp/index.asp?panel=2

of nearly 443 million in 2030 – an increase of 121 million. (UNDESA, 2007, Fargues, 2008). (see Table 6.4).

The current growth rate for total population in MENA has come down to 1.7 per cent a year, but the growth rate for the working age population is as high as 3 per cent, and the actual demand for jobs may even be higher especially in view of an expected higher rate of female participation in the labour force.

Further, for the reasons already discussed in this chapter, the newcomers in the labour market would be expecting higher quality and better paid jobs, (not the same kind of jobs as are vacated by older workers' retirement or death). Even to absorb only the new entrants to the labour force and leaving aside the huge backlog of those already unemployed, the economies will need to create an average of 197,000 new jobs a year. Another estimate made by Massood Ahmed, IMF's Middle East director, suggests that to ensure stability Egypt, (which had an

Table 6.4 The demographic dynamics and working age populations in MENA and EU-27
The Demographic Dynamics of MENA and EU Labor Markets, 2005 to 2030

	MENA		**EU-27**	
Year	**Numbers**	**Change (t,t+5)**	**Numbers**	**Change (t,t+5)**
Total working-age population (ages 15 to 64) in thousands				
2005	286,836	+36,587	330,137	+ 2,227
2010	322,423	+32,029	332,364	–3,934
2015	354,452	+30,196	328,430	–5,598
2020	384,648	+30,048	322 832	–7,032
2025	414,696	+28,458	315,800	–9,329
2030	443,154		306,471	
Total 2005 to 2030		+156,318		–23,666
Annual numbers of new entrants (age 25) in thousands				
2005	8,744	+818	6,633	–185
2010	9,562	+293	6,348	–3 26
2015	9,855	–85	6,022	–417
2020	9,770	+51	5,605	–216
2025	9,821	+530	5,389	–25
2030	10,351		5,364	
Average 2005 to 2030	9,684	+321	5,877	–234

Sources: UNPD (2007); Fargues (2008).

official unemployment rate of 9.4 per cent in 2010, but in reality it may be higher) needed 10 million jobs over the next decade and Tunisia, with an unemployment rate of 14.7 per cent in 2011, needed one million during the same period. Despite a relatively high growth rate of 4.6 per cent, Morocco was estimated to have an unemployment rate of 9 per cent in 2011. The oil rich countries were not immune from the problem. Saudi Arabia had an unemployment rate of 10.5 per cent, with 43 per cent of the unemployed aged between 20–24 years. The region as a whole needed to create 18 million jobs during the period.

Where will the potential migrants go?

In the near term, given the existing conditions, including the recent economic setback and possible future constraints, it seems highly unlikely that the migrant- sending MENA countries would be able to provide enough jobs for their fast-growing workforce. The emigration pressure will therefore remain unabated at least until 2030. The question is: Where will the potential migrants go? On the (arguable) assumption that only new entrants to the labour market (equated to the 25-year-old population) will seek to move abroad, Philippe Fargues at the European University Institute in Florence has compared the number of MENA's potential migrants with the size of the anticipated decline in labour force in EU-27 up to 2030. As he calculates, given that on average 25-year-old new entrants increase by 197,000 in MENA countries and decrease by 146,000 in the EU-27, migration could help harmonize the labour force imbalances in the two regions (see Chart 6.8 above).

Quantitatively, this indeed seems to be an attractive demographic/labour market match. In practice, however, this is not likely to work. An important reason for this is that the matching ignores the skill profiles of the potential MENA migrants. Although at least up until 2030, the EU countries will see a decline in their labour force, they will find it politically difficult to accept large numbers of migrants, especially the low skilled ones. More so, because both increased use of technology and changes in cultural mores and life style, especially for younger generations, will lead to a decline in effective demand for low-skilled workers in the EU, as in other advanced economies (further discussed in the next chapter). The only major exception will be the (distorted) demand from Europe's informal sector for low-skilled (and irregular and docile) labour, which is not something to be encouraged.

True, some EU countries, including in particular, Germany, will be interested in admitting highly skilled foreign workers. But will MENA countries have sufficient numbers of young workers equipped with the levels of skills in which a few EU countries would be interested? In the best of circumstances, a limited number of the potential MENA migrants may be able to match the EU countries' skill requirements, but certainly not all of them. On the other hand, since MENA countries will badly need new skills and talents to raise productivity and accelerate their own development will it be wise for them to encourage the departure, even temporarily, of their scarce, and adequately trained, skilled young men and women?

An important policy implication is clear: MENA countries will do well in reforming their education and vocational training systems and encouraging development of skills attuned to the needs of the modern economies at a faster rate than in the past. This will help them in both accelerating economic growth and ensuring better management of migration. An equally important implication concerns the need for a careful reorientation and expansion of the mobility partnership agreements between the European Union and MENA countries. In the absence of an internationally agreed set of norms and principles, the revision should be based on the recognition of an equitably shared responsibility of MENA countries and the EU as a whole and draw on the existing best practices, including those adopted across the EU member states. The new arrangements should aim at making the future movements more orderly and predictable, and in doing so, give maximum attention to harmonizing the interests of the EU, the MENA countries and the migrants themselves.

The promise of the Arab Spring: will it be fulfilled?

For all the difficulties facing the MENA countries, it should not be forgotten that the Arab Spring has also sparked a new optimism. If this can be harnessed to create a more open and democratic political system, and a fair and transparent economic environment offering opportunities in an equitable manner, people, especially the youth, would have confidence in their future. They will have a new sense of freedom they have been waiting for. History tells us that when a shared feeling of resurgence takes hold in a country, it unleashes new enthusiasm for people to work hard for their personal success and for the advancement of the nation. In such an environment, many who would have otherwise looked for better opportunities abroad tend to remain at home; many from the diaspora return and many others decide to intensify their two-way contacts with home countries and contribute to their resurgence.

Migration does not stop, but it takes place in an orderly manner while transnational cooperation flourishes to the benefit of both home and host countries. Whether the optimism sparked by the Arab Spring can lead to such a change in the region remains to be seen. Much would depend on the capacity of the struggling new democracies to ensure political and macro-economic stability and lay the essential basis for sustainable and broad based growth, with a focus on job creation and fair distribution of income. Part of this challenge lies in making an imaginative use of the new economic relationships and opportunities that are opening up both within the region and outside, especially in the emerging economies in the South.

Arab countries' changing pattern of economic relationships: how will it affect migration in future?

The political upheaval in the Arab world and the rise of economic powers in Asia and Latin America are signalling some shifts in Arab countries economic relations with the outside world and also among themselves. These could well have important implications for migration in future. The oil exporting MENA countries have traditionally maintained close economic and trade relations with rich countries in the North. Oil has obviously been the main focus of rich countries' interest in the region. It has cemented their trade, investment and political relations with Arab, especially GCC, countries. While these relations may remain unbroken, oil exporting Arab countries are now building increasingly closer ties with the fast growing countries like China, India and Brazil in the South (*Financial Times,* 2011h).[43] (See the next chapter for a fuller discussion of South-South economic links, including migration.)

Even ten years ago, China imported little crude oil from Saudi Arabia. But China is now set to overtake the USA as the leading customer of Saudi Arabia, whose oil has long been a critical element in the America's energy security policy. At the same time, Saudi oil exports to India has jumped seven times between 2000 and 2008, accounting for about a quarter of India's oil supply. This stands in contrast with the static demand for Saudi oil from the rich countries – due to their recent economic slowdown and the growing shift away from the use of fossil fuels. At the same time, emerging economies are increasing their shares

[43] Michael Peel, "The New Trade Routes – The Arab World: Important Twist in Old Relationships," *Financial Times,* 29 September 2011.

in the region's import trade. The value of Brazil's export to the Arab League countries increased by 34 per cent since 2008 and amounted to US$ 12.6 billion in 2010. By 2007 Chinese exports to Arab countries already exceeded US exports. China–Arab trade reached US$ 145 billion in 2010 and a record US$ 120 billion in the first half of 2011, up from 36 per cent from the year before. By 2009, India had captured a 24 per cent share of the Arab import and was gaining fast on the USA, whose 29 per cent share is likely to fall.

In contrast, with MENA countries' increasing trade with fast growing emerging economies, the efforts by the USA and the EU to expand their trade with the Arab countries have not been making much headway. The USA, which runs a big trade deficit with region, has been trying to establish a Middle East Free Trade Area over more than eight years, but little progress has been made. It has signed bilateral agreements only with Morocco, Bahrain, and Oman, adding to its already existing accords with Jordan and Israel. The EU, for its part, has signed a number of free trade agreements with Arab countries. It also launched several seemingly ambitious initiatives – such as the Barcelona Process in 1995 and the Union for the Mediterranean in July 2008 – to expand its trade and other economic relations with the Mediterranean/MENA region. The outcome, however, has been less than impressive. A most recent attempt, which came in the midst of the Arab uprising, was described as the EU's new neighbourhood policy. As announced by Catherine Ashton, the EU's foreign policy chief, this most recent initiative is to extend the benefits of lower tariffs and greater market access are to those MENA countries that are committed to good governance. But the response so far has not been encouraging.

Openness in trade in services could be of mutual benefit to both the EU and MENA countries. The EU could gain, for example, by selling its information technology (IT) and telecommunication services and North Africa through improvement of its infrastructure in these sectors. The EU can also gain from creation of new opportunities for cross border movement of its service providing personnel. EU member states are however reluctant to give short-term visas for foreign workers, including service providing persons, because of the fear that they might overstay and swell the ranks of irregular migrants.

In addition to trade, Arab countries are strengthening their economic collaboration with the emerging economies in Asia and Latin America in other areas such as investment and joint production. The inauguration, in 2009, of a refinery by Ali Naomi, the Saudi oil minister, in

Fujan province in the east coast of China is symbolic of such collaboration. Set in historical context, it is yet another sign of a shift in Arab countries' economic relations away from their traditional markets. In 1908 George Reynolds, a British geologist, discovered and for the first time successfully drilled oil in south western Iran. Since then British capital, technology, and expertise have played a key role in developing the oil industry in Iran and Iraq and building export facilities in the Gulf States. Americans were first in drilling oil in Saudi Arabia and until the final nationalization of Saudi Aramco in 1980 the USA was a major player in Saudi oil industry. These traditional links may not fundamentally change, but the Gulf States' new interest lies in building links with emerging economies like China.

Significantly, emphasizing "the depth of Saudi–Chinese relations" Mr. Naomi envisioned "wider horizons of cooperation" between the two countries (*Financial Times,* 2011i).[44] Another sign of a gradual switch in oil rich Middle Eastern countries away from Washington and towards Beijing was a US$ 10 billion deal expected to be signed between Saudi Aramco, Riyadh state oil group, and China's state controlled Sinopec for constructing an oil refinery in the Red Sea coast of Saudi Arabia. The deal was previously due to have been made with the US company Conoco Philips, but it later pulled out and left the field open for China's state controlled company. At present China–Arab trade consists mainly of China exporting textiles and consumer goods in exchange for Arab countries' oil and gas. However, at a recent conference in the city of Yinchuan, Chinese and Arab leaders also pledged to widen the scope of their trade.

Similar ties are also growing between MENA countries and those in Latin America. The fertile farm lands of Latin America are attracting the barren Gulf States for investment to feed their growing population. Qatar's sovereign wealth fund, for example, recently increased its stake in Adecoagro, an agricultural venture based in Argentina, Brazil, and Uruguay. Chile is investing in the production of fertilizers in the UAE; and Brazil has established a strong presence for its aircraft industry in the region by selling executive jets. Arab investors are also becoming anxious to acquire franchises of Latin American company brands in restaurants and clothing that are already popular in the region.

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[44] David Blair, "Politics in the Way of Ambitions in Asia," *Financial Times,* 29 September 2011.

Implications for movement of people

MENA countries growing trade, investment, and other economic links with the emerging economies are not without implications for migration. Since the mid-1970s, countries in Asia have been sending large numbers of mostly low-skilled workers to the Gulf States. Despite the recent fall in demand for foreign workers due to the economic crisis, there may be some limited new opportunities for such workers as a result of Gulf States' increased expenditure on infrastructure development.[45] However, for the most part, the new trade and investment-related migratory movements between MENA countries and the emerging economies in Asia and Latin America will be of a different kind. These will take the form of two-way movements between regions, involving business negotiators and traders, company managers and other executives as well as professional and technical personnel (including as intra-company transfers). Also, unlike the post-war European settlers in Latin America, their stays will be of relatively short duration and the numbers will be limited. Issues of human and labour rights of these transient migrants are likely to be less of a problem than for the present low-skilled Asian contract workers in the Gulf States.

The Arab Spring may in the long run lead to changes in MENA countries' migration in other ways as well. Depending on political stability, democratic progress and economic opportunities, the business and educated diaspora that was forced under the previous autocratic regimes into exile may be inclined to return. This applies also to those who left their countries during the upheavals not necessarily because they were opposed to reform but because they wanted to avoid the turmoil. For example, a number of Tunisian businessmen who moved to Dubai or rich Libyans who fled to Tunisia may return to their countries of origin once stability is restored. Some of these returns may take place over the short term if stability returns, but not all.

None of the longer term changes in migratory movements as outlined above are however inevitable. For instance, as concerns future economic links and related migratory movements between GCC countries and the emerging economies, they could be affected by a serious decline in oil prices and spending cuts in infrastructure programmes of the United Arab Republic and Saudi Arabia or by their profligacy in internal

[45] As already mentioned, since the new infrastructure projects are designed as part of the programme for alleviating discontent of the local population, foreign workers may be employed only if nationals are not available.

energy consumption. Although Saudi Arabia's population is only one-fortieth of that of India, it burns government subsidized oil as much as India does. Emerging economies, too, will need to align their policies to exploit the full potential of new economic and migratory links with Arab countries. China, for instance, which had maintained close relations with the Gaddafi regime, will need to build relationship with the new regime with special care. It will also be important for China to reorient its investment-related personnel recruitment policies favouring the use of Chinese workers even for jobs which can be handled by local workers. The challenge lies with both groups of future players in the new game.

Could conflicts and environmental degradation lead to massive population movements?

The previous chapters of the book deal with migration issues mostly in the context of the on-going economic crisis. However, in dealing with the future of migration in the MENA region, it is difficult to ignore the issues of conflict and the environment as they affect movement of people. This is for the simple reason that the MENA is one of the most conflict-ridden as well as environmentally most fragile regions of the world. Both issues will continue to exercise a profound influence on migration both within the MENA region and beyond.

For more than six decades most MENA countries, especially those in the Arab Mashreq, have been exposed to violent conflicts. Indeed, much of the recent increase in the number of migrants in the region is due to conflict-related external displacements of Iraqis and a rise in the number of Palestinian refugees. The vast majority of the 8.7 million migrants (77 per cent) in the Mashreq were refugees (UNDESA 2009);[46] this included 2 million Iraqis and 4 million Palestinian refugees (UNHCR, 2009b, UNRWA 2008).[47] As already noted, there are also continuing refugee flows, mixed with irregular migrants, from Somalia, and increasingly also from Ethiopia, into Yemen. Between

[46] UNDESA, 2009, op. cit.

[47] UNHCR, Iraq Country Operations Profile 2009 http.// www.unhcr.org/cgi-bin/texis/vtx/page?page=49e486426. and; UNRWA, (figures as of December 2008), 2009 http:unic.un.org/pdhrsunrwa60/English/unrwa%20in%20figures.pdf 2009 UNRWA

2008 and 2009 this number already grew by nearly 50 per cent – from 50,000 to 74,000 (UNHCR 2009a).[48]

Since the Israeli–Palestinian conflicts in 1948–1949 and in 1967, the Palestinian territory has been a major flashpoint of refugee flows. Just as they have triggered refugee flows, conflicts in the region have also fuelled unplanned and sudden movement of labour migrants. The 1990–1991 Gulf War led to the exodus of nearly 3 million legal migrant workers (including their families) as well as refuge flows. Indeed, the United Nations Security Council resolution no. 687 of 1991 approved international intervention in the conflict on the grounds that the oppression by the Iraqi regime was causing massive refugee flows which in turn were threatening regional stability. And the US-led invasion of Iraq in 2003 led to the some 2 million refugees at the end of 2007, the largest flow of refugees in the Middle East.

The discussion in the preceding sections has flagged a litany of long-embedded sources of sectarian, tribal, and geo-political tension. Also, some of the past conflicts have left their scars which are yet to disappear. In a conflict-prone region such as the MENA, even the slightest provocation can rekindle these underlying tensions and trigger fresh conflicts. What makes the situation even more worrying is that any such conflict in one country holds the dangerous potential of setting off a chain reaction running through almost the whole region. As already discussed, this is because the religious/sectarian alignment of conflicting groups often cuts across countries.

Aside from the unresolved Israel–Palestinian conflict, the long litany of flashpoints include: continuing sectarian conflict and low-intensity violence in Iraq with tacit or clandestine involvement of external forces; religious tensions between Muslims and Christians in Egypt, Lebanon, and Iraq; the ongoing (but still limited within national territories) conflicts between Shia and Sunni Muslims in Bahrain and between Alawites and Sunnis in Syria, the tribal and territorial divisions in Libya and Yemen (together with dissensions in the army in the latter), and the growing tensions between religious fundamentalists and secular forces almost throughout the region. Oman, too, is potentially exposed to such danger. In that country the ethnic loyalties of tribes – who are descendants from the Gulf interior, Persia (now Iran), Baluchistan (in

[48] UNHCR, "Yemen – Record Number of Arrivals by Sea from the Horn of Africa," *Briefing Notes,* 18 December 2009. http://www.unhcr.org/4b2b6d639.html

Afghanistan) east Africa and India – are firmly entrenched. They also have strong religious affiliations to the Shia, Sunni, or Ibadhi Islamic sects. Although their fierce rivalry has been kept under control, there is a danger it could blow up. All these flashpoints need to be carefully handled to avoid full scale explosion and their destructive and wider spillover effects. As of now, it is difficult to foresee how each of these potential or on-going conflicts and potential rivalries will play out. As a consequence, there will be a degree of continuing uncertainty about the migration situation in the region.

As regards the environmental risks,[49] a good part of the MENA territory has long been exposed to desertification, drought, and other natural disasters. Traditional movements of the population in the Sahel were largely influenced by such climatic factors. Movements of nomads and herdsmen have often followed a transhumance pattern in which environmental considerations, especially for pastures and water, have been a dominant element. In the context of the global climate change, new concerns have surfaced about environment-related future mass movements in MENA countries (see Figure 6.3). Some are fearful that the traditional ways of escaping the ravages – such as short-distance, seasonal and circular migration, and innovative cropping and other farm practices – will not be enough to counteract the future onslaughts on nature and their impact on mass movements. According to this view, these onslaughts will be more powerful and extensive than in the past; and people in developing countries will be more exposed to them, since they will not have the financial and technical resources to avert them or take adequate defensive measures.

Everyone is, however, not convinced of such an alarming scenario. Efforts to assess the severity of the natural and man-made environmental changes as drivers of migration are not new, but a clear consensus is yet to emerge. As a most recent UK government report on the subject – the outcome of a two-year study involving 30 experts from 30 countries – concluded, "the uncertainties made it impossible to produce meaningful forecasts of future environmental migration"

[49] For a discussion on the links between environmental degradation and migration, see Ghosh (1998) *Huddled Masses and Uncertain Shores: Insights into Irregular Migration,* Chapter 2, pp. 42–51, Martinus Nijhoff Publishers, The Hague/Boston/London.

Table 6.5 Environmental change as a cause of migration

		Time frame	Scale and intensity	Predictability	Reversibility
Natural Causes					
Earthquakes, Volcanic, Flooding, etc. necessitating disaster relief		Short-term	Local and svere	Limited or none	Yes, in some cases
Man-made causes					
Global warning, acid rain pollution of rivers, etc		Long-term and gradual	Global, regional, and incremental	To some degree	Partial and difficult
Industrial accidents		Short-term	Local and severe	Limited or none	Sometimes
Predictable environmental causes of (reservoir construction, nuclear testing, hazardous waste site construction. megaprojects, etc.)		Medium-to l ong-term	Local, sometimes severe	Yes	No
Depletion of resources and/or environmental degradation	Localized problems (degradation of agriculture base, soil, water, wildlife resources)	Medium-to l ong-term	Basically local and could be serious	To some degree	Sometimes partial
	Irreversible problems (severe soil erosion and desertification)	Long-term	Local to regional and serious to severe	To some degree	No

Source: UNHCR/RPG International symposium on 'Environmentally-induced Population Displacements and Environmental Impacts Resulting from Mass Migrations', Geneva, 21–24 April 1996.

(UK Government, 2011).[50] Until more technical and scientific data are available the controversy is likely to continue. There is little doubt, however, that the environmental degradation is a real source of concern in parts of the MENA region and that its effects on the migratory behaviour of the affected population should be carefully monitored in conjunction with the on-going scientific and technical studies of the environmental change itself. It is also important to remember that in some cases, as the UK government study pointed out, planned and small-scale migration may increase the resilience of a large and dense community to cope with environmental change.

Related to the above environmental concerns is the scarcity of habitable land and fresh water in relation to the growing population. This makes the MENA one of the world's most vulnerable regions. Desertification, a manifestation of the deteriorating eco-system under the combined pressure of adverse climatic conditions and excessive exploitation of natural resources, is a major contributory factor for the situation. Due to desertification North African countries and Libya are losing arable land (estimated at around 1000 square kilometres every year), while demographic growth until recently has been high. As in most other cases of environmental degradation, desertification often goes hand-in-hand with poverty, inequitable land distribution, and increasing population pressure on declining resources (Ghosh, 1998).[51]

The problem of scarcity of land is particularly serious in Egypt and the Palestinian territories. In Egypt the main reason for this is that the entire population is concentrated in no more than five per cent of the land area since the rest is desert. Egypt's population density is projected to grow from 74 persons per square kilometer in 2005 to 106 in 2030 (UNDESA 2010).[52] However, if the desert area is excluded, Egypt is estimated to have the highest density of population in the world – around 2080 inhabitants per square kilometer (Fargues, 2005).[53] As for Palestinian territories, the problem of scarcity of land is exacerbated by high rate of population growth, which might result in a density of 1122 inhabitants per square kilometer in 2030, compared to 591 inhabitants

[50] UK Government, *Foresight Report on Environmental Migration,* 2011. http://www.bis.gov.uk/foresight/our-work/projects/current-projects/global-environmental-migration

[51] Ghosh (1998) *Huddled Masses and Uncertain Shores,* op. cit.

[52] UNDESA, "World Population Prospects: The 2010 Revision," Population Division, 2010.

[53] Fargues, 2005, op cit.

in 2005. Oil-rich Gulf States and Libya have been able to contain these problems by developing urban facilities allowing more intensive and modern use of their land and other resources, but not the other MENA countries.

Scarcity of land and fresh water could well be powerful drivers of migration. The average renewable resources for the MENA countries are roughly 1000 cubic metres per person – the point at which a country is considered as being water poor. Only five MENA countries have renewable fresh water resources above 1,600 cubic metres per person a year. This contrasts with a world average of roughly 8000 cubic metres. Yemen has a paltry 198 metres per person, and Kuwait is in a worse situation. According to the World Bank, with the projected increase in MENA'S population by 2025, its level of availability of water per person will have fallen almost by half. All of these countries are already tapping the non-renewable water resources and wasteful practices of water use have not receded. Even when the need for sound management of water is recognized, governments find it difficult to enforce the necessary measures because of the conflicting interests of various pressure groups such as farmers, tourism, and other industry groups and consumers. Several MENA countries are, however, striving to address the problem through greater use of waste water and treated sewage and desalination. Even so the over-all progress has been slow relative to the rate of depletion of the water resources.

What makes the situation more worrying is that these scarcities could lead to fresh conflicts in a region which has long been conflict-prone. If this happens, it could create a vicious spiral, with environmental degradation and conflicts feeding each other. Any such combination would spur large-scale internal displacement and cross-country migratory, including external displacement and refugee flows. In recent years, a number of countries across regions have experienced armed conflicts which are thought to have an environmental dimension. It is however impossible to predict if and when such explosion will take place or what exactly might be its effect on migration. Leaders of MENA nations should be fully alive to the potential danger and its likely ripple effect across the region and beyond.

* * *

This chapter has discussed the near- to medium- as well as and long-term migration trends in MENA countries in the light of the recent popular upheavals and the distinctive characteristics of the region. The regional situation in the future will no doubt also be influenced by a number of mega-trends shaping global migration. These are discussed in the next chapter. The links between the regional and global situation, which make the future scenarios of migration more clear and complete, should not be lost sight of.

7
The Future of Global Migration

What will global migration look like 30–35 years from now? As mentioned in the Introduction, many analysts seem to believe or implicitly assume that once the crisis is over, world migration will continue to flow as in the past, with little changes in its future configuration. This static view is based on the hypothesis that the economic and demographic asymmetry between countries, which have been the main drivers of migration, especially, South-North flows, will remain the same. The view, even if partly true, is largely flawed. This is because it ignores the significant shifts that are taking place in these asymmetries and their impact on the future pattern of world migration.

There is a risk that this static view of migration could become part of the conventional wisdom. In 1958, John Kenneth Galbraith was musing over a term that can adequately describe ideas that were commonly held, intellectually accessible and yet essentially flawed. "To define such widely held misconceptions," he wrote, "I shall refer to these ideas henceforth as the conventional wisdom." To say that that the static view of future world migration might become part of the conventional wisdom does not, however, mean that it is totally flawed as Professor Galbraith's definition of "conventional wisdom" would imply. Some of the structural factors that have largely shaped international migration in the past, especially South–North movements, will continue to play a part especially during the coming two to three decades. But they will then start having a diminishing role in shaping the configuration of world migration. In anticipating the future of world migration, the new and emerging changes need to be carefully discerned, analyzed, and monitored so that national and international policies could be reoriented in response to them in a timely manner.

What then are the major new trends that will influence the configuration of world migration 30–35 years from now? Based on the changing scenarios of economic, social, and demographic realities that shape migration, these new trends are discussed in this chapter.

There will be less tension in South–North migration than has been experienced since the mid 1970s.

It is conceivable that by 2035–2040, the global migration system would become more diversified, with increased South–South migration and show much less tension in South–North movements. As will be argued later in this chapter, the eventual adoption of a multilateral framework of inter-state cooperation to better manage migration could enhance predictability of human movements and further contribute to the process of declining tension worldwide. This apart, relative stability, with lessening tension in South–North migration would come from four main sources:

1. higher rates of economic growth and a rising public perception of better economic prospects in many poor countries leading to (except in a few cases) lower over-all emigration pressure, especially of a massive or disorderly nature; new flows will be more orderly, in search of better opportunities abroad, and a matter of choice, as distinct from survival migration, (further explained below);
2. changing demographic trends as (pull-push) drivers of migration in both rich and poor countries, with signs of declining demographic asymmetry and stabilization of global population in the future ;
3. decline in unmet demand for labour, especially low-skilled labour, in rich countries as a result of technological advancement and changes in new generations' life style and cultural mores; and
4. increased South–South migration, and diversification of directions and destinations of outward movements.

Rising growth rates in poor countries alongside a more hopeful perception of the future

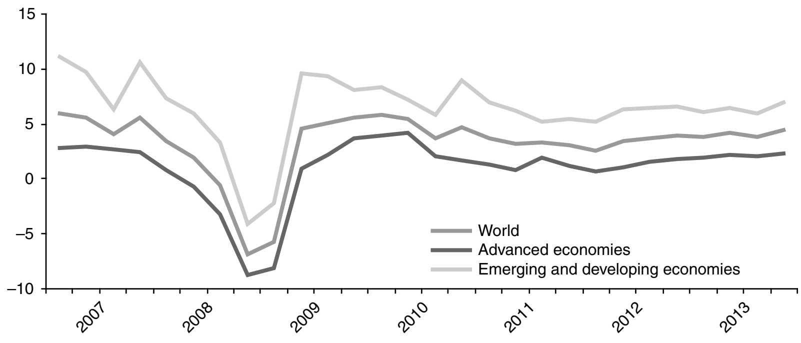
A significant number of developing countries have seen high rates of economic growth in recent years (Figure 7.1). Their high rates of growth are even more striking, when they are juxtaposed with the slow growth or stagnation in advanced economy countries. In 1960 advanced economies accounted for – in terms of purchasing power, PPP – 69 per cent of global GDP, and the poor countries 31 per cent. But by 2010, poor countries' share went up to 48 per cent. In the past eight years ,advanced economies grew by only 14 per cent while emerging economies grew by 69 per cent. Incomes even in Africa have seen double-digit increases during the past four years. Developing countries as a whole may now be accounting for more than 80 per cent of global growth.

On average, developing countries have less sovereign, corporate, and household debt than rich countries. Several of them were anticipating achieving a higher rating of their sovereign debt, while a number of rich countries in Europe, and, more recently, Japan and the USA, saw a downgrading of their debt, with a distinct possibility that more may join them. The richest nations in the Group of 7 carried a much heavier burden, their sovereign debt alone accounting for US$ 38 trillion (accounting for 81 per cent of global debt). They also carry a huge private-sector debt. European companies alone will need to repay US$ 4 trillion by 2015, according to the credit rating agency, Standard and Poor. The IMF estimates that by 2016, emerging market economy countries will account for a mere 14 per cent of world debt, compared with 17 per cent in 2007. Their share in the *increase* of the global debt was 9 per cent between 2007 and 2011; it is expected to rise between 2007 and 2016, but it will still be only 13 per cent; rich countries will account for much of the rest.

Several of the developing countries have huge global currency reserves. Currencies in most Asian countries (India is a notable exception) , as in Brazil, are rising against a basket of global currencies, which coupled with their solid balance sheets and better economic growth

Figure 7.1 Global GDP growth: developed and developing countries, 2007–2013

Source: IMF staff estimates.



outlook, are attracting funds from rich countries. On average, emerging economy countries in the South have better fundamentals for growth than those in the North. Not surprisingly, they have come out of the recent recession with much less difficulty than the rich countries.

Given the new opportunities that are being opened up as a result of the recent economic performance of so many developing countries and also the positive outlook for the future of their economies, it is more than likely that the pressure for the economically motivated emigration to rich countries, especially of the disorderly or irregular kind , will decline.

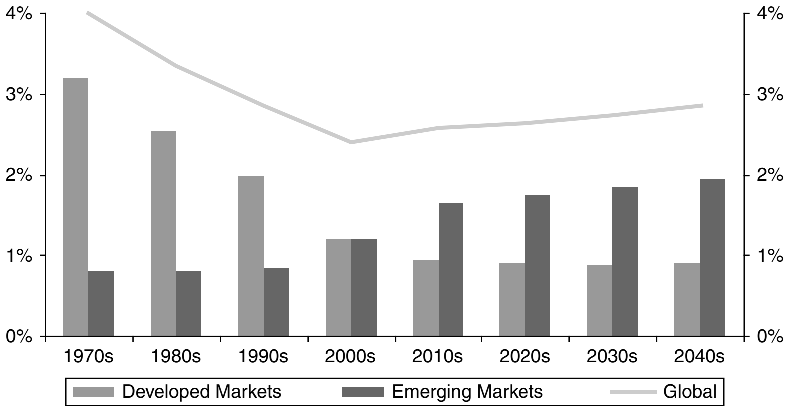
True, income and wage differentials generally act as an important factors in labour migration across countries. And these disparities between the North and the South will continue to be important for quite some time. China may have become the world's second biggest economy next to the USA, but its per capita income (at purchasing power parity) is no more than 20 per cent of that of the USA. In nominal terms, the disparities are even more striking. Gross national income at PPP for each US citizen is US$ 47,140; for the average Chinese it is US$ 8250; and the average for Indians and Brazilians are US$ 4260 and US$ 9390, respectively.

But if one looks at the future growth prospects in the North and the South, the picture looks different. As mentioned above, the economies in the South have been growing at a much faster rate than those in the North, and from all indications, this will continue to be so in the coming decades. For instance, in April 2010, the IMF was expecting a growth rate of 2.3 per cent for the advanced economies, as against 6.3 per cent for the developing economies. In July 2011, it looked as though the average growth rate in rich countries might continue to be at around 2 per cent, instead of 3 per cent as the "new normal." America's contribution to global growth, which was, on average, 21 per cent of global growth during the 1980s, is expected to decline to 10 per cent during 2010–2013. By contrast, China's contribution is set to increase on average from 8 per cent in the 1980s to 31 per cent in 2010–2013 (*The Economist*, 2012).[1] The IMF expects developing countries to contribute over 80 per cent of the increase in the world GDP growth in 2012.

Looking further ahead, Citibank group estimates real domestic product to grow by more than 9 per cent in India and Nigeria and more than 7 per cent in Bangladesh, Egypt (prior to the recent uprising), and Indonesia over the next two decades. A new study by Arvind

[1] "World GDP Growth in 2012," *The Economist,* 24 June 2012.

Figure 7.2 Growth in the emering markets will boost global growth
Source: HSBC Calculations.



Subramanian at Washington-based Pearson Institute for International Economics foresees the aggregate output of all developing countries as a group to be growing at an annual rate of 5.6 per cent over the same period. According to Gerard Lyons, chief economist at Standard Chartered Bank, India has a future growth potential of 12–13 per cent a year. A projection made by *The Economist* shows a similar trend of continued high growth rate for the developing countries in the coming years (see Figure 7.2).

True, these projections are largely based on extrapolations from the recent past and overlook the potential headwinds and the structural deficiencies that these countries face (some of these are discussed later in this chapter). This has led some critics to consider the projections to be overly optimistic (*Financial Times*, 2011j).[2] Admittedly, the fastest growing developing countries – such as China, India, Brazil, Indonesia, and Turkey – may not be able to maintain their dizzying growth rates. Their internal constraints apart, the economic slack in rich countries is sure to have an effect on developing countries' rates of growth in future. But even so, the consensus view, based on the fundamentals in developing economies, is that these are likely to be able to maintain on average a growth rate of at least 5 per cent in the coming

[2] Cf. Dani Rodrik, " Don't Expect China et al to Save the World," *Financial Times,* 24 August 2011.

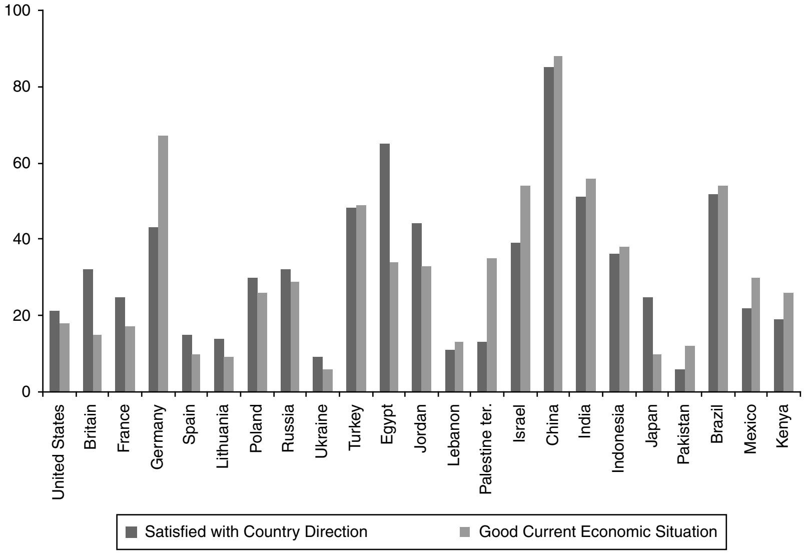
two decades or so. And there is little doubt that, barring some sudden and extreme shocks, these economies will continue to grow at a much faster rate than the high income economies in the coming decades. As Nobel Laureate Michael Spence put it, "What no one saw clearly was that in the postwar period, the economic party that had been running for 200 years in a small subset of the population was about to spread to much of the rest of the world."

These differences in current and future growth rates between rich and poor countries are of special significance for migration. The huge income disparities between the two groups may not come down soon. However, despite these income disparities, as – relative to both rich countries and (in most cases) their own past performances – the emerging economy countries continue to achieve higher rates of growth, with better future economic prospects, pressures for emigration will decline as many more persons would like to stay at home than in the past. As I have argued elsewhere, at a certain level of personal income and stage of a country's development, more than the inter-country income or wage differential it is the rates of income growth and the prospects for the future – people's perception of whether tomorrow will be a better or worse day for themselves and their families – that shapes the migration decision in most cases. In a number of developing countries, people are already becoming more optimistic about their economy and their own future (see Table 7.1).

As the economic outlook and opportunities in these countries continue to improve, many people who would have otherwise moved abroad might prefer to stay home. By 2030–2035 an increasing number of the middle income/emerging economy countries are likely to have reached that stage. Significantly, a recent Gallup Poll survey revealed that adult population's desire to migrate declined, mostly in developing countries. Between 2007 and 2010, it fell measurably in Southeast Asia (from 12 per cent to 9 per cent) and Latin America (from 23 per cent to 20 per cent). Even in sub-Saharan Africa, where people have been more likely to express a desire to migrate permanently, this was down from 38 per cent to 33 per cent (Gallup, 2011).[3] While the economic crisis and declining opportunities abroad may partly account for this trend, it probably also reflects a growing confidence of the people of these regions in the future of their own countries.

[3] Gallup Poll, op. cit.

Figure 7.3 People's perception of country direction to the future
Source: PEW research Center, July 13, 2011; www.Pewglobal.org.



Wages in developing countries are rising and the North-South wage differential has already narrowed

People's optimistic perception of the future in these countries is being strengthened by the rapid rise of incomes and wages alongside higher economic growth. As mentioned, the income disparities between the North and the South may not disappear soon. It can be expected, however, that in many cases this huge wage differential will start coming down over time, as had happened in a significant, but somewhat different, manner between rich and poor countries in Europe in the nineteenth and early twentieth centuries (discussed below). This can already be seen in much of East Asia as country after country moved up the value chain and built up skills and capital, creating a new momentum for people to move forward in their own homeland.

It is now happening in India at the upper ends of certain tradable sectors such as IT and pharmaceuticals. Between January and July 2010, each of India's top three groups in the IT sector had to increase pay by 10–20 per cent, and the cost relating to employees being poached by competitors hit a record US$ 2 billion. According to the Federation of Indian Chambers of Commerce and Industry, in 2010 average wages in India rose 15 per cent.

Salaries for skilled workers were expected to rise 13 per cent in 2011. Early in January 2011 Jeff Immelt, the chairman of General Electric, the US engineering group, said that the cost difference between running a call centre in the USA and in India had narrowed to as little as 10 per cent.

In India as in many other parts of the developing world, pressure is building up for large increases in wages for unskilled labour as well. A government wage board for newspapers, for instance, recently proposed doubling of salaries of unskilled workers, albeit from a low base (*Financial Times*, 29 June 2011s).[4] High inflation no doubt partly explains the increasing pressure for higher wages. But even when adjusted for inflation, wages in India are moving up faster to catch up with the rising aspirations of people. Recent outsourcing by a number of Indian companies to other developing and advanced-economy countries is at least partly explained by the rising labour costs at home. Human rights group, too, are taking a more active interest in ensuring the application of legal minimum wages to workers. In India, for example, Finnwatch, the human rights organization, took up the question of wages and working conditions in Nokia's factory, its largest in the world, in Chennai (*Financial Times,* 14 September 2011t).[5] Although the company did not accept the allegations, and the case at the time of writing was still pending, it showed how companies are coming under increasing vigilance in applying the legal minimum wages which have been rising throughout the region.

In the export-oriented manufacturing industries, workers across Asia have become more vocal in their demands for better wages and working conditions. Wages have been rising fast in emerging economies like Indonesia and Thailand. The trend can be seen even in the poorer countries where wages at the lower-ends of the tradable sectors have been changing quite rapidly. Bangladesh, a country known for its low-cost labour, workers in the clothing industry had demanded a three-fold increase in monthly wages. In July 2010, the government finally decided to double the monthly legal minimum wages. The increase, effective from November 2010, would bring minimum wages increased in line with those in Cambodia, yet another low-wage country (*Financial Times*, 2010q),[6] which is also facing similar pressure for higher wages.

[4] *Financial Times,* "Pressure Mounts on New Delhi as Labour and Food Costs Soar," 29 June 2011.

[5] *Financial Times,* "Nokia Hits at India Low Wage Claims," 14 September 2011.

[6] "Striking Cambodian workers reflect Asia trend," Financial Times, 13 September 2010.

Equally, or even more, significant are the recent developments in fast-growing China, [see box text for further details]. Following appreciable increases in the previous years, the average wage was raised by more than 15 per cent in 2011, with low-skilled workers receiving at least 20 per cent more. David Arkless, president of global corporate and government affairs at Manpower, the global recruitment agency, estimates that over the last four years wages on average in China have risen by 20 per cent a year (Reuters, 2011).[7] The forecast is that the country will have an average wage increase of 9 per cent in 2012. Back in 2000, the average wage in China was about 50 US cents an hour; now it is already US$ 3.50. Based on a government source, Reuters recently reported that in the five year period, 2006–2010, the average minimum wage by 12.5 per cent a year; and it would increase annually by at last 13 per cent in five years to 2015. At the same time, both internal and external pressure for further upward adjustment of wages remains unabated.

Most recently, following a wide-ranging inspection by the Fair Labour Association, Foxconn, which manufactures electronics for companies such as Apple, Dell ,and Amazon, was forced to agree to award further significant increases in wages rose while cutting hours of work (*The New York Times*, 30 March 2012a).][8] China's per capita income may still be far below the per capita income in rich countries, but it has risen by 43 per cent during the past four years, according to Globalist. Elsewhere in the developing world similar changes are taking place. As further discussed below, in Brazil, wages and other forms of compensation in certain sectors now rival or are even superior to those in the USA or Europe.

Box: Pressure for rise in Chinese wages: Why the government should not be averse to it

For years, China has been regarded as the workshop of the world, with its seemingly endless supply of cheap and pliable labour. However, pressures are building fast for upward movement of wages. Chinese workers in several plants in the coastal areas are trying to bypass state controlled trade unions and staking claims for higher wages through industrial action. Signs are emerging that the labour protests, already showing some success, could become more widespread, across the Pearl River Delta and the Yangtze River

[7] Reuters, 10 November 2011. "Employers Scared of Taking Permanent Staff," 10 November 2011.

[8] "Electronic Giant Vowing Reforms in China Plants," *The New York Times,* 30 March 2012.

Delta regions. And yet the central government has shown a high degree of tolerance and even sympathy for the workers' claim for higher wages.

The government, like the communist party, continues to remain anxious to avoid independent trade union activity as a parallel or an alternative pole of political power. It also has a real concern to avoid a rapid spread of industrial unrest through coordinated action and the consequent social disruption if things went out of control. At the same time the authorities are conscious of the growing income inequality in the country and its potential destabilizing effect. The share of wages and salaries in China's GDP dropped from 57 per cent in 1983 to a mere 37 per cent in 2005 and has remained static since then (*Financial Times* T, 4 June 2010). Any further increase in inequality could be threat to political and social stability. Significantly, an editorial in a tabloid with close ties to the Communist party said:

"In the three decades of opening up, ordinary workers are among those who have received the smallest share of economic prosperity. The temporary stoppage of production lines in the four Honda factories ... highlights the necessity of organized labour protection in Chinese factories"(*Financial Times,* 3 June 2010).

It is not very likely that the paper would have made such comments without at least a tacit acquiescence of the central government. The authorities' attitude to workers claim for higher wages and improved working conditions is reflected in the sympathy offensive by Wen Jiabao, Chinese premier :

"We must care for, love and respect migrant workers, especially the new generation of young migrant workers." "Our society's wealth and tall buildings are embodiments of your toil and sweat. Your labour is glorious and deserve support from all society," the official Xunhua news agency quoted him as saying to a group of workers in Beijing as the strike continued in the Honda factory in June 2010 (*Financial Times* 3 June 2010).

Despite their relative tardiness in raising wages, larger firms in the coastal areas are conscious of the need for doing this, both because of the increasing shortage of labour and also because of the internal and external pressure. In order to contain rising labour costs some of them, Foxconn, the electronics firm, for example, are shifting parts of their production to factories in places like Henan in the hinterland. Some other companies, for instance those manufacturing low-cost apparel and footwear, have started outsourcing production to neighbouring low-wage countries like Bangladesh (discussed in this chapter). However, many of the larger firms operating in China have ample room to absorb a relative increase in wages. Even for labour-intensive industries, labour input is only a small part of the total cost. They possibly account for about 5 per cent of the retail price of China's main exports such as electronics and other consumer goods. According to Nomura estimates, between 1994 and 2008, while labour productivity rose annually by 21 per cent, wage growth was just over 13 per cent. And profit margins for many of the contractors in China are higher than their customers in developed countries like Japan and the USA. There is therefore little risk that they would leave China in large numbers any time soon. Better wages would of course yield some benefits for employers as well as the economy, including through higher retention rates, reduced recruitment and training costs and increased efficiency.

As for the Chinese authorities, if they have a political stake in the workers' claim for higher wages, they could also find a reasonable wage increase economically acceptable, even useful.

Clearly, China cannot indefinitely rely on export-based growth nor can it keep on increasing internal investment without an increase in domestic consumption. Rising wages are a sure means of achieving the latter. As rising wages also achieve real effective appreciation of renminbi, it would at the same time help in meeting the US and other industrial countries' increasing pressure for an upward adjustment of the Chinese currency.

Sources: Ghosh: "Chinese Workers Are Now in Revolt," *Financial Times* 4 June 2010; http//:www.ft.com/cms/s/0a09746c6–6f3d-11df-9f43–00144fea-bdc0.html; "Chinese Labour Is Licensed to Stake Its Claim," *Financial Times,* 3 June 2010, http://www. Ft.com/cms/s/0/9c959fe-6ea6–11df-d16–001444fe-abdc0.html; " 'Granpa Wen' Seeks to Calm Restive Workers," *Financial Times,* 16 June 2010, http://www. //ww.ft.com/cms/s/0/1583df5e-78de-11df-a312–00144feabd c0.htmi

New South–South flows will divert some of the migratory pressure away from the North

The contours of the future economic growth of the South are still being defined. It is clear, however, that all low- and middle-income countries will not economically advance at the same speed, and wages and incomes, too, will rise at varying speed. But, as further discussed below, this would open up additional possibilities for inter-country movements of labour (and capital) within the developing world itself. An increase in the number of migrant-receiving countries in the South and the diversion of the flow would ease to some extent the existing immigration pressure on rich countries in the North. The pattern of income distribution in most developing countries is no doubt highly skewed at present, but the increase in wages, combined with the expansion of public services, the development of infrastructure, and the opening up of new economic opportunities, can be expected to alleviate the sense of despair and deprivation among the poor. If these trends continue, they would attenuate some of the current pressures for unwanted and disorderly migration abroad, a large part of which is directed towards rich countries.

Likely changes in the composition of South-North flows: a shift towards opportunity seeking migration

Economic development in countries of the South will no doubt also encourage some new outflows of migrants who might seek higher wages and better opportunities in richer countries in the North, as they will have the ambition as well as the financial means of doing so. However, for a clearer understanding of the nature of these flows it is useful to recall the distinction I have made elsewhere between *survival migration and opportunity seeking migration (*Ghosh, 1998*).*[9]

Briefly put, survival migrants move under the compulsion of poverty, hunger, despair, or political persecution. They move not out of their own volition but because they are forced to do so. They are apt to feel they have little to lose by taking the risk of trying to move through any irregular channel. By contrast, for opportunity-seeking migrants, the movement is more a matter of choice, based on a rational assessment of costs and benefits involved. Unlike survival migrants, they are likely to prepare for their move well in advance; they are also likely to have adequate knowledge of the conditions in the destination country, and will normally avoid the costs and risks of entry through irregular channels.

The pressure for survival migration, including through irregular channels, will certainly not disappear. However, much of the *new* flows encouraged by income and economic growth in the South will be of the opportunity-seeking type – in search of better opportunities abroad and as a matter of rational choice. These movements are likely to be more orderly and better planned. These migrants are likely to have adequate knowledge of conditions in the destination country, and will normally avoid the costs and risks of entry through irregular channels. In other words, these movements would be similar to most of those that now take place between rich countries in the North, with prospects of easier acceptance of migrants in the destination country. These new flows of migrants will run parallel to increased flows of trade and investment and closer interpenetration of markets. To put differently, these movements will need to be seen as a structural feature of ongoing economic globalization.

A number of developing countries are also seeing the return of their diasporas in rich countries.

An environment of dynamic economic growth, expanding markets, and a pool of human talents is now helping these countries to attract multinational companies. In the past, one of the main attractions was these countries' low-cost labour. Today, these companies are more

[9] See, for example, Ghosh (1998) op. cit.

attracted by the expanding markets and the talents for research and development that the fast growing emerging economy countries can offer. A study presented to the US National Academies, the nation's leading advisory groups on science and technology, revealed that 38 per cent of more than 200 multinational corporations surveyed planned to change substantially the global distribution of their research and development work over the next three years. It also indicated that many of the projects will go to China and India because of their booming markets for products and their world-class scientists and researchers. For instance, in August 2011 HSBC, a UK-based bank, decided to create 15,000 new posts in growth markets in developing countries while planning to cut 30,000 jobs globally by 2013 (*Financial Times* I and 2 August 2011).[10] In the USA, Merk, a pharmaceutical company, recently felt the need for shedding its total workforce but created thousands of new posts in emerging economies not just because these were the countries where the markets were increasing quickly but also because those countries could offer world-class talents needed for innovation and adaptation. General Electric, the well known US conglomerate, and Ford, the automobile company, recently took similar action.

Due to these and other developments, the future economic outlook and opportunities in the fast-growing developing countries have been changing for the better, encouraging some of their migrants to return for good, and others on short-term assignments or exploratory visits ahead of future relocation. Not surprisingly, as noted earlier, in reversal to past trends only 6 per cent of Indian students and 10 per cent of Chinese students in the USA intended to stay there following completion of their studies. The new opportunities in their homelands are encouraging an increasing number of skilled and talented diasporas to return. As they do so, they also add to the pool of human resources available in these countries. This in turn makes the countries more attractive to multinational companies for outsourcing and helps create a virtuous cycle for growth.

The trend is not confined to the fast growing emerging economy countries like Brazil, India and China, although it is more pronounced in these countries. Even in Africa, a fast growing group of Africans – they call themselves "repatriate generation" – is returning home after years of studying, working and living in rich countries, mostly in North

[10] "HSBC Set to Launch Hiring Spree in Asia," *Financial Times,* 1 August.

America and Europe (*Time,* 2011b).[11] They are bucking the trend of past generations of Africans who went to rich countries in a quest for better education, lucrative jobs and better living, and never returned. Now the new generation's return is accelerated not just because of the global economic crisis that led to job losses and dampened future prospects in rich countries but also by the attraction of new opportunities back home as a result of increased investment, high economic growth, and scramble for local expertise.

Relaxation of immigration rules, issuance of multiple visas, and recognition of double nationality or similar arrangements should facilitate the process of exchange of skills, experiences, and knowledge through multiple temporary visits and short-time assignments of many more developing country diasporas abroad. Barring major political and economic setbacks (discussed below), this trend will continue and gain further ground. The returns and back-and-forth movements reduce excessive long-term immigration pressure on rich countries. This could have a psychological effect as well. People in rich countries may have a better perception of the dynamic nature of movement of people in a globalizing world. This in turn should dissipate some of their fears of loss of national identity, which is often a source of concern in rich countries. Generally these fears are associated with (actual or perceived) massive presence of foreigners on a longer term or permanent basis.

New flows from North to South will help closer interstate cooperation in managing migration and reduce tension due to increased commonalty of interests

In the past rich countries, in general, have been regarded as receivers of migrants and poor countries as senders. However, in 1994, an ILO study covering some 100 countries showed that 25 per cent of them were both major senders and major receivers of migrants at the same time. But, most of these were non-rich countries. (ILO, 1990).[12] The situation now is showing some signs of change. While rich countries are facing slow economic growth or even in some cases stagnation, developing countries' higher growth rates are opening up new opportunities,

[11] Vivienne Walt, "The Repatriate Generation," *Time,* 178(6), 15 August 2011.

[12] Migrant Workers, International Labour Conference, 87 the session, 1999, ILO, Geneva. "Major" is defined as countries which (a) had a population of more than 200.00 in 1990 and (b) whose labour market or GNP was affected at least by 1 per cent by international labour migrants.

creating new demands for skilled people and raising salaries for these positions. Not surprisingly, this has started attracting to these countries an increasing number of technical and professional people as well as businessmen and entrepreneurs from rich countries as senders.

Brazil is a case in point. As the country's economy has been growing at its fastest rate in two decades, work permits for foreigners have surged 144 per cent in five years. Despite slow processing of requests for visas, work authorization jumped more than 30 per cent alone from the previous year (*The New York Times*, 2011g).[13] As already noted, jobless Portuguese workers are rushing in thousands to work in Brazil. Many of the new comers are from richer counties, with Americans leading the list, followed by Britons and other Europeans. Some are on temporary assignments; others are starting small or big ventures. Newspaper reports suggest that many foreign bankers, hedge fund managers, oil executives, lawyers, and engineers from these countries have moved to Brazil. This is happening as wages and other compensations are rising fast. In several sectors they rival or are more attractive than those in the USA or Europe. As Jacques Sarfatti, country manager for Russell Reynolds (a company that recruits business executives) recently remarked, "Our salaries here in Brazil are at least 50 per cent higher than salaries in the US for strategic positions" (*The New York Times,* 2011g).[14] China, too, now hosts large numbers of foreign residents, including from rich countries: Americans (71,000), for example, were the second largest group, next to South Koreans (121,000), and followed by Japanese (66,000). In 2000, Shanghai alone had 143,000 foreigners with resident visas, many from rich countries.

These new North–South flows of skilled and professional people and businessmen are unlikely to be massive, (and make rich countries major senders to developing countries). But they are indicative of a new trend, different from the movement of selected personnel from rich countries to manage plantations, mines, railways, ports and the like during the colonial period. The new movements also have significant implications for management of international migration. Rich countries involvement in both receiving and sending migrants strengthen their stake in ensuring orderliness and predictability of migration and protection of their migrants though interstate cooperation. This in turn should not only reduce North–South tension in dealing with migration issues and

[13] Ministry of Labour, "Brazil's boom draws flocks of foreigners looking to share in the wealth" cited in *The New York Times*, 15 August 2011.

[14] Simon Romero, "Foreigners Follow Money to Booming Brazil, land of $35 Martini," *The New York Times,* 12 August 2011.

but also enhance the prospects of developing an agreed framework for such cooperation based on commonality and reciprocity of interests of rich and poor countries. This is further discussed in the next chapter.

Signs of demographic changes: they can reshape trends in South-North migration and reduce tension

A second reason for relative stability in South–North migration stems from demographic change. There are signs that the demographic asymmetry that has so far significantly influenced South–North migration may have started reversing. Recent trends are veering towards demographic stabilization in both groups of countries. If these take hold, as is likely, it would also contribute to stability in South–North migration and reduce the current tension caused by the demography-driven mismatch between the rising emigration pressure in the South and the unmet labour demand in the North due to dwindling opportunities for legal entry.

A growing number of the erstwhile labour-abundant developing countries are already seeing sharp fall in birth rates, and in some sectors and geographic areas, already facing critical shortages of labour, especially skilled labour. In the upper middle income countries in the South, woman's total fertility rate fell from 2.8 in 1990 to 2.0 in 2008. In East Asia and the Pacific and the non-rich countries in Europe and Central Asia, the rates have already fallen below the replacement fertility rate of 2.1–2.2 which eventually leads to population stabilization. Even in the lower middle income countries, it has fallen from 3.4 in 1990 to 2.5, and although the rate is still high in low income countries, the rate of decline is significant – from 5.4 in 2000 to 4.0 in 2008.

Until the 1990s, China had been known for its high female fertility. Although it had already started falling, the decline was accelerated by the adoption in 1980 of its one-child policy.[15] It has now fallen below the replacement fertility rate of 2.1–2.2. Women's total fertility rate in China is now 1.4 per cent and China's annual population growth was down to 0.57 in 2000–2010, half the rate of 1.07 per cent in the previous decade. The fertility rate per woman in East Asia has declined from 5.3 children per woman in the late 1960s to 1.6 now. Even leaving aside

[15] Up until the 1950s, the total fertility rate in China was high; it was 5.8 per cent in 1950. But by 1980 it had already declined to 2.3 per cent. The one-child policy was thus more of a delayed response to the population explosion that had already taken place.

Table 7.1 Average number of births per woman (total fertility)

Country	Early 1960s	2008	2010
Brazil	6.0	1.9	1.9
China	6.0		0.71
India	5.8	2.7	1.17
Indonesia	5.5	2.2	1.01
Iran	7.0	1.8	0.82
Mexico	7.0	2.1	1.15
Thailand	6.0	1.8	0.77
Tunisia	7.0	2.1	0.96
Turkey	6.0	2.1	1.01

Source: UN Population Division.

China because of its one-child policy, in a number of migrant-sending large countries – such as Brazil, Indonesia, and Iran and in certain parts of India – fertility rates are falling astonishingly fast.

In a number of these countries, the changing demographic trends are associated with an imbalance in the gender composition of the population: more men than women. Parents' long standing preference for sons to daughters has created a situation of more males than females in the marriageable age population. In India there were 111.5 men for 100 women of marriageable age in 2011, in China 110.2 for 100, and in Vietnam 107. The average for the world is 105.6. As a result, in 2010 Chinese census figures showed 34 million more men than women. In the Indian states of Haryana and Punjab, the imbalance was striking for children below the age of seven: 120.5 and 118.2 boys for 100 girls, respectively.

True, the trend is now slowly changing. Better economic opportunities and social status for women, expansion of social safety nets, combined with state-provided incentives to raise daughters and a ban on gender-selective abortions are helping to modify the situation. In China, competition for brides is also a factor adding to the process of change. As a consequence by 2030, the number of males per 100 females for new born population (0–4 years) will be lower in these countries, nearing 105 in both China and Vietnam, and India too will show a smaller gender difference by 2030.[16] Even so, the long-standing preference for sons

[16] Census Bureau, cited in *Financial Times*, 11 July 2011.

will have significant social and economic consequences, including the rate of population growth, for decades to come.

Meanwhile, in many countries in the South, especially in East Asia, and even in North Africa (discussed in the previous chapter), another development has been contributing to a declining rate of population growth: women's flight from marriage and pursuit of careers. In these regions a growing number of women are delaying or rejecting marriages. The decline of marriage is contributing to lower birth rates. In countries with the lowest marriage rates, it is close to 1.0, which is far below the replacement fertility rate. Low marriage and birth rates also mean fewer daughters to replace themselves.

A related reason for this is that many women in some of these developing countries, especially in East Asia, while not rejecting marriage, are delaying it. By shortening woman's child-bearing period this, too, is contributing to lower birth rates. In countries like South Korea and the Taiwan province of China the mean marriage age has risen sharply, reaching 29–30. At the same time, increasing numbers of married women are opting for smaller families through sterilization. In Brazil, in 2003, despite the opposition of the country's powerful Catholic Church, 40 per cent of married women of reproductive age were already sterilized (*The Wall Street Journal,* 2003).[17] There is also a trend suggesting that married women are becoming more reluctant to have children. In China one recent poll showed that only 16 per cent of urban women thought the main reason for marriage was procreation. In Shanghai where residents can have two kids (if both parents are only children), few want to do so (*Financial Times,* 2012b).[18] As these developments continue to lower the birth rates and population growth, (including the number of new entrants in the labour market), the demographic pressure for migration abroad, including to rich countries in the North, will start declining by 2030–2035 (Fargues, 2011b).[19]

For the coming two to three decades, however, most of these countries will continue to have a bulge of young population of working age. As discussed in the context of the MENA countries, these young people are likely to marry late and have low birth rates and to opt for small

[17] "Fertility Revolution Brings Down Birth Rates," *The Wall Street Journal,* 24–26 January 2003.

[18] Patti Waldmeir, "China's One Child Policy Make Over," *Financial Times,* 29 March 2012.

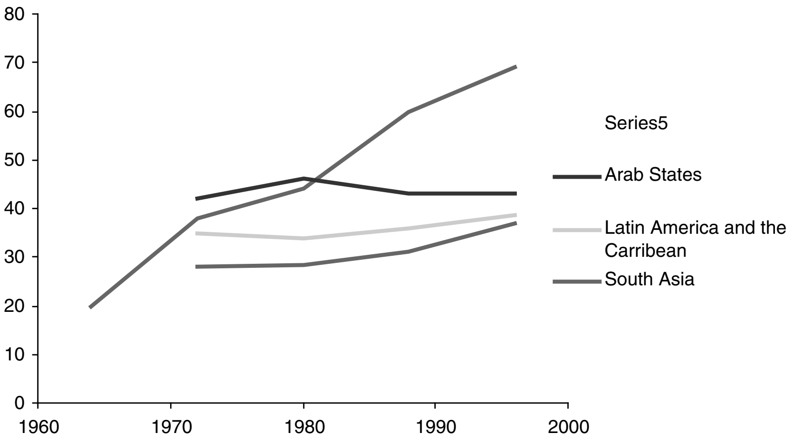
[19] In sub-Saharan Africa, this may be delayed until 2040, but much depends on the evolution of the fertility rate.

families. They will also have a less heavy family burden of taking care of their parents as the burden will be shared among several siblings (Fargues 2011b). If these young people are properly trained, adequately skilled and fully employed, they could accelerate future investment and growth. In such a situation, there is likely to be a faster decline in population growth rate even in low income countries, including those in sub-Saharan Africa. If however they remain uneducated, unemployed and marginalized, they could be a disquieting source of social unrest and disorderly migration, regardless of their birth rates. This presents a major challenge for these countries in the next two to three decades.

Further, some analysts have argued that changes in the personal profile, including age and motivation, of new migrants of the "youth bulge" generations from countries in the South could also influence future fertility rates in countries of high birth rates in an additional way and lead to other consequences lessening tension in South–North migration. Typically, the new male migrants, in contrast with those of the previous generations, will be young and unmarried, with no wives or children in home country at the time of migration. The proportion of such unmarried men at the mean age while migrating has been increasing in most developing regions, especially in MENA countries (see Figure 7.4).

Several consequences will follow. First, family reunification-based migration, often a source of tension in South–North migration, will be

Figure 7.4 Percentage of unmarried men at the mean age of migration
Source: Fargues 2005, UNPDO.



less frequent. Also, with increasing participation of young women in labour migration to rich countries, it is likely that many more marriages than now will take place between cohorts who are already in the host country (with some marriages taking place between these migrants and the nationals of the host country, perhaps more than at present). Some others, single or married, will return home.

A second, widely recognized consequence is the net increase in the workforce and population of the host country. Being of working age, the migrants will be in a position to participate in the labour market. Further, at least for an initial period they are likely to have higher birth rates than the nationals of the host country. This would thus help in temporarily avoiding rich countries' over-all birth rates falling below the replacement level, although eventually the migrants themselves would be attuned to the practices and cultural mores of the host society.

A third consequence is that given the dense web of transnational links in the global age, the new migrants are likely to be effective agents for transmitting some of the host country's positive cultural values and practices – such as those associated with the status of women in the family and society, child care and education, and parents' role related to them. Many of these ideas and values are linked to the benefits of rearing smaller families, alongside falling infant mortality rates, and are conducive to the latter. The circulation of these ideas in origin countries through their migrants should contribute to their transition from high to low birth rates (Fargues 2011b).[20]

All these new trends are indicative of the structural changes that have started spreading across the developing world. To the extent they take hold, their impact as underlying drivers of international migration will also change: it cannot be assumed to be the same as in the past.

Parallel to what is happening in developing countries, there are also emerging signs of demographic change in a number of the migrant-receiving rich countries. Demographic stagnation and ageing, which creates unmet labour demand, and encourages migration, are still a stark reality in most of the rich countries. But there are nascent, and so far little noticed in migration literature, changes in these trends. These changes could contribute to reshaping the existing pattern of South–North migration. In several of these rich countries, women's total fertility rate has been slowly rising. For the high income countries as a whole,

[20] Ibid.

the fertility rate rose from 1.7 in 1990 to 1.8 in 2008. In France the rise was significant, from 1.8 in 1990 to 2.0 in 2008; in Britain from 1.6 in 2000 to 1.9 in 2008; and similar changes were taking place in countries like Italy and Sweden. The trend in fertility rate in these countries seems to be rising again towards the replacement rate, while the USA has maintained that rate (at 2.1.) since 1990.

If the combination of these two divergent trends – rising birth rates in rich countries and falling rates in poor countries – takes hold and continues to remain valid, it will have important implications for future migration. In developing countries, the decline in birth rates alongside better economic prospects will reduce demography-driven emigration pressure. At the same time, the rise in fertility rates in rich countries will lower demography- and labour-market-related demand pull, which encourages immigration.

Technological advancement and changes in life style in rich countries will reduce demand for low-skilled immigrant labour through irregular channels

The spread of existing technologies and emergence of new ones alongside changes in the way of life in rich countries, especially for the younger generations, also portend to have an effect on the structural dynamics of migration. Discussion in Chapter 2 has noted that modern economic activities, embracing both production and distribution, have become increasingly dependent on technology and that, as a result, the demand for blue collar workers, who account for the majority of labour migrants, has been falling. Increased use is being made of labour- saving and automatic appliances in farming and various industrial processes especially to handle low skilled and repetitive jobs. The trend is not new, but it is gathering faster pace and will continue to do so, reducing rich countries' demand for low skilled workers.

This trend extends beyond the broad economy. At the household level, too, increased use of electrical appliances and automated devices in services like cleaning, washing, gardening, and catering should reduce the need for low-skilled labour. A change in the cultural habits and mores, especially involving the younger generations, is accelerating the process. Younger people, helped partly by the availability and more frequent use of these appliances and devices, are also developing more self-reliant habits and practices in much of their day-to-day activities such as house-keeping, including small, "do-it-yourself" repairs, and electronic (tele)-shopping and self-service dining.

The low-skilled, low-wage jobs in these services are generally shunned by local workers in rich countries. At the same time, since rich countries' immigration regulations are particularly restrictive for low-skilled workers, opportunities for their legal entry remain highly limited. The unmet labour demand pulls in low-skilled immigrants through irregular channels; these workers are inexpensive to employ and more docile because of their precarious legal status. This also opens the doors wider for human smuggling and trafficking. The situation causes tensions and conflicts, both within the host country and between host and home countries. With rich countries' falling demand for low-skilled workers as a result of these technological and cultural changes, the pressure for and scope of irregular migration are likely to diminish. The narrowing of gaps in real wages between rich and poor countries may also be expected to reduce the relative attractiveness of rich countries' labour markets for potential low-skilled migrants. To the extent this happens, this should also reduce the pressure of irregular migration from the South.

Increasing South-South migration will reduce the pressure for entry into the North

A fourth important reason for less tension in South–North migration in the future relates to increased South–South migration. Increased South–South migration will imply an increase in the number and diversity of destination countries. As this happens, and an increasing of part of the global flows remains within the developing regions themselves, the pressure for migration, especially of low-skilled and less prepared migrants, to rich (high income) countries will diminish. A substantial part of these latter flows from poorer (low income) countries is likely to be increasingly directed to the middle-income countries and also to neighbouring low-income countries themselves, all within the South.

South-North migration will not dry up, but its composition and characteristics, along with its volume, will increasingly change. Both slow growth and increasing competition in the global market will drive rich countries' economies to be more technology-intensive, creating rising demand for skilled workers. Also, for the reasons discussed in Chapters 2 and 4, rich countries will be increasingly selective in admitting migrants capable of meeting their skill needs, and will opt for skills-related criteria for this purpose. These trends suggest that the intake of unskilled or low-skilled immigrants will slow down. Since skilled migrants are generally more adaptable and have easier acceptance in host society, their integration will not be a source of undue tension between the North and the South.

Concurrently, increased South–South migration and the consequent diversification of destination countries will be an added factor to reduce the pressure and tension in South–North migration. Since the issues in South–South migration, including the causes and conditions of its increase in future, have so far received relatively little attention in migration literature, these are discussed in some detail in the next chapter.

8
South–South Migration: A Changing Landscape

Why would there be a relative increase in South–South migration in the coming decades?

Increasing South–South movements will be another major trend in the coming decades. Countries in the South are not only geographically dispersed but are also in different stages of development, with significant differences in levels of per capita income and endowment of resources. These differences, alongside higher, but differentiated, future growth rates in most of these countries, will largely influence the future configuration of South–South migration.

> Low-Income economies are those with a GNI per capita of US$ 975 or less in 2008.
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> Middle-Income economies are those with a GNI per capita of more than UD 975 but less than US$ 11,906. Lower-middle Income economies and Upper- Income economies are separated at a GNI per capita of US$ 3855.
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> High-Income economies are those with a GNI per capita of US$ 11,906 or more.

The likely increase in these movements will take place in three main ways: first, new flows between countries within the middle income group (both between upper and lower middle income countries and within each of the two sub-groups).[1]

Second, the rise in flows to these middle-income countries from poorer (low- income) countries alongside continuing but limited flows of transient migrants in the opposite direction and third, increased

[1] The classification of country economies used here follows the World Bank criterion of gross annual national income (GNI) per person.

flows between low income countries – all of these within the South. This is further discussed in this chapter.

South–South migration during the colonial and post colonial periods

South–South migration is not new. The history of the colonial years abounds in examples of large scale transfer of workers across countries and continents in connection with work in plantations and mines and building transport systems such as railways and ports. Most of these movements – the slave trade (16th through 19th centuries), transfer of indentured labour (1834–1937) involving some 30 million Asians (Potts, 1990),[2] use of Chinese labour by Dutch colonial authorities in the Dutch East Indies, and the migrant labour system in colonial Africa – took place mostly under unhappy conditions and have left their enduring footprints in history. These human transfers laid an important base of mercantile capitalism, but at the expense of huge human hardships and sufferings.

More recently, backed by geographical contiguity, common historical past and cultural and or linguistic links there have been spontaneous South–South migratory movements within the South just as there have been refuges flows, most of which, until the Vietnam War, were confined within the regions of the South. [Even today, 80 per cent of the world's refugees are hosted by countries in the South.] In Latin America and the Caribbean, between 1800 and 1970 some 21 million migrants from Europe moved to Latin America and the Caribbean. However, as inflows from Europe waned, most migration became intra-regional. These included seasonal labour migration from Bolivia, Chile, and Paraguay to Argentina and from Colombia to Venezuela. The migrants remained mostly irregular until the late 1960s and early 1970s and were initially engaged in agricultural jobs (except for Venezuela where work in mining was also important), but later were extended to industrial work and urban settlements. There was also significant migration from Latin American to Caribbean countries, including the infamous employment of Haitian workers ("Braceros" or iron armed) in sugar plantations of the Dominican Republic. As noted in Chapter 6, in the Middle East and

[2] Lydia Potts estimates that between 12 and 37 million indentured workers were used in 40 countries by all major colonial powers until the practice finally ended in 1941. *The World Labour Market: A History of Migration*, ZED Books, London, 1990, pp. 63–103

North Africa, too, a significant proportion of all migrants, probably half of them, have so far remained within the region.

In future, however, labour migration within the South, especially between countries in the middle-income group, will be encouraged both within and across regions and characterized by the pattern of their economic growth, including the closer trade, investment and technological links that they are in the process of developing between them. In the 1970s, there were considerable talks and eloquent pronouncements in the Group of 77 and the United Nations on economic and technical cooperation among developing countries (ECDC and TCDC), alongside slogans of "collective self-reliance" of these countries. But in practice these did not make much headway. The hurdles were too many: high tariff walls, restrictions on investment flows; continuing economic dominance of industrialized (mostly former colonial) countries, with "rules of the game" tilted in favour of them and, above all, slow economic growth of developing countries themselves due to their own internal constraints impeded South–South cooperation.

A new landscape of South –South migration is emerging

Things are now different. As already noted, so far 13 developing countries have managed to grow at an average rate of 7 per cent for more than 25 years. More important, such high level growth is now being achieved by the world's two largest countries: China and India; and it is spreading faster than in the past. Intra-emerging market trade, which rose from 6 per cent of world trade in 2000 to 15 per cent in 2010, is set to account for 27 per cent in 2030 and 38 per cent in 2050, according to Willem Buiter, chief economist at Citigroup, the US bank (Buiter, 2011).[3] China and India will be the top two by 2050. This changes the landscape of South–South cooperation. Unlike in the past, developing economies will, almost by necessity, now turn to each other for moving ahead since opportunities in future are more likely to be there than in the rich economies where growth would be much slower or remain stagnant.

Alongside closer economic links, the associated movement of people will increase, although, as discussed below, the type and characteristics

[3] Willem Buiter, "Emerging New Corridors of Trade,". City Group, New York, October 2011.

of flows will vary, depending on the pattern of growth of the countries involved. Since markets are becoming increasingly global, the new South–South economic links will cut across specific regions. In some cases, political considerations – inter-state tensions and rivalry or suspicion – may also play a part for a middle- income country to opt for a partner country in the same income group but outside its own region especially when strategic considerations are involved.

Migration within the middle income group of countries

Counties like Brazil, China, India, and South Africa have already started showing the new trends of increasing South–South economic cooperation. Economic ties and movement of people associated with them have been growing fast, especially within the middle income group. Brazil and China, for example, are now actively engaged in building close bilateral economic ties through trade, merger and acquisition deals and associated capital investment. To illustrate, at the time of writing China and Brazil were engaged in negotiations on opening Chinese markets to more value-added Brazilian goods. In 2010 Brazil's second biggest M&A deal was a US$ 7.1 billion Chinese stake in Repsol –YPF, an oil company. China has invested an estimated US$ 37 billion since 2003 in Brazil's oil and mining industries (*The New York Times,* 2011e).[4] Its funding of a huge railroad connecting Colombia's Atlantic and Pacific coasts is another noteworthy example. And China's bilateral trade with Latin America (mostly with its middle-income countries) has grown 16 times to US$ 130 billion from US$ 8 billion in 1999. The effect of Chinese growth on South America's economies is as large or larger than the rest of the world's combined, calculates JP Morgan, the investment banker.[5] The frontiers of emerging countries' financial markets, too, are now becoming more closely knit than ever before. As Jane Fraser, chief executive of Citigroup's private bank recently put it, "Brazilian clients used to have to go through New York to invest in India. Now they go right to India; it is a network, not a hub-and-spoke model now" (*The New York Times*, 2011e).[6]

In the Asian region, overriding the undercurrent of political tension, India and China have been painstakingly exploring, with some

[4] Roger Cohen, "Brazil's Giddy Convergence," *New York Times,* 4 July 2011.

[5] John-Paul Rathbone, "China is the only show that counts for Latin America," *Financial Times*, 23 November 2011q.

[6] "New Life at the Frontier of Emerging Markets," *Financial Times,* 21 November 2011.

significant success, avenues of increased trade and investment flows between them. Bilateral trade has grown also at annual rate of more than 30 per cent in recent years and China has now become one of India's largest trading partners. In 2011, India made a contract financed by Chinese banks to purchase US$ 20 billion worth of power generation equipment from the Shanghai Electric Group. It was the largest order in the history of India's power sector. India's push towards low-cost technologies such as nano cars for first time buyers and pharmaceutical products is set to spread and find markets across middle-income countries. India's Reliance Communications just secured a US$ 1.2 billion loan from three state-supported Chinese banks. As the financial crisis has forced the Western, especially European, banks to pull back on their financial operations outside their domestic markets, Indian and other Asian companies are likely to rely more on intra-Asian institutions. China is well placed in providing the funds, especially if this is matched by borrowing companies' orders to purchase equipment from China's state-backed manufacturing companies.

In the same region, the Association of South-East Asian Nations (ASEAN) has been forging ever closer economic links between member countries. Established in 1967 as a loose gathering of five member countries, it is now a grouping of ten countries,[7] and has since established economic links with China, the Republic of Korea, and India as well as with rich countries in the region and beyond. Although ASEAN remains a fragmented grouping of 10 largely disparate economies and although its past achievements fell short of its ambitious goals, it remains committed to creating an integrated community by 2015, with a regional free market of goods and services, supported by harmonized rules for investment, a common visa regime for professional workers and skilled workers and libralization of capital movements.

As the middle-income countries move ahead, establishing new economic links through trade, investment and exchange of technology and know-how, new movements of people are also taking place in most cases as an integral part of the process. Prospects are opening up for more to follow. Indian technology and other companies, including Infosys and Tata services, have now 17,000 Indian and non-Indian employees in South America and the Caribbean. The number is modest – but it seems to be a trend which was hardly noticeable before 2000. Significantly,

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[7] Brunei Darussalam, Cambodia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam

the Indian Government recently sought to underscore the point that its new Merger and Acquisitions regulations have been "careful not to put any restriction on acquisition by Indian corporate (sic) outside the country." The country's outward foreign direct investment soared to $43.9 billion in 2010–2011 fiscal year, compared with $21 billion in the 2007–2008 fiscal year. Although these developments reflect India's expanding global economic reach, they also increasingly reflect India's close links with other middle-income countries and the associated movements of transient migrants. In East Asia, under the Framework Agreement on Trade in Services (adopted in 1995, and amended in 2003), ten ASEAN countries have already made a set of commitments mostly concerned with mutual recognition of professional qualifications which will continue to encourage short-term movement of service providing persons.

The increase in migratory movements associated with such trade and investment and other economic links among the middle-income countries could be quite fast in the coming years but their total number of migrants is likely to be less than massive. These will also be mostly of temporary nature and consist of businessmen and skilled people including managerial, professional and technical personnel. Already, in the Asia-Pacific region, eight countries (including several rich countries, but not the USA) have introduced an APEC business travel card that significantly reduces immigration formalities. These fast growing emerging economies run short of skilled personnel – Brazil needs 60,000 new engineers, excluding the oil industry. India had produced 220,000 engineers with four-year degrees in 2005. While it may be in a position to share some of its sector-specific engineering skills, India itself remains short of large numbers of civil engineers for its ambitious infrastructure development programme (*Financial Times,* 2009an).[8] It is estimated that India needs to produce three times the number of engineering students from universities than at present and ensure that they are steered into the construction sector at home. (It has some 110,000 highway engineers; by comparison, China had about five times that number of highway engineers when it initiated the task of upgrading its transport during the 1980s). Such situations open up some possibilities of exchange of skilled migrants on the basis of possible complementarity of available skills between middle-income countries.

[8] James Lamont, "Basic Services in Urban India Remain a Work in Progress," *Financial Times,* 15 October 2009.

Movements of unskilled or low-skilled migrants from low-middle-income to high-middle-income countries, such as between Indonesia and Malaysia or Dominican Republic and Mexico will continue, but the total flow of such migrants is likely to slow down. Over time as more countries in the middle-income group move up the economic value chain, there will be a shift towards increased skilled migration among them to meet one another's skill needs. Overall, a number of middle-income countries will be involved in both sending and receiving migrants on a significant scale. However, since many of them are likely to be temporary migrants, with in-and-out flows, and limited entries through family reunification channel, the increase in the migrant stock at any given time will not be significant.

It should not be forgotten, however, that even among middle-income countries there are now a few, such as Sudan (being divided at the time of writing but the tension continues) and Zimbabwe, whose future looks extremely uncertain mainly due to internal political conflicts. Conflicts per se are often a source of emigration, and when they are combined with bad management of the economy, as is frequently the case, a vicious spiral is created, fuelling more flights of people. Although, as discussed below, low-income countries are more prone to such perils, middle-income countries are not immune from them.

Another exception from the likely general migration trends in middle-income countries as outlined above concerns countries which have long been dependent on emigration and remittances for their external income, and slow and hesitant in carrying out essential but often painful economic reform to diversify the economy. A few countries in the middle income group, such as Moldova and Tajikistan, are presently in this situation. Countries need not be bound by their past, but they often are. When a country's economy has long remained unduly dependent on emigration and remittances and both policy makers and the public have been used to it for too long, it is not easy to break away from the past. Therefore, unless there is a deliberate effort to diversify the economy and move away from the culture of excessive reliance on remittances, these countries will continue to be under in-built pressure to send large numbers of their workers abroad. And, in the absence of opportunities for legal entry, some will opt for irregular channels.

Flows between middle-income and low-income countries

What about movements from middle-income to low-income countries? In the past, significant numbers of people from several countries now belonging to the middle income group, including China and India, moved to low-income countries. As already discussed, this was encouraged by historical/colonial links, including in particular the flow of indentured labour and subsequently by extended family reunification as well as formation of social networks that followed. Over time these migrants became mostly engaged in retail trade and small enterprises, including farming. This projected a high degree of their visibility in the country. In times of economic difficulty or internal political/ethnic tensions, these migrants found themselves vulnerable to discrimination and even violence from local population. The expulsion of Asians (many were holding British passports) from Uganda under the Idi Amin regime, the flight of some 100 million Chinese in Indonesia during the Asian financial crisis, and the tensions between Fijians and Indians in Fiji are among the well known episodes.

Given such experiences and the rising sensitivity about the presence of large numbers of foreigners, especially at the lower end of the economy, the flows of low-skilled workers from middle-income to low-income countries are likely to be limited in future. It is well known however, that China's current aid and investment programmes in low income countries, especially in sub-Saharan Africa, have been closely tied to the movement of Chinese personnel, including for low- skilled jobs which in most cases can well be performed by local workers. There is resentment in countries like Nigeria that Chinese trade in local markets is damaging local industries and displacing local tradesmen. As a result an undercurrent of resentment has been developing among local people, even when the value of Chinese collaboration is otherwise recognized. The Chinese authorities and enterprises are becoming conscious of the build-up of this resentment. It would be reasonable to expect a change in China's current policy in manning their aid and investment projects in other middle (and low) income countries; improvement of the job situation in China will also help the process.

This, however, does not mean that in future movement of labour migrants from middle-income to low-income countries will be absent. On the contrary, middle-income countries are likely to play an increasingly active role in the economic development of low-income countries through aid, investment, trade, and transfer of technology and know-how. And as the low-income countries become increasingly integrated with the global economy, new opportunities should open up for the middle- and low-income countries to cooperate in various ways. Sub-Saharan Africa gives a good illustration of the trend. There is now a tangible shift in the region's trade and investment flows as the rich countries' bigger multinationals are being challenged on their traditional territory by companies based in emerging economies such as China, India, Turkey, and South Korea. Capital investment from these countries grew at 13 per cent compound annual rate between 2003 and 2010, according to a survey by Ernst & Young (2011).[9]

India which already had a long-standing presence in African economies through trade, aid and private investment – has recently expanded its activities. China's involvement is more recent, but its ambitious search for mineral resources and commodities and involvement in large-scale infrastructure development have been most striking. China–Nigeria trade is booming, exceeding US$ 7 billion in 2010, and nearly three-fold jump since 2005, and may have reached US$ 10 billion in 2011. More than 100 big Chinese companies are already operating in the country. Many Nigerians are learning Chinese in order to do business with China; and at least one private secondary school has made Chinese a compulsory subject.

Though a newcomer, Brazil, too, has been rapidly expanding its activities in Africa. It is taking advantage of the region's new opportunities and its own status as an emerging economic power and a former colony. For example, Vale, the world's second mining company, has pledged to invest US$ 12 billion in the continent over the next five years. In Guinea it has a US$ 2.5 billion mining concession. As in Mozambique, in order to make its involvement more agreeable to the government it is also undertaking, alongside mining operations, social projects in agriculture, education, and training. These countries are buttressing their economic activities with support from diplomatic missions. Significantly, at the time of writing, Brazil had 31 diplomatic missions in Africa, India had 21, but China had 42 embassies, many more than Britain's 26.

These economic engagements of middle-income countries will continue to entail associated movement of their managerial, professional, and technical personnel to low-income countries. Most of these movements will be time-bound, although a few of the migrants may stay on and become permanent residents. Some less-skilled workers may even overstay as irregular migrants to sell goods in markets and shops, as some Chinese have been doing in Nigeria. Further, some of these business-related temporary movements to low-income countries will also be associated with the outsourcing of factory production as middle-income economies move up the value chain and wages at home keep

[9] Ernst & Young, It's Time for Africa, 2011

on rising. This has been happening in southern China where manufacturing of low-end apparel and footwear have started moving to low-income countries where wages and other production costs are lower. In 2011, half yearly financial reports from Li & Fung – a company which outsources everything from T-shirts to anoraks to furniture and beauty products – saw it sourcing from Bangladesh by as much as 52 per cent (*Financial Times,* 2011k).[10]

In short, the movement of skilled migrants from middle-income to low- income countries will rise in future, but the opportunities for legal entry of their unskilled workers may remain limited. A main reason for this is that, unlike high- income countries, most low-income countries have a large reserve of low-skilled labour.

Flows from and within the low-income group of countries

The pressure for emigration in low-income countries – especially most of those in sub-Saharan Africa, and in parts of Asia, Latin America, and the Caribbean as well as in parts of Eastern Europe, the Middle East ,and North Africa – will continue to rise. The pressure will stem from two main sources, both linked to the likely uneven, two-track growth of these countries: (a) from faster-growing low-income countries, new streams of migrants will be seeking better opportunities abroad (mostly opportunity-seeking migration) and (b) from slow moving, strife-torn and poorly managed countries, increased flows of migrants, including refugees, driven by poverty, inequality and/or political persecution, will be anxious to seek entry in a foreign country though regular and irregular channels (mostly survival migration).

Opportunity-seeking migrants: A number of low income countries such as Bangladesh, Ethiopia (though currently affected by a serious drought), Ghana, and Vietnam have been making rapid strides towards higher rates of growth and income. Many others in the low-income group are moving in the same direction. In these countries, there will be more people conversant with the opportunities, including job prospects and other economic opportunities abroad. They will have the resources to make a move outside the country and also be sufficiently equipped, in terms of skills and aptitude, to do so. And at least some of them will actually opt for leaving in search of better opportunities abroad; and many of them will go to fast-growing middle-income countries and some others will be moving within the low-income group itself.

[10] "China's Rivals as Factory Wages Soar," *Financial Times,* 7 September 2011.

The existence of effective institutional mechanisms for inter-country cooperation could encourage and widen the scope for opportunity-seeking migration within the low-income group. The East African Community, originally composed of Kenya, Tanzania, and Uganda, was first launched in 1967, but it fell apart amid bitter and intense rivalry. Re-launched after 34 years with the addition of Rwanda and Burundi, the EAC is now one of the fastest growing regional groupings in Africa. As further discussed below, it holds the promise of facilitating greater inter-country human mobility within the group.

Survival migrants: It is likely that within the low income group there will also be a few laggards like, currently, Somalia and Zimbabwe, where economies would remain stagnant or even decline, the political situation would continue to be unstable, and the future uncertain if not bleak. Reasons could vary: poverty and joblessness could be compounded by conflicts, and drag the economy down further; growth could be marred by corruption and concentration of wealth favouring a few; the future may look uncertain because of the absence of the rule of law, political oppression, and consequent simmering widespread apathy and discontent ; and so on. Often there could be a combination of some or all of these to make the situation worse.

I have already argued that the outlook for the economic and political future of a country plays an important part in an individual's decision on migration. If a low-income country suffers from high corruption, extreme inequality, and bad governance or political instability, economic growth by itself may not help in reducing emigration. On the contrary, growth in such situations may accelerate emigration since more people are likely to have the financial resources and other means to move. Likewise, experience suggests that if wealth and power are monopolized by a small section of people, denying opportunities for others to advance, some people may feel impelled to leave the country out of a deep sense of "relative deprivation" (Ghosh 1998)[11] and discrimination, even if they may not be facing severe poverty. At least some of these movements fall into the gray area between survival and opportunity seeking migration.

Depending on the main push factors, these migrants will try to escape either through the asylum channel or as labour migrants. As regards, asylum seeking, given the rather limited scope of the 1951 UN

[11] For a full discussion of the concept of "relative deprivation," see Ghosh (1998) op. cit.

Convention on the Status of Refugees and its increasingly rigid interpretation and restrictive application in most high- income countries, it is not very likely that many of those seeking to escape will be accepted as refugees in these countries. The majority would try to move as asylum seekers to neighbouring countries within the region, as has been happening now. This is not just because the cost is much lower and travel easier but also because two regional agreements on refugee protection – the (OAU) Convention in Africa and the Cartagena Declaration in Latin America – are wider in scope, which makes it less difficult to meet the eligibility criteria.

Many of the other survival migrants would try to have access to jobs mostly in neighbouring low-income as well as middle-income countries. To take a few examples at random, pressure for emigration from Myanmar to Bangladesh, from Nepal and Bangladesh to India, from Liberia and Sierra Leone to Ghana and Nigeria, from Kirghizstan and Tajikistan to Russia or from Haiti to Colombia and Honduras is likely to continue. High economic growth in a number of the middle income countries may allow legal entry of some of the mostly low-skilled survival migrants; but many others will seek entry through irregular channels. Geographic proximity, porous borders, ethnic and cultural links will facilitate these irregular movements; and despite the recent anti-trafficking measures to curb the trade, human traffickers are not likely to sit idle.

The above does not imply that migration within the group of low income countries will be confined to survival migrants alone. Not much differently from the group of middle-income countries, low-income countries, too, vary widely from one another in terms of both the stage of development and the rate of growth as well as their resource endowments. They do share some common needs to meet and collective interests to promote in relation to the outside world. This is reflected in the common programmes of, for example, the least developed countries (LDCs) and African, Caribbean and Pacific (ACP) countries. But since these are also economies which hold significant complementarity between them, they could have additional gains from closer economic links, including though migration, within the group. This has been already happening between neighbouring countries, especially in times of economic difficulty and natural disasters.

Some of these countries have been developing closer economic links among them through regional or sub-regional cooperation schemes. The success of these initiatives would open up new possibilities of inter-country economic cooperation including through migration within the group of low and lower middle income countries. The East African Community, mentioned above, is a case in point. It had an average growth rate of 6.4 per cent a year during 2005–2009. Its poorest member, Burundi, had an annual per capita income of US$ 430 (at purchasing power parity, PPP) which was less than one-fourth the income in Kenya. Despite multiple political and other constraints and a glaring gap between pledges and practices, the Community has made some tangible progress. Twenty-seven trade barriers have been removed; and intra regional trade was up from 1.8 billion US$ in to 2.7 billion US$ in 2008, although this represented only 11 per cent of the group's total trade with the rest of the world. Banks and supermarket chains are building networks throughout the community, telecom companies are harmonizing their operations, and businesses are forging ahead. Although the provisions of free movement of labour and capital are yet to be put in practice, member states have agreed to mutual recognition of professional qualifications, putting workers in these categories on an equal footing throughout the community. If low-income countries can make strides along these lines, there would be new avenues of migration within the group, especially within the same region/sub-region.

South–South migration, if properly planned and managed, will benefit both sending and receiving countries

Increased South–South migration, if properly planned and managed, could be of potential benefit to both sending and receiving countries. This applies also to countries which may be actively involved in both sending and receiving migrants at the same time. Remittances, if effectively and wisely used, will help the migrant sending countries. But for both sending and receiving countries to reap their full benefits, the movements, need to be orderly, predictable and well managed at both ends.

A relative increase in skilled migration between the middle-income countries, for example, could help a receiving country in meeting the skill shortages it may face as its economy moves up the value chain and is set to attain a higher rate of growth. In the past, under the colonial regime, the economies of most countries in the South were oriented towards production in plantations and mines, and building ports and railways, with little emphasis on industrial growth and diversification. Today, things are changing fast. With industrial growth, these countries have been developing sector specific skills and organizational experiences. These are more varied, and less homogeneous than in the past.

This diversity in resource endowments and growth patterns, including skills formation and operational experiences, will provide significant scope for these countries to interchange skilled and professional people yielding benefits for both on the basis of complementarity. A fast growing country could benefit from both sending and receiving skilled personnel, contributing to better matching of the demand and supply of available skills across countries. Product differentiation will also play a part in such exchanges. These exchanges can be negotiated and planned in a bilateral or plurilateral context. To illustrate briefly, China has developed considerable skills and experience in infrastructure development, India has a pool of professional and technical talents in information technology, pharmaceutical industries and film making. It has been developing skills in high value goods such as robotics and oil refining. Brazil has made rapid strides in developing its oil and iron ore industries. These skills and experiences can be transmitted through temporary movement of personnel to other countries which have the possibility and intention of developing corresponding industries.

Admittedly, all middle-income countries cannot be expected to have the same levels of skills, but countries may well have reciprocal interest in working out exchanges of skilled migrants in a specific sector against low-skilled migrants in the same or some other sector or sectors. Low income countries would have a particular interest in arranging such exchanges with middle-income countries, although the scope may well be limited because most middle-income countries themselves have large labour reserves. Such exchanges can also be negotiated across labour and product markets – for example, entry of low-skilled workers to a destination country's labour market against liberalization of a sending country's specific product markets, as will be further discussed in Chapter 8.

It is not certain, however, that countries will necessarily take advantage of these avenues of action. A number of obstacles – such as political tensions and rivalry between countries, prejudice against foreigners, hostility to migrant workers (especially during economic crisis) and high unemployment and other constraints – could stand in the way. A better understanding and awareness, among both policy makers and the public, of the potential benefits of such interchanges based on reciprocity of interests will be helpful in overcoming this difficulty. Clearly, the pre-existence of a global or regional framework for carrying out the negotiations will certainly facilitate the process. (See the next chapter).

South–South migration will lead to increased internal migratory movements and accelerate urbanization

Increased South–South migration should lead to an improvement of wages and working conditions similar to, though not exactly like, what had happened in Europe in the 19th and early 20th centuries when conditions of workers in poorer countries like Ireland, Italy, Norway, and Sweden improved as migrants left, both in absolute terms and relative to those in the UK and France in Europe and the USA. In the case of South–South migration, the generalized effect of better wages and working conditions in sending countries is likely to be less pronounced than what had happened in Europe.

This is because of the existence of vast labour reserves in the interior of many of the poor developing countries. As poor countries' migrants from organized sectors leave and wages start rising in their organized industrial sectors, more underemployed and less productive workers from the interior will be moving to the urban-industrial areas, get trained, and take on jobs in high wage sectors. The process will restrain the pace of a generalized upward movement of wages in the organized sectors of the migrant-sending countries. It is the rapid economic growth through industrialization of countries in the South that will accelerate such internal migratory movement by pulling workers from the interior to urban/industrial areas.

More than half of the world's 7 billion population already lives in cities. The United Nations forecasts that another 1.4 billion would join them in the next two decades, further fuelling the process of general trends towards urbanization. Most of this will take place in the South. Emigration abroad will play a part in it, though only a modest one, by its first round effect on pushing wages up in urban/industrial areas. Also, experience shows that many of the returnees, including some of those who had lived in rural areas before moving abroad, prefer to settle down in cities on return either because of the social amenities (especially if they have become used to them while living abroad) and/or economic opportunities they provide. This, too, will contribute to urban expansion.

By 2050, the urban populations in developing countries are expected to double to 5 billion from 2.6 billion in 2010. Latin America and the Caribbean have already reached high levels of urbanization. By contrast Africa and Asia are still mostly rural, with 40 per cent and 42 per cent, respectively, of their populations living in urban areas. Even by 2050 they are expected to be less urbanized than the other major regions, with urban population accounting for 62 per cent in Africa and 65 per cent in Asia. However, the absolute size of these new movements is unprecedented: Africa will have 13 million additional city dwellers per year in 2045–2050; and Asia 25 million per year during the same period. This foreshadows the enormity of the challenge that lies ahead of the countries involved. So far, natural increase – the difference between the numbers of births and deaths – has made a larger contribution to urban population growth than internal migration and reclassification of rural areas into urban centres. This may, however, change in countries where fertility rates are falling fast.

In India the number of people living in urban areas has surged from 285 million or 28 per cent of the population in 2001 to 40 million or 31 per cent in 2011 and is expected to surge well over 600 million in the next 20 years or so. In just two decades following the economic liberalization in the early 1990s which unleashed an industrial dynamism, millions have been lured from farming to factories and were pouring in or around urban centres. However, ever since the days of struggle for independence, the Indian leaders have believed that that the country lives in its villages. As a result, investment in urban areas to date have remained meagre compared to largesse showered on rural areas. A government panel on urban infrastructure recently estimated that India needs to spend US$ 950 billion in the next 20 years on services including power, water, and sewers. India is now trying to meet this formidable challenge. But as Kamal Nath, urban development minister, recently remarked, this was just scratching the surface, "We are catching up with the past, not (yet) building the future" (*Financial Times,* 2011za).[12]

Experiences in India and Brazil, as in several cities in Africa, demonstrate that urbanization by and in itself does not imply industrialization or productivity growth. On the contrary, it could lead to urbanization of poverty and creation of mega slums. True, the urban informal sector is noted for its economic resilience, and in the absence of job opportunities and social safety nets, it does provide a minimum wherewithal for the poor, including laid-off migrants, to survive. But the countless social and economic ills associated with the growth of mega slums also highlight the pitfalls of unplanned urbanization. Experience also shows that once mega slums have taken their roots, it is politically more difficult to dismantle them just as it is

[12] Amy Kazmin, "India's Megacities", *Financial Times,* 8 November 2011.

economically more onerous to upgrade them. A much wiser course is to anticipate the urban influx and put in place a programme for planned urbanization.

China has been striving to do this through its urbanization and housing programmes. Most recent reports from China suggest that, for the first time ever, more people – 51.27 per cent or 691 million – now live in cities than in the countryside. Analysts predict that 70 per cent or roughly one billion people will live in cities by 2030. It will throw a major challenge for creation of urban jobs. As part of its latest five year plan (2011–02015), the country's Communist party wants to reduce the growing rural-urban income inequality and improve consumption and citizens' welfare. Subsidized public housing is an important element of this approach. China also has some 150 million internal migrant workers who come from rural areas. In the past in cities like Beijing, Shanghai, and those in coastal provinces, migrant workers, had to live in cramped dormitories or slum-like dwellings. Their number in the rapidly growing industrial centres is foreseen to increase fast in the coming years. Besides, many of the young migrant workers would prefer to settle in the urban areas and avoid returning to their rural homes.

However, there is a growing feeling of resentment among these migrants because they lack *hukau* or residence certificates, needed to have social security, health care and housing. Chinese leadership is conscious of the situation. Both Wen Jiabao, the Chinese premier, and party leaders have recently called for migrant workers to be treated with respect and consideration. Under the new policy, the government intends to meet the challenge by allowing migrant workers to have access to state subsidized housing. As its migrant workers from rural areas are integrated in cities and industrial centres, the process will enhance China's already fast-moving urbanization programme. However, even with advance planning as the Chinese have done, the country's experience shows that in times of rapid industrialization, the problem of urban housing is not an easy one to handle.

Box: Rural-urban migration and housing in China

Beijing has fixed a target of 36 million units of affordable housing by 2015. Of these 10 million units involving an investment of Renimbini 1300 billion were to be built in 2011 alone. Although the full funding of the vast programme was still uncertain, some action has already been taken. In

Chongquing, for example, the Minxin Garden complex, China's largest public housing programme so far, was already advanced, and when completed it will house 17,900 families. According to press reports, in Congquing the municipality plans to build an urban area of 20 satellite towns with a population 300.000 in each one, of which 50,000 will live in government subsidized housing. However, progress on the programme for 2011 was slow. For the final one-third of the 10 million units, as of November 2011, only holes had been dug, and construction was yet to begin. Funding has been problematic and a growing number of government-run land auctions were failing. But for now, the government is still standing by its over-all five year target of 36 million housing units for 2011–2015. Housing, though critically important, is of course only one aspect an urbanization programme.

Although the existence of a floating migrant population of 150 million makes the situation in China somewhat special, its experience is none the less indicative of how internal migration is likely to have a profound effect on the on-going process of urbanization in many countries in the South in the years ahead. It also shows that when the urban influxes are massive, as is most likely in Africa and Asia, it is not easy for a government to meet the challenge of urbanization, even if it already has a forward-looking plan in place. Clearly, the task will be far more difficult if it has none.

The looming uncertainties: Potential perils and pitfalls

Sudden external shocks and internal constraints can temporarily dislocate long-term scenarios

As argued earlier in Chapter 2, migration always interacts with the surrounding social and economic realities. The tentative sketch of the future scenarios of migration presented in this chapter is closely related to some of the likely major changes in these realities in the coming decades. It is possible to capture the fundamentals of the mega trends in the world's economic and social situation and their interplay with migration. But it is far more difficult to foresee short-term shocks and sudden upheavals that could temporarily dislocate the secular trends, even if they reassert themselves over time. Just as these fundamental economic and social changes will invariably affect the migration situation, so will the eventual temporary shocks. The challenge for governments in both rich and poor counties lies in developing an agreed basis to deal with the current and forthcoming changes, whether sudden and temporary or long-term and secular, in the pattern of migration in a concerted and confident manner.

This is all the more important because although we can already see several portents of sudden shocks in the world economic and political situation, we do not know how they will play out. For instance, an important assumption underlying the future scenarios of migration as depicted above relates to the high rates of continuing economic growth of the countries in the South, and the rebalancing of the economies of rich and poor countries. While the fundamentals underlying the trends towards rebalancing may remain unquestioned, it is difficult to foresee the pace and the exact manner in which it will take place due to many uncertainties that lie in the growth trajectory of countries in the North as well as in the South.

At the time of writing, for example, it was unclear how exactly the rich countries would finally sort out the deepening debt and fiscal deficit crisis. The process, however labourious and stressful, could still be relatively smooth and orderly but it could also be disorderly, and disruptive, with widespread domestic social unrest, rising anti-immigrant feeling and increased interstate tension. In such a situation, panicky reactions could lead governments to impose new restrictions on immigration, alongside widespread discrimination against existing migrants and abuse of their rights, which in turn will make migrant integration more difficult. As already discussed, it may then take time for migration to flow again in the way foreseen above.

It has also been noted that past experience and recent research such as by Carmen Reinhart and Kenneth Rogof show that when economic slowdown is triggered by financial and banking crisis, it takes several years before economies can fully recover. At the time of writing, many analysts were fearful that given the continuing economic uncertainty and signs of weakness in advanced economies, compounded by policy vacillation in dealing with fiscal deficit and debt in both the eurozone and the USA, the same might happen this time as well. As a fund manager in France recently remarked, "In 2008 there was a question about the shape of recovery. I do not hear that kind of conversation now I hear: Will it be a Japanese style recovery or crisis that takes 15 years?"

In August 2011 a modelling of economic data by Bank of America Merrill Lynch already put (though still only on a tentative basis) the probability of a double dip recession in the USA above 80 per cent, reflecting downgrading of the US debt, EU's debt management woes and stock market volatility. In the same month,[39] economists polled by *USA Today* put the chance of another downturn at 30 per cent, twice as high as three months ago (*USA Today,* 2011).[13] More recently, some economists such as Martin Feldstein and Edmund Phelps raised the possibility of the downturn at 50 per cent; Nouriel Roubini put it at 60 per cent, adding "We are in a worse situation than in 2008" (CNBC, 2011).[14] Meanwhile Citibank has already made a downward revision of the global growth rates to 3.1 per cent, from 3.44 per cent in 2011 and from 3.7 per cent to 3.1 per cent in 2012. And the IMF, as noted, has done a similar downward revision. All the ominous predictions may not materialize but they do signal that the recent crisis may last much longer than previously thought.

A prolonged economic slowdown, especially if it leads to waves of social unrest and decline in demand in rich countries, will certainly restrain the pace and prospects of growth of the emerging economies, especially those largely dependent on exports. Meanwhile, several of them including Brazil, China, and India have found it necessary to apply brakes to avoid overheating of their economies. The situation will be worse if the countries then start imposing protectionist measures against on another, for which there are already some looming signs.

According to a "woggle room index" prepared by The Economist, some of the emerging economies such as China, Indonesia, Chile, South Korea and Singapore have some room to ease fiscal and monetary policies to withstand another global downturn. However, several others, including India, Egypt, Brazil, Viet Nam and Turnkey, do not have such flexibility, given their fiscal and monetary situation (*The Economist,* 2012a).[15]

The projected high rates of growth in the emerging economies could also have temporary setbacks due to their manifold other internal constrains, including policy deficiencies. It will be simplistic, if not naïve, to assume that their future growth will continue as a linear process without hitch or hindrance. In fact, it is more likely that even as the developing countries press ahead towards higher growth, they will be facing many headwinds on the way. Some of the potential pitfalls for the middle-income countries are typically embedded in the transition

[13] USA Today, 16 August 2011

[14] Interview with CNBC, "We Are in a Worse Situation than in 2008…", 2 September 2011, CNBC.com

[15] "Who Has the Most Woggle Room?", *The Economist,* 27 January 2012.

process itself and are therefore "common" to all or most of them, while many others are country-specific.

An important common problem they face is what is known as "the middle income trap." This refers to a situation in which a developing country has evolved from low per capita income level, but has then stalled, lost momentum and failed to reach the high income level associated with advanced economies. This is what happened to a number of Latin American countries since the 1980s. This is caused by the fact that, in the earlier stage of a developing country's successful evolution, a large pool of less skilled rural labour is transferred to more productive manufacturing or service activities. The process is helped by the country's easy access to technology already available from rich countries at low cost, and does not require much skills upgrading, and yet derives benefits from higher levels of capital and technology used. This leads to a substantial increase in total productivity, and is often (though not always) associated with urbanization. But the successful evolution faces its limits when the expansion of modern activities cannot absorb more transferable low-skilled rural labour (or in less frequent cases, when the pool of transferable less-skilled labour is exhausted). Economic growth then stalls and the country gets trapped at the middle-income level.

As in the case of China, most middle-income countries have a large pool of less-skilled rural labour, and long before the pool is exhausted, the opportunities to absorb them in the modern sector are reaching their limits, as it happened in Latin America in the 1980s. As already noted, urbanization by itself does not help; it can make things worse by leading to the growth of a large urban informal sector marked by low earnings and low productivity, unless it is accompanied by industrialization and creation of high-wage jobs.

In the past some of the East Asian countries could increase their labour transfer opportunities by inserting themselves into the labour-intensive segments of the global value chains. This was helped by trade liberalization, advances in information and communication technology, and decreasing transport costs. But even these countries, which had seen high growth rates of around 9 per cent a year for several decades, cannot expect the same. At the beginning, outsourcing of jobs by advanced economies consisted mainly of assembly work; this was followed by manufacturing, and increasingly skilled work. The margin of these advantages for low-skilled labour is now narrowing due to changes in the global market, including rapid technological advances, increased competition, and decline in demand due to the economic crisis.

As of now, a common challenge for the middle-income countries to continue to move ahead and raise income lies in creating new and innovative technologies, upgrade labour, build knowledge-based assets, and improve infrastructure. Those which fail to do so are likely to fall into the "middle-income trap."

Political and geo-political constraints can also limit the gains that can be reaped through increased South–South cooperation, including exchange of human skills and knowledge. Closer economic links between the emerging countries in the South may not always reflect complementary interests. They may also entail competition and even tensions and conflicts. China's aggressive trade policies to capture exports markets for their products and its wide ranging aid and investment initiatives to have access to mineral and other natural resources are causing uneasiness in several other developing countries. Even Brazil, which, as discussed above, has developed close economic relations with China, is getting worried that cheap Chinese imports are inhibiting the growth of its manufacturing industries. Its increasing access to and control of mineral and other natural resources in Africa and Latin America have become a source of concern not just for the countries involved but also for several developing (and rich) countries which are competing for the same resources. Political and geo-political constraints can also limit the gains that can be reaped through increased South–South cooperation, including through exchange of skills and knowledge discussed above. Burgeoning cooperation can be marred or constrained by strategic suspicion and mistrust.

There are also some country-specific problems, even for faster growing emerging economies such as China, India and, Brazil. To illustrate briefly, China, which is expected to be the main locomotive of growth in the South, is already facing some serious potential pitfalls. In 2007 the prime minister, Wen Jiabao, announced that China's economy was "unstable, unbalanced, uncoordinated and unsustainable."[16] Although China has so far managed to keep inflationary pressure and property bubble under control, the danger has not completely disappeared. (It was estimated at 6.0 per cent against the official target of 4.5 per cent). Based on official figures, Victor Shih, a Northwestern University professor, recently estimated total local government debt across China was $2.4 trillion to $3.1 trillion: the upper estimate was equal to half of

[16] "Calculating the Coming Slowdown in China," *The New York Times,* 23 May 2011.

China's GDP in 2010.[17] Government policies aimed at moving manufacturing up the value chain while discouraging lending to small, low tech industries. The policy approach is not without risks. A mix of labour shortage, a rise in wage and input costs and low external demand have hit hard the producers, many of whom have been manufacturing low-tech products in Chinese coastal areas.

A more serious concern is about how long China can rely on investment-led, and export-oriented growth model in the face of external and internal pressure for a shift towards increased internal consumption and better distribution of income. But a shift towards consumer-oriented investment is likely to be resisted by politically powerful, state-backed industry groups which thrive on capital intensive projects capable of showing high growth rates. This results in misallocation of capital and market inefficiencies. Household consumption which had fallen during the past decade to just over a third of GDP is now becoming a major driver of growth, but is not rising fast enough. Meanwhile, investment has soared to 48.6 per cent of GDP, which is not likely to be sustainable in the long-run. If, on the other hand, China can shift its economic gears towards increased internal consumption, alleviation of poverty, and rising incomes of a growing middle class, will the existing political system have enough adaptability to cope with the changes that are likely to follow, including the political aspirations of the middle class?

China also faces a related dilemma. The recent deceleration of China's growth – 9.5 per cent in the second quarter of 2011, 9.1 per cent in the third and 8.9 in the fourth – has been largely within the government target, as it sought to rein credit and cool surging inflation and real estate bubble. As this book was going to press, China announced the lowering of its growth target to 7.5 per cent for 2012. However, if it falls below 7 per cent, it would signal, as Yu Yongding, economic adviser to the government, recently warned, an economic or even a political crisis.

Meanwhile, alongside falling growth rates and company profits, the country has already been witnessing a rising wave of industrial unrest

[17] Professor Shih's estimate includes US$ 1.9 trillion as credit lines agreed between local governments and banks, on the assumption that these will be fully drawn in future. "China Faces Obstacles in Bid to Rebalance its Economy," *The New York Times* 24 August 2011. According to China's National Audit Office, the internal debt was much lower (Rmb. 10.7 trillionzz0; and in his speech at the 2012 Communist Party conference, President Jiabao announced that the country's internal debt was manageable and should not be a cause for concern.

as workers are becoming increasingly assertive over wages and year-end bonuses. In villages, too, unrest has been growing over land rights as property developers, in collusion with local party officials, sought to take over land. The government seemed unsure of how to respond to the growing unrest. Zheng Yanxoing, Communist party secretary for Shanwei city reflected on the difficulties of governing saying: "If we meet all the villagers' demands, then it will push all of society's expectations too high." (*Financial Times,* 2011zb).[18] The potential explosion on a much wider scale and the worldwide attention the unrest has been receiving have led the authorities to rethink their strategy, and take a more conciliatory stance. Zhou Yongkang, China's security chief, recently called government and party officials to address the citizens' complaints as the situation could otherwise undermine social stability (*Financial Times* 2011 zc).[19]

Other fast-growing emerging economy countries are not free from uncertainties. India's recent rate of economic growth may be remarkable, but rising inflation, growing strain on outmoded infrastructure, small enclaves of high-tech industries and services juxtaposed with a vast, mostly inefficient farming sector and rural poverty, a weak manufacturing sector, and widespread corruption could constrain its future growth. Its potential demographic dividend from a young population – by 2035 some 65 per cent of its total population of 1.5 billion will be of working age – could turn into a source of serious concern if many of them remain uneducated, unskilled, and unemployed. It has a strong democratic foundation, but sporadic insurgencies in border areas and inside the country create some uncertainties. Meanwhile, falling growth rates and weakness of the country's currency coupled with slowdown of foreign investment have been causing concern. People's expectations are running ahead of actual achievements. Economists are warning that once the growth rate starts ebbing and the momentum is lost, turning the tide to higher rates would be more difficult.

Brazil, somewhat like India, has small enclaves of high value activities in mining, deep sea oil drilling and technology-intensive agriculture, but rising inflation alongside soaring real, asset bubbles and excessive credit and consumption boom (to an extent comparable to the pre-recession situation in the US) continues to be a source of concern.

[18] "We Just Need Some Land, Say Siege Villagers," *Financial Times* , 20 December 2011.

[19] "Fresh Protests at Restive Chinese Town," *Financial Times*, 6 December 2011.

Several other Latin American countries have shown gains in productivity in manufacturing and non-traditional agriculture, but they, too, are faced with the challenge of creating high value jobs for the rest of the labour force. Large numbers of workers are still stuck in or are migrating to less productive service sectors and informal activities. Many African countries, including Nigeria, face a similar situation.

Several African countries, including Ghana and Nigeria, have recently started building an industrial base and have shown an impressive rate of economic growth. The region's GDP grew by 4.9 per cent a year, more than twice the rate in the previous two decades. African diasporas, too, have become increasingly active in promoting and participating in new economic activities. But much of the growth is still linked to the commodity boom. Many of the other problems such as desertification and droughts, ethnic and political conflicts within and across countries, corruption and poor governance are well recognized. While progress has been made by several countries in dealing with some of these problems, sudden setbacks are not uncommon. With its enormous natural resources and new found dynamism among its people, especially the youth, Africa holds growth potential, but how soon these will be fully tapped is not still sufficiently clear.

To sum up the discussion in this section, in the coming decades we can expect some profound changes in the world economic and social situation in the coming decades. These changes will be driven largely by rebalancing of the economies in the North and the South and the transformation that it will entail within both groups. These changes will also have a significant effect on the direction and composition of movement of people, and reshape the pattern of global migration as we know now.

The process of rebalancing will by itself create many uncertainties, with new strains placed on the world's existing economic and political order, including the migration system. The emerging markets' economic rise would mean their increasing demand on the world's supply of oil, food ,and other natural resources; competition will stiffen and prices are likely to rise. Rich countries' governments and consumers, so far the main beneficiaries from the use of these resources, may feel uncomfortable, or even be resentful as they face the consequences. If the dollars' central role in international trade and finance, especially as the world's reserve currency, is diminished, it would raise America's cost of borrowing and might make its people less affluent. The relationship between North and South during the transition will need to be managed with care, foresight, and wisdom.

More so, since even within each group some countries may find it more difficult or may be slower to adjust to the rebalancing process. As developing countries' more than 2.5 billion workers enter the international labour markets directly or through trade, rich countries will face difficult choices. They will be under pressure to allow more immigrant labour or accept outsourcing of labour intensive manufactures and electronically deliverable services, while striving for new technological innovations and upgrading. None of these will be pain free or easy.

Perils of a future sudden shock turning into a major crisis: Migration will not escape from its effects

In short, it cannot be expected that the process of the long-term structural changes as outlined in this chapter will always be smooth or follow a fixed or pre-determined pattern. Sudden internal or external shocks in the countries could temporarily dislodge the long-term trends, and since, unlike long-term trends, these sudden shocks are far less predictable, they add to uncertainties in the global systems. A major anxiety is that the emerging economies, which are to be the main growth engine to keep the world economy moving forward during the rebalancing period, could themselves tumble. This could happen if the sluggish growth in rich countries and a consequent wave of protectionism pushes developing economies to fall back upon on their internal growth. In the past, during their high growth periods emerging countries have not managed their economies too well. Excessive enthusiasm and overheating of the economy, marked by rapid expansion of credit and runaway inflation, and coupled with concentration of ownership of assets, had landed them into past economic crises.

Although countries like China and India have shown alertness of the problem, the danger has not gone away. A worrying aspect of the future danger is that the constraints mentioned above would weaken developing countries' capacity to absorb unemployed rural labour in modern/urban jobs, which, however, is an essential structural requirement of sustainable growth and increased income. What could worsen the situation is that, with aspirations rising rapidly in rural areas in this global age, people are not likely to sit idle. In such a scenario, two consequences will follow, both running opposite to the positive effects of rural-urban movement discussed earlier. There will be more social unrest within the developing countries themselves; at the same time the pressure for emigration in search of better opportunities abroad will increase. Should this happen, there will be a reversal of the future migration scenario outlined earlier: instead of a decline in tension in South-North migration, it may rise.

For sure, the world of migration will not be immune from these looming two-fold dangers – one stemming from an eventual mess in the debt and economic management in rich countries of the North, and the other from the failure of the developing countries in the South to meet the rising aspirations of their people and the large-scale social unrests resulting from it. Indeed, since migration directly involves people, it is, and will always be, a sensitive subject, capable of easily arousing conflicting emotions of different actors involved.

Beyond all this, an overarching uncertainty affecting global migration relates to the effects to climate change – an issue which, though touched on in Chapter 6 on MENA countries, is otherwise left outside the scope of this book. There is little doubt, however, that to the extent that it may cause cross border movement of persons, including those from low lying islands due rising sea levels, a global framework allowing sufficient flexibility will be needed to meet this and other challenges. All this highlights the importance of the pre-existence of an agreed global framework for nations to act jointly, with adequate confidence and in a timely manner.

Part III

A New Opportunity

9

Towards a New Global Architecture for Orderly and Predictable Migration

The need for an harmonized global framework to improve governance of human mobility

In an increasingly interconnected and fast-moving world, the pre-existence of an agreed-upon framework for negotiation and coordinated action helps nations to harmonize their divergent interests and views and ensure policy coherence for the net benefit of each and all. Though far from perfect and still evolving, such frameworks have helped nations to ensure orderly flows of goods, services, and capital and minimize interstate tensions. In the wake of the recent financial crisis, nations are now striving hard through the Group of 20 to develop a coordinated policy framework to ensure orderliness, transparency, and confidence in the financial sector, including banking, and improve its over-all governance.

However, despite the fact that the world migration system has been under increasing strain for several decades and that this has been aggravated by the recent economic crisis, no such initiative has emerged so far. This is all the more disturbing, given that, as discussed in the previous chapters, in the coming three to four decades the anticipated global economic and political changes, including sudden shocks and upheavals which cannot be foreseen, will place additional strain on the migration system. And in the absence of an agreed-upon framework for cooperative management of human mobility, based on mutual confidence and common interest, nations may once more rush to hasty, improvised, and panicky responses to the new challenges of migration, as has happened in the past, with unfortunate consequences.[1]

The present economic crisis has exacerbated the potential danger. If joblessness and poverty continue to rise or remain at a high level in the coming years, derailing the MDG timetable and its effective follow-up, and if, instead of strengthening their cooperation, nations become more inward-looking and reactive in their migration policies, it would be difficult to avoid domestic and inter-state tension; world economic recovery, too, could be retarded.

Many of the policy and practical measures outlined in the preceding chapters, notably in Chapter 5, would call for close and genuine cooperation between migrant-sending and migrant-receiving countries, both rich and poor, without which they will not make much headway. The pre-existence of an agreed-upon international framework for the management of migration would have made it possible to avoid much of the extra strain now being placed on the migration system by the crisis and the widespread concern caused by it. It would also have made it much easier to launch the necessary remedial measures through closer international cooperation.

The discussion in the previous chapters, especially in Chapters 3 and 4, has shown that there are now fledgling but ominous signs of anti-immigrant and restrictionist trends in both rich and poor countries. This might imply a shift further away from international cooperation. On the other hand, if the gravity and urgency of the migration situation lead nations to work more closely and initiate some joint action to meet the immediate challenge along the suggested lines, this could very well open up a new opportunity of closer interstate cooperation on a lasting basis and serve as a stepping stone towards the establishment of a common international framework for better governance of international migration.

Clearly, this would only happen if, unlike during the Great Depression, nations resist the temptation of becoming isolationist and inward looking. The G-20 summits in London and Petersburg recognised that global financial transactions, including banking, need better global governance. The agreement among nations to follow a harmonized global approach to the crisis and the acceptance of the need for

[1] The term "management" used here should not be confused with control. It refers to an arrangement based on a set of principles and methods that brings divergent or conflicting forces into a state of dynamic harmony, while ensuring optimal utilization of those that are potentially convergent.

international policy coordination to ensure orderliness, transparency, and confidence in the financial sector, though still incipient, augurs well for a similar approach for improving global governance of human mobility. In times of crises, just as nations could become panicky and short-sighted, they also become more willing to accept change. Sadly, though, unlike the on-going global efforts to better manage the financial system, no major new initiative has as yet emerged to develop a framework for inter-state cooperation to improve governance of human mobility (Ghosh, 2010).[2]

The question could well be asked: How realistic is it to expect that nations would agree to adopt and adhere to a common international framework for managing migration? Even when the benefits of freer and more predictable movement of people are recognized, three main reasons are generally cited as major constraints holding up the development of such a framework of inter-state cooperation: (a) the lack of a shared interest or a "common good" between origin and destination countries; (b) the absence of reciprocity of interests between the two groups of countries and asymmetry in their bargaining strengths; and c) the absence of a hegemonic power to sponsor and safeguard such a regime (Ghosh, 2007, 2009a).[3]

How valid are these arguments?

Here are the replies:

All civilized states have a collective as well as an individual stake in maintaining international stability and peace and promoting economic progress. Orderliness and predictability of human mobility are among the essential conditions for achieving these goals, and these thus constitute the "common good" to underpin a global agreement on migration, fully in keeping with the tenets of regime theories.

This overall common stake does not preclude the fact that individual states, both migrant-sending and migrant-receiving, also have differing, even conflicting, interests on many individual issues, depending on the country-specific situation and the type of migratory flows involved. However, it is precisely this diversity of state interests that offers, especially for labour migration, a huge potential for bargaining based on

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[2] Bimal Ghosh, "The Global Financial and Economic Crisis and Migration Governance," *Global Governance,* 16, 2010, pp. 317–321.

[3] Bimal Ghosh, 2007, 2009a. op. cit.

trade-off or reciprocity, as practiced in trade negotiations, making each country a potential net gainer at the end of the deal.

Among the areas of such reciprocity are: trade-offs between opportunities for legal entry in destination countries and the readmission of irregular migrants by countries of origin; between the availability of negotiated categories of skilled personnel from origin countries in exchange for destination countries' acceptance of some of the origin countries' less-skilled workers; and between the unmet labour demand in host countries' seasonal industries and occupations generally shunned by locals and the predictable supply of such labour from origin countries. Some scope also exists for negotiating reciprocity between the movement of high-level personnel from rich countries including intra-company transfers under Mode 3 (commercial presence) of the General Agreement on Trade in Services (GATS) and the temporary entry into rich countries of service-providing professionals from developing countries both as employees (Mode 4) and as self-employed persons.

Additionally, significant trade-offs can be worked out between predictable labour supply from origin countries and alleviation, at least in the short- to medium-term of the growing strain on social security funding and the near- to medium-term threat of labour shortage and demographic decline in receiving (rich) countries. Reciprocity of interests across sectors (e.g. selective but additional access of migrants to the labour markets of destination countries in exchange for liberalization of specific product markets in origin countries) – a possibility recently discussed as part of the Doha Round of trade talks – also holds some significant promise. Interlocking reciprocal interests in these and other potential areas can play a part in ensuring a high degree of symmetry in the bargaining powers of the two groups. The fact that these two-way movements are taking place between rich and poor countries widens the scope for reciprocal negotiation and commitments.

Since, as already mentioned, more and more countries – at least 25 per cent, according to a 1999 global survey by the ILO – are now sending and receiving migrants at the same time, the protection and fair treatment of immigrants (and avoidance of tit-for-tat practices) also becomes an important area of reciprocal interests.[4] The fact that these two-way

[4] It is often forgotten that there are close links between protection of human, including migrants', rights and good governance of migration. A serious violation of these rights often leads to disruptive and unwanted migration. And, when the movements are unwanted (as most disruptive movements are), the risk of further violation of human rights is much greater, which, in turn makes

movements are taking place increasingly between rich and poor countries widens the scope for reciprocal negotiation and commitments.

The principle of reciprocity of interests has already underpinned some of the existing agreements between migrant-sending and migrant-receiving countries – as in the case, for example, of readmission agreements. However, its full potential for building inter-state cooperation on migration still remains to be explored. Outside the EU, formal reciprocal commitments have generally been confined to such issues as readmission, remittances, and targeted recruitment, and have taken place in a bilateral or sub-regional/regional setting. Unlike as in the case of trade, neither governments nor intergovernmental organizations have explored the full range of reciprocity that can be negotiated within the migration area and across sectors, providing an equitable and enduring basis for inter-state cooperation on human mobility. Both migrant-sending and migrant-receiving countries could benefit by giving systematic attention to this avenue of action in the area of migration. The development of analytical research to identify various specific areas of reciprocal interests and improvement of negotiating skills to overcome bargaining problems and facilitate efficient cooperation would be particularly useful.[5]

Both migrant-sending and migrant-receiving countries could benefit by giving systematic attention to this avenue of action and by developing their analytical research to identify various areas of reciprocity, as well as their negotiating skills to overcome bargaining problems and facilitate efficient cooperation, be it at the bilateral, plurilateral or multilateral level.[6]

As for the role of a hegemonic power posited in regime theories, the situation has significantly evolved over time, signalling a gradual decline in the influence of one or more hegemonic powers in world politics, alongside the possible emergence of a multipolar world society. Not surprisingly, in recent years, several international

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management of migration more difficult. Thus, those who are anxious to defend human rights and those who care for good governance of human mobility have a common interest. Cf. Ghosh, 2008 (*Human Rights and Migration: The Missing Link,* THP and the University of Utrecht, The Hague/ Utrecht/Geneva

[5] For a discussion of the reasons why a multilateral framework enjoys certain advantages over bilateral and plurilateral settings, see Trachtman (2009), Chapter 9, and Ghosh, ed. (2000b), pp. 235–239.

[6] For a discussion of the reasons why a multilateral framework enjoys certain advantages over bilateral and plurilateral settings, see Trachtman (2009), Chapter 9, and Ghosh, ed. (2000b), pp. 235–239.

agreements or regimes were initiated and/or subsequently sustained by collective initiatives in the United Nations (despite the absence of any exclusive hegemonic support or even resistance from one or more hegemonic powers). In such cases, collective consensus-building among like-minded nations rather than hegemonic leadership had been the driving force. The increasing importance of the G20 in improving the governance of the financial sector is indicative of this trend.

If mutual confidence and commonality as well as reciprocity of interests are essential cornerstones of durable international cooperation in managing migration, a multilateral framework, based on a set of negotiated and transparent norms and principles, is clearly the best means to achieve this.

What will the overall framework of cooperation look like?

The overall framework of cooperation will be built on three main pillars: shared objectives, a set of agreed-upon principles or norms, and improved institutional arrangements at the global level for better coordination of migration management.[7]

The overall objectives of such cooperation would be to help ensure that the movement of people becomes more orderly, predictable, and humane, and thus more manageable. Based on the principle of regulated openness and sustained by mutual cooperation between nations, the new arrangement will serve as a mechanism to help avoid knee-jerk reactions to a crisis-driven, temporary fall in labour demand or a sudden rise in emigration pressure. Through coordinated inter-state action, the new arrangement will seek to bring emigration pressures and opportunities for legal entry into a state of dynamic and sustainable harmony. In doing so, it will balance the needs and interests of sending, receiving, and transit countries and of the migrants themselves. The main tenets underpinning the whole approach include the following:

A. Labour-abundant origin countries shall take all necessary steps to reduce the pressure for disorderly and unwanted or irregular migration. Migrant-receiving countries, for their part, shall take appropriate measures to support the efforts of origin countries to reduce pressures for disorderly migration. In addition, they shall provide

[7] For a more detailed discussion, see Ghosh (2007) in *"Essays on the Free Movement of People,"* UNESCO, pp. 97–118.

new opportunities for legal entry to meet their labour market and demographic needs, both current and projected. Both groups will meet their humanitarian and human rights obligations under major international instruments.

B. Both groups of countries shall adhere to a set of specific guidelines or norms to ensure coherence of policies and action to attain the above objectives. All countries will retain their basic right to determine the level of immigration in a flexible manner, but they will be guided by an agreed-upon set of principles and norms. The responsibility of regulating openness in migration will thus rest with, and be shared between origin and destination countries. To avoid policy contradictions at home or abroad, all countries shall ensure that the above migration policy objectives are, as far as possible, factored into the formulation of policies in other related areas such as trade, aid, investment, human rights and the environment.

C. All participating countries shall take measures to make migration control more cost-effective and minimize negative externalities, including inter-state tensions, associated with irregular and disruptive movements. They shall also enhance the credibility of the whole system of migration management by making national migration laws and practices more transparent and predictable.

D. The framework agreement shall be comprehensive to embrace all types of migratory flows, including labour migration, family reunification, asylum-seeking and other humanitarian flows, to avoid undue pressure on one channel and its clogging as a result of the diversion of migratory flows from some other channel or channels of entry. However, the agreement shall not supplant existing international instruments on various flows, but may reinforce or supplement any of their provisions, if necessary, to better achieve its overall objectives.

E. The adoption of the overall framework agreement should go hand-in-hand with better institutional arrangements, which are at present highly fragmented, at the global level[8] to ensure a more coordinated

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[8] The scenario envisaged here is similar to the situation that combined the adoption of the 1951 United Nations Convention relating to the Status of Refugees with the establishment of the Office of the United Nations High Commissioner for Refugees. A roughly analogous example is the transformation of the General Agreement on Tariffs and Trade (GATT) into the World Trade Organization (WTO) alongside the signing of the Uruguay Round trade agreement.

approach to migration management, including promotion of follow-up normative work and monitoring of the agreed instruments.

Forms of new inter-state cooperation

As mentioned, the framework agreement shall be comprehensive to embrace all types of migratory flows. Given the links between different types of migratory flows and the mixed motivations that often drive these flows, it is difficult to ensure effective management of any one of them in isolation. To illustrate, over the years, the UNHCR has expressed its frustration over the difficulties of maintaining the integrity of the channel for asylum-seeking (refugee flows), as the channel was being clogged by those who were actually labour or economically motivated migrants. The converse is also true. The channel for entry of bona fide labour migrants could become clogged if there are fault lines in other channels of migration. Experience has shown that in such situations, the problem of "category jumping" could be serious enough to thwart orderly migration. This underlines the critical importance of a comprehensive policy embracing all of the different types of migration, not just labour migration.

On the other hand, it is equally clear that each major type of migration has its own distinctive features and impacts, and that they are not amenable to the same kind of normative treatment. Ideally, therefore, future inter-state cooperation should take the form of an overall framework agreement as a soft instrument (e.g. a solemn declaration). This should be supported and supplemented by a set of autonomous but interrelated sub-regimes in the form of soft and hard instruments, depending on the nature of the issues covered. Labour migration and refugee flows, for example, will be treated under separate agreements. However, each of such agreements must be fully attuned to the broad objectives and principles of the overall framework agreement. The same would apply to specific issues of major importance such as migrants' human rights and integration.

The interlocking of the two approaches within a common framework will constitute a critical nexus needed to ensure coherence and effectiveness of migration management. Issues of migrants' human rights or integration, for example, are easier to handle when migration flows are orderly and predictable than when they are forced, disorderly, or unwanted. Conversely, when migrants' human rights are respected and migrant integration is effective and successful, it does help in making migration free of internal or external tension and thus more manageable. The arrangement will thus take the form of a mosaic of autonomous but interrelated hard and soft instruments geared to a set of common objectives mentioned above.

Cooperative management of labour migration as part of a wider framework of interstate cooperation on human mobility

In a study on economic migration, Joel Trachtman at the Fletcher School of Law and Diplomacy has drawn up the structure of a multilateral legal framework for labour migration, within which states could negotiate commitments based on reciprocity of interests and unlock significant mutual and global welfare gains as foreseen above (Trachtman, 2009). This fits well into the overall framework for interstate cooperation on human mobility as outlined above. In preparing the legal basis for negotiating multilateral commitments, Professor Trachtman follows a positive list approach (under which each negotiating state specifies sectors or migration areas in which it would allow entry, taking into account its own conditions and interests) to commitments for openness. This thus ensures both the flexibility and gradualness of approach to openness and makes it politically more realistic.[9] At the same time, given that under the overall agreement each state is expected to be guided by a set of agreed norms and principles, the arrangement safeguards full coherence in the approach and objectives underlying the negotiation on labour migration and the general agreement on migration.

Global vis-à-vis regional approach: a false dichotomy

If closer inter-state co-operation is central to the coordinated approach to migration management as envisioned above, how best to achieve this? Would it not be easier to develop such cooperation, at least at the initial stages, through regional initiatives such as the "the regional consultative processes"?[10]

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[9] This is very much in line with the principle of "regulated openness" as envisioned under a predecessor global project, "A New International Regime for Orderly Movement of People (NIROMP)," supported by the United Nations and several European governments. See also Ghosh's foreword in Trachtman (2009).

[10] Regional consultative processes are non-binding consultative arrangements to bring together representatives of states, regional and international organizations and, in some cases, NGOs and other stakeholders at a regional level to discuss migration issues and explore possibilities of co-operation. Examples include: the Budapest Process in South Eastern Europe and the Puebla Process in North and Middle America.

Depending on how they are designed, regional arrangements could be stumbling blocks or building blocks for establishing a harmonized global approach to migration management. Clearly, the regional approach has several advantages. For instance, confidence-building is no doubt an essential first step towards a multilaterally harmonized policy approach. It is perhaps equally true that building such confidence is generally less difficult within a relatively small group of contiguous countries than on a global level. However, if this argument is valid, so are the limitations of an exclusively regional approach. Migration is now a veritable global process. Movements of people do not stop at the frontiers of geographic regions; and the direction of the flows can change rapidly. An exclusive regional approach cannot therefore adequately meet the challenge of contemporary migration. Intra-regional migration asymmetry – the gap between emigration pressure and intakes of migrants – is often too striking to be contained or managed within the limits of each geographic region.

There is also the additional danger that different regions might follow different policies and norms for admission and protection of migrants. If this happens, the situation could be quite messy. For example, it is most likely that migration flows will then be diverted to the region which has the most liberal migration regime or has the least effective immigration control. This can easily lead to inter-regional tension and friction and threaten global stability. Another problem with the free-standing regional approach is that, contrary the premise that it is easier to build mutual confidence within a group of contiguous countries, experience shows that wide intra-regional disparities often serve as a potential source of suspicion and mistrust among the member countries. This is more so when there are one or two hegemonic powers within a specific region. Economically less affluent and politically less powerful states are then likely to be fearful of the dominant states and the leverage they enjoy in any regional negotiation.

This said, if the regional initiatives are fully attuned to the global arrangement, share and subscribe to the same basic objectives and principles, and thus have a common frame of reference as outlined above, many of the limitations of the regional approach could be overcome. The regional initiatives can then draw support from the global arrangement and at the same time help strengthen it: the two approaches become mutually reinforcing.

Admittedly, as long as there are sharp economic and demographic imbalances between rich and poor countries, there is likely to be some tension in managing migration. However, the pre-existence of a multilaterally agreed-upon framework which is both comprehensive and flexible should help in redressing much of any such tension and also in responding to any future shocks in the global economy, including those that may stem from climate change.

Numbers versus rights: How valid is the premise?

The merits of the approach underlying the proposed overall agreement on cooperative management of human mobility can be seen in the context of some of the issues being raised in the contemporary debate on international migration. For instance, it has been argued by some that there is an essential incompatibility between "numbers" and "rights": the greater the number of migrants through openness, the greater the risk of erosion of their rights and dilution of their entitlements. True, as discussed in this study, when origin-country governments aggressively try to promote markets abroad for their labour migrants, as some have been doing because of the recession-driven decline in labour demand, there is a real risk that they might be less exigent about the treatment of their migrants by host-country governments.

It is important to note, however, that several of the same origin-country governments are claiming that they have also stepped up vigilance against infringement of the rights of their migrants abroad. This apart, the numbers-versus-rights dichotomy does not stand the test of the actual facts at least as a general premise. As a UNDP report (2009)[11] noted, there is little cross-country evidence to support the hypothesis. Countries that have more migrants relative to the local population are often found to provide more rights and entitlements to migrants, and those which have seen an increase in their share of migrants over time have not necessarily cut back on migrants' rights and entitlements.[12]

This is not surprising for several reasons:

First, the treatment extended by the host society and its government to immigrants is not just a matter of numbers of migrants. It is largely a reflection of its general attitude towards human rights and values as well; and the latter is shaped by a litany of factors, including the host

[11] UNDP, *Human Development Report: Overcoming Barriers – Human Development and Mobility,* Palgrave/Macmillan, 2010.

[12] It is interesting to note that according to the Migrant Integration Index (MIPEX) the countries that grant more equal rights to immigrants tend to have more people who support equal rights to migrants and se the befits of immigration to society. Thomas Huddleston, MIPEX, July 2012.

society's own historical experience, tradition and culture, and internal social structure.

Second, the surrounding economic and political realities also matter. Consequently, attitudes towards migrants can change from time to time. As the long and chequered American history of immigration shows, in times of economic growth and prosperity as well as political stability and peace, a host society tends to be more generous towards immigrants, but less so in times of economic decline and political insecurity.

Third, and no less important, are the characteristics of immigrants. Levels of skills and income, for example, can make a difference in terms of the acceptance and treatment of immigrants in the host society. As discussed in this study, skilled migrants generally are more easily accepted and they usually enjoy preferential treatment. What is even more crucial is the degree of the actual or perceived "otherness" of immigrants in terms of ethnicity, religion, language, social and cultural traits, and behaviour. When migrants sharply differ from the local population in these respects, the host society may fear losing its identity in the face of a large influx of migrants, and this fear can gain the upper hand over the "taste for diversity." In such situations, a host society may well be more stringent in according rights and entitlements to migrants, and the "numbers versus rights" hypothesis may then have a degree of validity.

The proposed overall agreement contains built-in safeguards against this potential risk in two ways. First, it specifically provides for state commitments on the protection of migrants' human and labour rights in keeping with major international instruments. Second, insofar as the agreement ensures orderliness and predictability of inflows and enables a destination country to avoid unwanted intakes, the "numbers versus rights" hypothesis ceases to be an issue. It provides a built-in and pre-emptive safeguard against the potential risk linked to unwanted numbers.

Is an exclusive demand-based approach to migration management adequate and sustainable?

The merits of the proposed overall agreement can also be appraised against the demand-side approach to migration management. A demand-based approach to openness in migration is sometimes advocated as a way of improving migration governance. During the EU's Swedish presidency in 2009, this approach was given a lot of prominence in the migration policy debate. In advocating for openness, especially for low-skilled migrants, a 2009 UNDP report (mentioned above) also suggested that this approach should be made "conditional on local demand."

It should not be forgotten, however, that a number of destination countries have already been following several variants, both direct and indirect, of the demand-based approach as part of their immigration policy. The tools deployed include: labour market tests, forecasts of future labour needs, use of labour shortage lists, application of a points system, and the like. The importance of ensuring that the intake of migrants by a receiving country closely matches its labour needs is beyond doubt, but how adequate is the approach in and by itself to ensure the sound overall management of migration?

Experience has shown several limitations of the approach. One of the main difficulties in relying solely on it centres on the accuracy and reliability of the methodology used to assess and, especially, forecast the labour needs of a complex economy. There is general agreement that needs assessment must not be a bureaucratic exercise, nor must it be politicized. However, even with the active participation of independent expert groups and employers' organizations, assessments of future needs can go wrong because of high market volatility and rapid technological change. The boom and bust in an economy or a sector, as experienced, for example, in the IT sector in 2000–2001, can put even a carefully crafted assessment of future needs in disarray. The time gap between the assessment and the actual processing of applications for labour migrants can make the matter worse.

A rapid expansion of the informal sector in both rich and poor countries, accelerated by the economic crisis, presents another serious problem for an exclusive, demand-based approach to migration management. The informal economy, in which many small and marginal firms have subcontracting arrangements with well-reputed companies in the organized sector, accounts for a relatively large part of the total labour employed in a good number of countries. Many of them thrive (or try to survive) mostly by avoiding taxes and using cheap, docile and, to a large extent, irregular immigrant labour. Economic difficulties may make the situation worse as some employers who, in normal times, would not hire irregular migrants, may do so during an economic downturn in order to reduce labour costs (Bustamante, 1993).[13] How does an exclusive demand-based approach handle this "distorted labour demand" (as I have called it elsewhere)? (Ghosh 1998).[14] For obvious reasons, this part of labour demand is not likely to be included in a labour needs assessment exercise, and the serious and growing problem

[13] Jorge Bustamante, *Undocumented Migration: A Theoretical/Methodological Framework,* OECD, Paris, 1993.

[14] Ghosh, 1998, op. cit.

of the use of irregular immigrant labour in the informal sector will remain untouched and unabated.

This apart, what makes an exclusive, demand-based policy of migration management both inadequate and unsustainable is its narrow, uni-dimensional approach, as it deals only with cross-border labour migration and disregards all other migratory flows. However, as discussed earlier, given the close interconnection between different streams of migration, the fault lines in any of them can adversely affect the functioning of one or more of the other channels (Ghosh, 2000a). This highlights the need for a comprehensive policy approach embracing all of the different types of migration, not just labour migration.

Finally, even in dealing only with labour migration, the demand-based policy remains inadequate as it ignores the supply side and makes little attempt to bring the mismatch between the demand for migrant labour and the rising pressures for emigration into dynamic harmony. To achieve this, action needs to be taken at both ends of the flow by destination as well as origin countries within a coherent policy. An approach that ignores the supply side (or emigration pressure) and is confined to the demand-side alone cannot do this.

The proposed overall framework of multilateral cooperation responds to both the problems mentioned above. Unlike the uni-dimensional, demand-based approach, it is comprehensive enough to cover different types of migration within a coherent policy approach. Also, it recognizes the need for concerted action at both ends of the flows (covering both demand-pull and supply-push) to redress the migration mismatch and lays down a set of principles as a basis for joint efforts by all principal actors to achieve this.

Turning the present crisis into a new opportunity for the future?

Human mobility is a structural aspect of globalization and a concomitant feature of the evolving world society. It holds great potential to promote efficiency gains and economic growth, enhance social progress and human welfare and foster international understanding. It can also be a powerful source of flourishing human culture. But its full potential can be realized only when it is orderly, predictable and cooperatively managed. Badly managed, and bereft of policy coherence, these potentials are forgone. Worse still, it can lead to perverse results: aside from being financially wasteful, it can create social conflict, lead to interstate tension and retard economic growth and world economic recovery.

Further, since, unlike other economic flows, migration directly touches human beings, when badly managed, the human cost could be high: it can cause enormous hardships and suffering and tragic loss of human life, as endless recent reports have so luridly revealed.

Sadly, however, the world leaders have so far glossed over the issues of migration as a global process. They have given, albeit often belatedly and in a rather perfunctory manner, attention to migration only when there have been some major crises such as mass expulsion of migrants, huge refugee flows, or large scale ethno-political conflicts causing internal and external displacement and threatening global security.

But things may be changing. The global economic crisis has pushed the nations to recognize the importance of policy coordination in a fast moving globalizing world. They had waited too long until a full blown crisis developed in the financial sector. But then they hastened to join hands in the Group of 20 and committed themselves to working closely to develop a framework of cooperation to better manage financial flows.

Understandably, the work of the Group of 20 is not going to be easy, but its initiative has already created a climate which is more conducive than ever before for undertaking similar cooperative action to better manage migration. Especially so, since in times of crises just as nations could become panicky, short-sighted, and inward- looking, they also tend to become more willing to accept change.

Joint action to address the pressing migration issues related to the current economic crisis, as suggested in Chapter 5 of this study, can set the course for turning the crisis into a new opportunity. It can pave the way for nations to establish an agreed multilateral cooperative arrangement which promotes mutual confidence and policy coherence, and makes human mobility more orderly and predictable – an arrangement which is also well positioned to withstand future shocks. Aside from calls from several international commissions for such an arrangement, some groundwork has already been done to this end.[15] The goal is certainly within our reach. However, much depends on whether nations – not just governments, but also the other principal actors, notably civil society and the private sector – are prepared to seriously take up the challenge of international migration. If they are ready to do so, now is the time for them to get engaged.

[15] Ghosh, 2009. op. cit.

Annex: Foreword by William Swing and Peter Sutherland, 2010

The corrosive effects of the Great Recession – the worst since the 1930s – on labour markets and workforces are now widely known. These in turn are driving changes in migration policies and patterns – changes that can significantly influence social peace, interstate relations, and the pace of global economic recovery. Yet these migration issues have thus far received little attention, with recession-related policy debates and public discussions mostly focused on financial rules and reform. Into this void comes Bimal Ghosh's new book, jointly sponsored by the International Organization for Migration (IOM) and the Hague Process on Refugees and Migration, which bridges the policy gap and offers a fresh outlook on the future of migration.

In exploring the recession's impact on migration policies and patterns, Professor Ghosh examines the decline in economic growth – including international trade, capital flows, development aid, and remittances – and analyzes links to joblessness and incomes, poverty and inequality, and changes in the labour force. The discussion draws on experiences of past recessions showing that job-market recovery takes longer than economic recovery. He then examines how these trends – and government reactions to them in both rich and poor countries – have been influencing migration overall.

What might be the recession's impact on migration patterns in origin and destination countries? The portents are many. For instance, destination countries might restrain new immigration in line with falling labour demand. When such measures are driven by panic or populist pressures, and impose undue and indiscriminate restrictions on immigration, countries could pay a heavy price in future growth. Of course, such constraints also could hurt origin countries as well.

Although irregular migration has fallen during the recession, Professor Ghosh argues that this trend could rapidly reverse if poorer countries are slow to recover. In the absence of opportunities for legal entry, those seeking to emigrate are most likely to opt for irregular channels, encouraging smugglers and traffickers.

Other worrisome trends also are cause for concern: in times of economic difficulty, tolerance of foreigners tends to decline. As competition for jobs and resources increases, the black economy expands, and the social underclass of irregular migrants grows, the danger of discrimination rises, too. There are already signs of this in many countries. Worse still, the author adds, if this leads to widespread resentment of foreigners and gives rise to xenophobia, it could sow the seeds of social conflict and tensions in interstate relations.

But none of these potential dangers is inevitable, says Professor Ghosh, and they can be minimized through timely preventive measures. He proposes insightful, well-articulated measures including: the adoption of flexible immigration policies congruent with current and anticipated labour needs; the avoidance of populist, inward-looking policies, including trade protectionism; and proactive labour-market measures. Special emphasis is laid on direct job creation. He also urges origin countries to anticipate and prepare for an increase in return migration, establishing programmes for those who wish to resettle at home, as well as for those who seek to be redeployed when the recovery begins.

For poor countries heavily dependent on remittances, meanwhile, Professor Ghosh makes a powerful plea for earmarking quickly deliverable international funds to help tide them over current imbalances. He also stresses the more effective use of remittances, alongside intensive efforts to diversify sources of external financial inflows.

Bimal Ghosh ends his book with thoughts on how nations can turn the present crisis into a great opportunity for laying the basis for the sound management of human mobility in the future. He urges them to press ahead and develop an agreed-upon framework of multilateral cooperation to improve the governance of human movement – just as they have been striving to do, in the wake of the recession, to better manage global financial flows.

Academics, policy-makers and professionals, as well as civil society actors, will find this thoughtful, forward-looking, and lucidly written study valuable as a reference for better understand the impact of current and future economic crises on migration and the possible ways of responding to it.

As fellow members of The Club of The Hague on Refugees and Migration, we encourage their reflection on it.

Peter Sutherland
William Swing
United Nations Special Director General, IOM
Representative on Migration and Development

Glossary

The terms “rich” (or “developed”) countries, “advanced economies” and “(countries in) the North” are used interchangeably and refer to the original member countries of the OECD, excluding Turkey: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, and United States.

The terms “poor” or “developing” countries and “(countries in) the South” are used interchangeably and refer to all countries other than those mentioned above.

Unless otherwise specified, “emerging” economies (or countries) refer to a group of some 25 rapidly growing developing countries which are progressing towards becoming advanced in terms of openness in trade and investment and liquidity in their debt and equity markets and are also marked by dynamism and relatively high rates of economic growth. They roughly correspond, with marginal adjustments, to those included in the lists established by entities such as Morgan Stanley, Standard and Poor, Dow Jones and *The Economist*.

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