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***Keynote Address***

**Vulnerability of migration policy to economic shocks  
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**Crisis reducing flows of capital, goods and labour**

Not since the Great Depression has the world seen an economic crisis of the magnitude we are encountering at the moment. The current crisis has exposed in a dramatic fashion the degree to which global financial markets have become integrated and the risks that such globalization entails. We are now seeing a reduction of capital flows, of commodity trade, and of the cross-border movements of people. Capital movements were the first to decline with the collapse of some of the world's largest financial institutions. Trade followed very quickly as capital sought more secure havens, raising risk premiums and making prohibitively costly normal processes of international trade. Global trade finance has already shrunk by 40 percent in the last quarter of 2008 compared to the same period in 2007. What will happen to migration is still a big question, even if it is already evident that the recent acceleration of migrant flows is over and we are entering a period of uncertainty.

The current level of world trade is already 15 percent lower than a year ago and predictions for the whole of this year are even worse. The past year saw the largest contraction of exports since 1970. The ILO predicted that the global toll on jobs may be as much as 30 million. In the club of rich countries represented by OECD 22 million jobs are expected to disappear between 2008 and 2010. The US alone has already lost some 6 million jobs since the end of 2007. In the EU some 8.5 million jobs are forecast to be lost between 2008 and 2010, more than wiping out the 6 million jobs created in the preceding 2 years. Unemployment rate in the European Union is now projected to reach 10.9 percent, the highest in several decades.

The impact of the crisis on some developing economies has been even more severe than on the US where it started. The ILO estimated that if world's GDP growth falls by 1 percent 20 million more people will be below the poverty line. Note that the world GDP must grow by at least 4 percent a year to provide jobs for 45 million workers who join the LF every year. In Asia and Latin America where per capita incomes have risen spectacularly over the past decade due to the growth of world trade, several countries have suffered the double shock of not being able to sell their products to the big markets abroad and by the withdrawal of capital by jittery foreign investors. The exports of 10 ASEAN countries which were growing at 18 percent a year just before the crisis

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are expected not only to stop growing but instead to decline by as much as 24 percent this year.

Soon after the mortgage market bubble burst in the US and brought down some of the largest financial houses on Wall Street and caused panic in the world's financial centres from New York, to London, Zurich, Tokyo, and Singapore, the world media was headlining alarming reports about impending mass return or repatriation of migrants because they are seen to be concentrated in vulnerable sectors. Unfortunately many of these reports have been based on nothing more than back of the envelope estimates. Last October I remember many newspapers came out with pictures of migrant workers lined up to board planes bound for their home countries. Various international agencies had to scramble for a response. I was then in the ILO in Bangkok and had also to make a quick and dirty survey of what was going on especially how many workers have lost their jobs.

With world trade hamstrung by inability of banks to continue financing exports and imports, remittances naturally received a great deal of attention. Everyone started asking how much the rapid growth of remittances flowing to developing countries would decline as migrants are sent home and new migration flows are blocked.

### **Crisis may have set back development of global architecture for managing migration**

Things in this modern age can change so quickly overnight.

Before this crisis erupted, the cross-border movement of people has, I thought, already found a prominent and rightful place in the world's development agenda. This was evident from a number of important reports that gave prominence to the nexus between migration and development. One came from an unexpected source - the World Bank's 2003 annual report "Global Development Finance" which showed that migrants' remittances were rivaling foreign aid as a large and stable source of development finance for many countries of the Third World. Another was the report of the Global Commission on the Social Dimensions of Globalization which came out a year later citing the benefits from migration and urging for a multilateral framework that would allow for freer movements of workers across borders.

A third was even more surprising. You all recall that just before he stepped down as Secretary General of the UN Mr. Kofi Annan convened a High Level Dialogue on Migration and Development in New York. That Dialogue, attended by many heads of states, broke the resistance of many of the world's most advanced countries to having a global summit on the subject. The consensus gave birth to an initiative of governments to establish outside the UN a Global Forum on Migration and Development, where migration policy makers and practitioners could exchange experiences on the most practical ways of managing this growing phenomenon which, because it involves human beings, entail far more challenges for societies than simply opening up to imported commodities from other countries.

The intellectual underpinnings behind this new enthusiasm about migration came from many sources, no doubt also from contributions of some scholars in this very room. I do wish to mention one significant research. At about the time the World Bank came out with its estimates of remittances, Alan Winters and his colleagues in Sussex University came up with a study that first made the bold assertion that liberalizing the cross-border flows of people can in fact beat the liberalization of trade in increasing potential gains from globalization. He estimated that if migration from developing countries were to increase enough to boost the labor force of high-income countries by 3 percent, the annual welfare gains globally would be in the order of \$356 billion a year, comparable to all the gains that one could expect to realize if all barriers to merchandise trade are eliminated. This finding from a study that was in fact commissioned by the main proponent of liberalizing trade, UNCTAD, gave the international community a new prism through which one should view migration, a phenomenon which as you know has in the eyes of many been seen as a troublesome but necessary evil.

With this new, more positive optic, it has become easier to put migration on the international cooperation agenda, to invite serious consideration by states, if not of new international norms, at least of frameworks based on already accepted norms for managing migration. I thought that we were as close as we have ever been in reaching some agreement on discussing a global architecture for managing the cross-border movements of people. There was the Berne Initiative, The Hague Declaration, the Global Commission on International Migration, the ILO's rights-based Multilateral Framework on Migration, the coming into force of the 1990 UN Convention on Migrant Workers, and the Global Forum on Migration and Development. Through its conferences METROPOLIS has no doubt also contributed to generating a better understanding of the possibilities for cooperation among states in this sphere.

### **Countries adjusting to crisis by closing doors to migration**

Because of the anxieties about jobs that the crisis has caused, the climate for migration has once again darkened. Voices clamoring for closing borders to more immigration are no longer just from a vocal anti-immigration political minority, but now even from the more moderate majority. Indeed there are today much less opportunities for legally migrating to another country than even a year ago, and certainly compared to the middle of this decade. Since the start of the economic slowdown last year temporary worker admission programs have been cut down or frozen in several OECD countries, and in some emerging economies. Unlike in the past campaigns against the employment of the undocumented are now being pursued with vigor. There are even mounting concerns that xenophobia is again on the rise, threatening the gains already made in many countries in establishing more inclusive social policies.

Let me state briefly what I intend to elaborate on:

1. The crisis will slow down migration flows in the short-term, but the secular trend towards growing migration will no doubt continue;
2. The danger is that the crisis may trigger anti-immigration policies and roll back many of the improvements in integration policies and in cooperation among

states for managing migration. If it happens, it will have adverse consequences for migrants and for development;

3. We are faced with the challenge of developing a better understanding how states can protect nationals during the crisis without prejudice to the rights and well being of migrants.

### **Migration flows declining in the short-term but secular rise should continue**

So by how much has the economic crisis actually reduced migration flows?

Before hazarding an estimate of the dimensions we should be clear about what effects the current economic crisis will have on migrants and on migration. It is clear enough that the global economic downturn has reduced the demand for labour and raised unemployment levels. The destruction of 8 million jobs in the EU will no doubt exact its toll on the population of migrants.

The rise in unemployment has typically lagged behind declines in output as employers tend to hold on to their workers preferring instead to cut working hours and reducing wages. So economists are saying that we will only be seeing the full impact of the crisis on jobs later this year.

Migration inflows to EU 25 plus Switzerland and Norway had grown by 5.5 percent a year over most of the current decade, and by close to 6 percent to North America. If migration flows are kept at pre-crisis levels, meaning zero growth, then we should still be seeing some 6 million migrants crossing borders every year to these destinations from all sources. In Asia, migration flows are much less closely monitored by receiving states but source countries report outflows of migrant workers of over 5 million a year during most of this decade. Most of these movements however are temporary in nature.

Migrants will suffer a larger burden of the adjustments to the crisis than native workers. The OECD undertook an exercise to compare how many of the foreign born in the US have lost their jobs between 2007 and 2008 with the number who would have lost their jobs had their employment followed the same path as that of native-born Americans. The results are very insightful. There were some 940,000 less foreign-born employed in 2008 compared to 2007, but had their employment dynamics been the same as that of native-born American workers, the drop in their employment would have been less than half of the actual drop – or some 423,000.

In considering the impact on migration I think it is important to take into account also the impact of the economic crisis on the supply-side of the equation. One may be termed the “discouraged migration effect”. How many would have joined the ranks of migration candidates had the crisis not happened? Rising unemployment, declining wages, and stricter immigration laws and measures in destination countries makes migration more risky and less remunerative, and everything else constant, should convince many to forego, or at least postpone, migrating to other countries.

In the source countries, rising unemployment and reduced incomes has two possible mutually-offsetting effects – one is to prompt many to seek opportunities abroad but the other is to reduce the ability or capacity of many would-be migrants to finance the move.

It is interesting that during the height of the Asian financial crisis there was a spike in the emigration of Thai workers as families sought more ways of generating income. Thailand is a middle-income country where many families could still afford to finance migration, but migration from much poorer countries, or from poorer sectors of the population, probably declined.

State policies do matter, and during a period of economic slump one should expect that regular admissions will decline. With greater measures taken by states to control their borders clandestine entries are sure to decline, even if some migrant populations shift from being regular to irregular status as their visas expire.

One must however not lose sight of the fact that the structural factors behind the secular trend of rising migration are not going to change with the crisis. The fundamental driving forces remain strong and are sure to acquire even greater force over the coming decades. Economic historians Jeffrey Williamson and Timothy Hatton have examined the conditions that led to the earlier phenomena of mass migration from Europe across the Atlantic in the late 19<sup>th</sup> century – wide income differentials, fast growth of population in source countries, and declining cost of movement and came to the conclusion that similar conditions avail today especially when looking at migration potential from Africa.

The stock of migrants in high-income countries quadrupled between 1960 and 2005 (from about 30 to 123 million) and the UN Population Division projects it to rise another 10 million (to 133 million) in 2010. The stock in developing countries rose from 43 million in 1960 to 72 million in 2005 and is projected to rise to 81 million in 2010. These projections have already taken into account the structural factors that shape migration over the long-run. The current crisis may cause a slight break in the trend but I doubt if it will do so more than for just a brief moment.

### **Crisis could lead to “protectionist” policies in migration**

What then should concern us about the recent economic shocks, if any should concern us at all?

To my mind what should concern all of us is not the likely short-run impact of the crisis – but the reversal of an earlier trend towards liberalizing the movements of people across borders and an end to any possibility of designing a global architecture for managing this important dimension of globalization. In my view it is not the vulnerability of migration but the vulnerability of migration policies to economic shocks that pose the gravest danger. This vulnerability could mean reversing much of the hard earned progress made in the sound governance of migration.

Economic historians tell us that macroeconomic conditions like those present during an economic crisis may be the triggering mechanism for the introduction of long-term policies already in the making. The Great Depression, according to Hatton and Williamson, triggered the tough restrictions in Australia in 1930, in New Zealand in 1931, and in Canada in 1932.

You will recall that the oil crisis of 1973-74 triggered by an oil embargo against the US for its support to Israel in the Yom Kipur War led to a prolonged recession in much of

the western economies. That crisis and the economic shocks that emanated from it marked the end of well-organized labour migration programs in Europe. Germany, France, Belgium and The Netherlands quietly ended their “guest-worker” programs which had previously brought in workers from southern Europe, Turkey, the Maghreb, the former Yugoslavia and beyond. It also marked the beginning of growing irregular movements, the politicization of migration questions as governments were seen to lose control over borders, and the surfacing of the ugly face of racism and xenophobia.

A natural response in some quarters is to say that granting too many rights to migrants will make it that much harder to give nationals first call on jobs once there is a sharp increase in unemployment. Given the depth that unemployment has reached in some countries where many national workers are discouraged from even actively searching for work, one can only expect such views to have a strong resonance among policy makers. There is a serious danger that the crisis will lead to rolling back of many of the improvements adopted over the past years

- to open wider doors to regular immigration of foreign workers who are taking up low to unskilled jobs,
- to allow those admitted to change status to one that gives more permanence,
- to allow those admitted to change jobs and more freedom of movement within labour markets,
- to grant temporary migrants the right to family reunification,
- to have regularization campaigns that do not include too many disqualifications.

The treatment a migrant receives is always related to how he or she has been admitted. On the one hand you have the full equality of rights for those admitted as permanent settlers. On the other hand you have those admitted only for very temporary periods. As you know there has already been a growing trend in favor of expanding temporary guest worker programmes, often at the expense of family reunification. The former, it is argued, offers greater labour market flexibility as well as a chance to deliberately and administratively upgrade skills in labour supply. The current crisis has added more adherents to advocates of limiting rights of migrants to stay, and through caps on yearly admissions, limiting the rights of settlers to bring in more family members.

Even where permanent settlement is not an option, the current crisis has seen more calls for increasing the capacity of national authorities to more quickly reduce the number of foreign workers by making the right to residence conditional on having a job. Once you lose your job, you also lose your right to stay. An unemployed migrant will sooner or later become a burden to the rest of society so it is best to send them home the moment they are laid off by their employers. Never mind that the migrants often invest substantial sums in order to get their jobs in a foreign country.

The changing sentiments appear particularly harsh on migrants categorized as having low skills who may be standing on the way of opening more jobs for native workers. You know that there has been much debate in the US and elsewhere over the need to change policies because of the declining quality of new immigrants and what it means to their successful integration in host societies and economies. The policy response of some countries to the crisis is to immediately freeze recruitment of the less-skilled, but

to continue (and in some cases expand) the admission of the more skilled. It is not very clear whether or not such is actually warranted by what happens in the market for jobs but there is wide acceptance of the notion that a country is always much better off with less of the unskilled foreigners around.

In other parts of the world where immigration is limited to guest workers the measures being considered are those aimed at immediate replacement (and thus return) of foreign workers. We have read of the levy or head tax imposed on hiring foreign workers being raised in the aftermath of the crisis. In some countries the impact will be enormous. In Malaysia the employers federation protested that such an increase will cause the loss of jobs of some 230,000 foreign workers employed by small employers especially in tourism, services and petty trade.

There has been a long-standing debate over the wisdom of measures to regularize the status of undocumented foreign workers. Those who favored regularization argued that the economy needed such workers but keeping them in the shadows simply makes them vulnerable to exploitation and undermines the bargaining position of all workers. The present crisis has however weakened the argument that the economy needs such workers, and reduced opposition to stronger measures against illegal migration including their expulsion.

### **We need to develop defenses against shocks leading to protectionism**

The number of economic crises that have buffeted many countries over the current phase of globalization suggests that we should expect to see much more vulnerability of countries to external shocks. It is the natural consequence of growing global integration. After the oil price shock of the seventies there were all sorts of economic crises precipitated by massive flows of speculative capital - in Chile, in the Nordic countries especially Finland, in Mexico, in Asia, in the Russian Federation, and in Turkey and Argentina. Unlike in the past, today no country is immune from what happens in far away regions. Brazil's economy can be affected by what happens in Thailand, and of course no country is immune from what happens in the US, in the EU, Japan or China.

Do we have the defenses to insure that future shocks will not trigger the return to protectionist, anti-immigration policies of the past? Do we have the defenses to protect the gains, little as they may still be, in promoting a possible architecture for a global migration regime?

The pressing challenge to this community of migration specialists and scholars is, to my mind, to develop and share a better understanding of how states can protect the wellbeing and security of their citizens during a crisis, without closing the doors to new comers, without reducing their chances of integration because of discrimination, without denying them the rights and entitlements that enable them to support their families and better contribute to the development of their origin countries.

In the first instance it is important to know if different approaches to immigration make a difference to how migrants cope with economic downturns. Are countries which have

larger doors to permanent settlers than to “guest workers” in a worse or better position to withstand economic shocks? The conventional assumption is that countries which operate temporary foreign worker programs are better able to adjust to fluctuations in labour demand. But has this been confirmed in the light of European experience? A number of countries where the discretionary component of immigration is small appear to have so far fared just as well as those with cycle-based immigration policies in withstanding and recovering from the economic downturn.

In my view one of the defining characteristics of migrants is their strong “coping” ability. Many leave countries where problems of economic and other forms of insecurity are endemic. What they need is an environment where they have an equal opportunity as others to apply their skills, motivation and guts to succeed or at least be gainfully employed. Evidently, policies which constrain them from applying themselves – like constraints on mobility in the labour market, exclusion from practicing their professions, limitation on participation in civic activities, and deprivation of rights to be joined by their families – will weaken their ability to ride out a recession and increase the chances that they will be a burden to host societies. A crisis is therefore the time to strengthen time-tested policies on social integration, not a time, if at all, to consider relaxing them.

It is important to understand how migrants serve as substitutes or complements for the employment of national workers. What role do they play in periods of economic recovery? Many nationals are not easily enticed to work for small enterprises especially those in sectors of industry that experience high volatility. So they depend on migrants. How important are such small businesses to economic recovery?

It is important to know what other policy tools outside of immigration have worked effectively to achieve immigration objectives without prejudice to achieving mutually beneficial, win-win outcomes for host and origin countries, and for the migrants especially. For example, are return programs built on using social security benefit payments as incentives for return working to the satisfaction of all parties?

Finally, we need to remember that policies tend to lag behind realities, and often times policies are put into effect when the economic situation that prompted them no longer exist. Policy makers need to keep in mind the dangers of introducing policy changes which could obstruct early recovery.

I wish to end with a more optimistic note. Happily, there seems to be increasing confidence that order has been restored in financial markets and next year may see more economies back in positive growth. Some have now started to refer to the crisis as The Great Recession.

The journey we have taken to get this far in reaching a consensus on the benefits of migration has been a long and difficult one. I hope that this current crisis will not fog our vision and lead us astray from our destination. Thank you for your attention.

