The Impact of the Global Financial Crisis on International Migration

by Khalid Koser

Economic and financial crises never fail to impact international migration patterns, processes, and policies. The Great Depression (1929-33) resulted in massive repatriations of Latin Americans from the United States and the introduction of highly restrictive immigration policies in a number of industrialized countries, including France and Canada.[1,2] The Oil Crisis (1973) resulted in severe restrictions on labor migration, a concomitant growth in asylum applications and irregular migration in Europe, and the emergence of new flows of labor migration to new industrial centers in Asia and Latin America.[3] As a result of the Asian financial crisis (1997-99), several Sotheast Asian countries introduced policies of national preference and sought to expel migrant workers.[4] The Russian financial crisis (1998) accelerated rates of emigration from Russia, in particular of Russian Jews and the highly-skilled.[5] The gravity of the Latin American financial crisis (1998-2002) also resulted in a significant exodus, in particular from Argentina.[6]

The recent global financial crisis can be expected to have just as significant an impact; not only because of the global reach and severity of the crisis, but also because international migration is more integrated in the global economy than ever before.[7] Growing disparities in development, the global jobs crisis, the segmentation of labor markets, revolutions in transportation and communications, and a burgeoning migration industry combine to explain why there is an unprecedented number of migrants in the world today, well over 200 million. There are about 86 million migrant workers worldwide, making a net annual contribution to the global economy of hundreds of billions and remitting home at least $300 billion each year.[8] A scarcity of highly skilled workers has created a global competition for talent. At the opposite end of the skills ladder, demand continues to grow for low-skilled workers within increasingly segmented economies. In many countries entire economic sectors such as agriculture, extractive industries, manufacturing and domestic services depend on migrant labor.[9] Irregular migration has also expanded, both in response to growing demand for unregulated labor and as a result of the growth of the migrant smuggling and human trafficking industries.

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Evidence on the impacts on international migration of the global financial crisis is emerging but still limited. In many parts of the world data are unavailable on recent migration trends, and even for those countries where data are available, they are limited. Some estimates on migrant flows and stocks of foreign workers exist, but virtually no evidence on other important issues such as integration and social protection. There is some disaggregation of the existing data according to the economic sector, but more detailed disaggregation for example on the basis of gender, age, or nationality is largely missing. Analysis is also hampered by the complexities of migration, as migratory impacts vary across economic sectors, migrant types, countries and regions; and by the difficulty in establishing causal relationships. What is more there is always a time-lag for data on migration and remittances. As a result, much of the existing evidence is in the form of policy and press reports.

INTERNATIONAL MIGRATION IS MORE INTEGRATED IN THE GLOBAL ECONOMY THAN EVER BEFORE.

Bearing in mind such reservations, the purpose of this article is to assess the impacts of the global financial crisis on international migration patterns, processes, and policies. The first part of the article reviews the evidence, considering impacts on employment, living, and working conditions for migrant workers; on return and reintegration; on developmental impacts; on irregular, student, and humanitarian migration; and on policy responses around the world. The second part considers what these impacts can tell us about the economic, social, and political significance of international migration in the contemporary world in multiple aspects including the scale, diversity and global reach of international migration; the significance of migrant labor for national economies and migrant remittances for poverty reduction and development; the nature of irregular migration; and the dynamics of popular and political reactions to migrants and migration.

THE IMPACT OF THE GLOBAL FINANCIAL CRISIS ON INTERNATIONAL MIGRATION

The global financial crisis has had an observable impact on international migration patterns, processes, and policies, across the following areas:

Employment, Working and Living Conditions

Job losses for migrant workers have been recorded around the world, especially in employment sectors that are most sensitive to economic cycles, such as: construction, manufacturing, financial services, retail, travel, and tourism.[10] Unemployment rates for foreign nationals have increased in the Russian Federation, Spain, Taiwan, the United Kingdom and the United States. In Malaysia and Singapore, labor market policies have been put in place to encourage employers to retrench migrant workers and then replace them with unemployed nationals. More significant than unemployment, however, are the deteriorating working and living conditions for migrant workers. There have been press reports from the Russian Federation, Malaysia and Singapore of reductions in wages, working days, and the availability of overtime, and even non-payment of wages to foreign workers. Sporadic instances of discrimination against migrant workers and a rise in xenophobia have also been recorded, particularly in Malaysia, Russia, Singapore, Spain, and the UK.

Return and Reintegration

Large-scale returns of unemployed workers are being reported, particularly from Dubai and other Gulf States to India. This is largely a result of the suspension of an estimated $582 billion worth of infrastructure projects. An estimated 45 percent of all construction workers (almost all foreign workers from South Asia) will be laid off in the United Arab Emirates in 2009.[11] Significant returns have also taken place from Malaysia to Indonesia, further swelling unemployment to an estimated unemployment rate of 7.7 percent.[12] Some European governments, for example in the Czech Republic and Spain, have introduced financial incentives to encourage unemployed migrants to return home.[13] In the Czech Republic, the policy targets migrant workers in the construction sector, while in Spain it focuses on migrants from non-EU countries with bilateral social security agreements with Spain. There is also evidence of the accelerated deportation of irregular migrants from Malaysia. In response to the likelihood of returns, the governments of the Philippines, Bangladesh, and Sri Lanka have all introduced assistance packages to support returning migrants.

Remittances and Development Impacts

For the first time in at least twenty years, the World Bank has predicted a decline in remittance flows. For 2009, the World Bank is predicting a 6.1 percent decline, compared with a growth rate of 6.7 percent in 2008.[14] In addition, fluctuations in exchange rates affecting currencies in significant destination countries (for example the US dollar, pound sterling, and the Russian ruble) are decreasing the value of remittances for families at home even where their volume remains constant. Declines in remittances have been reported in Morocco, the Philippines, and Sri Lanka. In Bangladesh, Nepal, and Mexico remittances declined by 16 percent, 13 percent, and 13.4 percent, respectively.[15] Sub-Saharan Africa is the region of the world most dependent on remittances. For example, household incomes in Somaliland are doubled each year by remittances. Across this region, an average reduction in remittances of 4.4 percent was reported during the first six months of 2009. It was also predicted that migrants may be less willing to send money through formal channels because of a lack of confidence in the stability of banking systems, raising security concerns about the inability to monitor informal remittance channels.

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Irregular Migration

There is some evidence of a reduction in the flow of irregular migrants. For example, reports show a significant reduction in irregular flows from Mexico to the United States at the beginning of 2009.[16] Some analysts, however, are predicting an increase in irregular migration in the medium-term if informal labor markets expand. This expansion is more likely as employers seek savings, and also if unemployment increases and living conditions deteriorate in the least developed countries. Speaking to the March 2009 Bali Regional Ministerial Conference, Australian Foreign Minister Stephen Smith suggested that, "the severe downturn in the world economy will push more migrants into the hands of people traffickers as they seek better lives abroad," raising concerns about increasing irregular migration within the region and to Australia. While the impact of the global financial crisis on irregular migration flows remains unclear, the existing evidence is that stocks of irregular migrants are increasing, as unemployed migrants remain in destination countries and seek to work without authorization. It is estimated that hundreds of thousands of Tajiks are in this situation in the Russian Federation.

Student Migration

Global statistics are not yet available for overseas student enrollment in either 2008 or 2009, but higher education councils (or their equivalents) in Australia, the United Kingdom and the United States have all made public statements predicting a reduction in enrollments. Statistics for December 2008 demonstrated an increase in overseas student enrollment of over 20 percent in Australia, with the total exceeding 500,000 for the first time in a calendar year.[17] Data are not yet available for the February/March 2009 enrollment period, but the research director of the Australian Council for Educational Research, Phillip McKenzie, warns of the potential for a significant slowdown in recruitment in 2009 and 2010.[18] Recent stock market turmoil reduced the value of individuals' savings in key countries that traditionally send students abroad, making them more likely to choose educational institutions closer to home. China's Shanghai Composite Index fell 66 percent in the year to October 2008, and India's main index fell 43 percent over the same period. Even if overseas student numbers remain robust, some analysts predict that parents will stop buying apartments for their children, thus impacting the housing market in destination countries.

Humanitarian Migration

According to the Office of the United Nations High Commissioner for Refugees (UNHCR) there were some 42 million forcibly displaced people at the end of 2008.[19] It is very hard to establish a causal relationship between the effects of the global financial crisis and the root causes for refugee movements. The high commissioner is, however, concerned that donations will shrink as a result of the economic downturn, and the UN Emergency Relief Coordinator predicts an overall reduction in humanitarian funding in 2009 and 2010. Either of these effects would have significant implications for humanitarian operations and long-term development projects including refugee return and reintegration, with possible implications for secondary refugee movements.

Restrictions on New Admissions of Migrant Workers and Non-Renewal of Work Permits

A stop on all new entries of foreign workers has been put in place in a number of countries, in particular in Asia.[20] In January 2009 the Malaysian authorities stopped issuing work permits in the manufacturing and services sectors, while from February 2009 the Republic of Korea stopped issuing new visas to temporary migrant workers. In the same year, the government of Thailand also announced that it will not issue new work permits or renew the work permits of about half a million foreign workers, dropping the number of Cambodian workers entering Thailand by ten percent. In Malaysia the duration of many short-term work permits has been arbitrarily reduced from six months to three months. In Kazakhstan the authorities imposed a moratorium on the admission of less-skilled workers from April 1, 2009.[21] Other countries have reduced, but not halted their admission of migrants for employment. Italy and the Russian Federation, for example, have reduced their quotas for the admission of foreign workers in 2009; and the United Kingdom is raising academic and financial requirements for migrants applying to enter the country.[22] In Australia the government has decided to reduce the intake of skilled foreign workers for the first time in a decade, while quotas for working holiday-makers (a visa that allows visitors for less than 12 months to work part-time to supplement the cost of their holiday) are also under review.[23]

International migration in the twenty-first century

The preceding review, albeit based on limited evidence, provides some useful insights into the nature and significance of international migration in the twenty-first century. For a start it is a reminder of the complexities of data, definitions, and concepts regarding international migration. Even industrialized countries experience delays on migratory data, making an up-to-date assessment of the impact of the global financial crisis on international migration uncertain. Moreover, the lack of any international database precludes meaningful international comparisons. It also demonstrates the wide variety of different experiences that are captured within the single definition of "international migrant," covering people moving for work or necessity; permanently or on a short-term basis; and with or without authorization. Concurrently in certain countries, migrant workers effectively transform into irregular migrants overnight—as their work permits are rescinded—also demonstrating the conceptual challenges of distinguishing different migrant classifications.

The review is also a reminder of the global reach and growing diversity of contemporary international migration. The impacts and policy responses have been reported in Australia, Central Asia, Europe, the Middle East, North America, Russia, Southeast Asia, and sub-Saharan Africa. The impact of remittances is a reminder that migration also affects far more people than those who actually move, including migrants' families, local communities at home, and at times national economies. Equally the sporadic xenophobia targeted at migrants in recent months is a reminder that migration is a topic that affects those in host societies too. Impacts are also experienced across the full spectrum of migrants, including low-skilled and high-skilled migrant workers, student migrants, irregular migrants, and humanitarian migrants. The data are not yet available to analyze the extent to which the global financial crisis has impacted male and female migrant workers. From the Asian financial crisis we learned that female migrant workers were less impacted than males because of their concentration in economic sectors that tended to be resilient to economic downturns, such as healthcare, domestic care, and entertainment.

IT IS STRIKING THAT WITHIN JUST SIX MONTHS OF THE ONSET OF THE GLOBAL FINANCIAL CRISIS, BEFORE ANY COMPREHENSIVE EVIDENCE OF ITS IMPACT ON NATIONAL LABOR MARKETS, A NUMBER OF GOVERNMENTS RESPONDED BY PLACING RESTRICTIONS EITHER ON THE ENTRY OF MIGRANT WORKERS OR ON THEIR TERMS OF EMPLOYMENT.

Another insight concerns the role of migrant workers in the global economy. On one hand, initial fears of large-scale unemployment among migrant workers have not materialized, almost certainly reflecting the structural dependence of certain sectors of national economies and the global economy on migrant labor. On the other hand, the deterioration of working conditions demonstrates that migrant workers tend to be in the weakest bargaining position, for example as temporary contractual workers.

This rather hypocritical approach to migrant workers is also apparent in the way that governments in both the industrialized and developing world target migrant workers in response to the labor market impacts of the global financial crisis. It is striking that within just six months of the onset of the global financial crisis, before any comprehensive evidence of its impact on national labor markets, a number of governments responded by placing restrictions either on the entry of migrant workers or on their terms of employment. History demonstrates that imposing restrictions on migrants in response to economic downturns is common but often misguided. During the Asian financial crisis, the government of Malaysia attempted to limit new entries by redeploying existing migrant workers to economic sectors with labor shortages and raising levies on employers hiring foreign workers.[24] Employers successfully lobbied against the increased levies, and within one year the government had announced that 120,000 new migrant workers would be admitted from Thailand and Indonesia as the redeployment had failed to satisfy labor market demand for cheap labor. An important policy recommendation is that governments should make migration policy in response to sound economic evidence rather than in response to political and popular pressure.

The global financial crisis also provides valuable insights for understanding the contemporary nature of irregular migration. A striking find on the basis of initial reports is that while irregular migration flows have reduced, irregular migrant stocks have increased. The most common explanation for the first trend is that potential migrants realize that job opportunities are scarce. Therefore, without guaranteed financial return, they are unwilling to invest the time and take the necessary risks to move without authorization. Such an explanation probably underestimates that for some people irregular migration is a way to escape conflict and persecution, but, it is a useful reminder that just as powerful as those forces encouraging migrants to leave their own countries is the demand for their labor in destination countries. On the whole irregular migrants move to work. The second trend, rising stocks of irregular migrants, is probably explained by the fact that unemployed migrant workers would rather remain in the country of destination looking for work, even if it is unauthorized and illegal, than return home and risk not being able to gain a visa to re-enter the destination country again. This type of pattern was found during the Asian financial crisis in Malaysia,[25] which is further evidence of the unintended consequences of migration policies, whereby restrictive policies can result in increasing rather than decreasing numbers of irregular migrants.[26]

The amount of attention paid to the impact of the global financial crisis on remittances demonstrates the growing global significance of these financial flows. The impact is also an important reminder of the risks entailed for households, communities, and in some cases national economies dependant on remittances. Even though the overall volume of remittances remains massive and the reductions in global flows have been only modest, remittances clearly are susceptible to the impacts of cyclical economic downturns. Even relatively small and localized reductions can have very significant impacts on poverty levels.

Overall, reviewing the impacts of the global financial crisis on international migration demonstrates why international migration is higher on political agendas than ever before. The number of international migrants and the global reach of international migration and its consequences continue to grow. There is a structural dependence on migrant labor; a reality that most governments are still unwilling to accept. The perception of competition for jobs, coupled with myriad other economic, political, and social challenges of integration, makes migrants a target for popular dissent and short-term political gains. This is compounded by rising numbers of irregular migrants, in some cases an unintended consequence of restrictive migration policies. More positively migrants and migration can be important contributors to poverty reduction and development, and thus figure significantly on the political agenda not just in destination countries but also in origin countries.

Conclusion

Evidence from earlier economic and financial crises suggests that migration trends tend to be resilient to crises, and impacts on patterns, processes, and policies are often short-lived. In the current context, already there are indications from around the world that new job opportunities are available to unemployed migrant workers and that remittances are beginning to rebound. At the same time, by throwing into relief some of the contemporary realities of international migration and exposing some of the hypocrisies of political responses and shortcomings of migration policies, the global financial crisis may have a more lasting impact on the way that migration is perceived, understood, and governed in the future. On the whole migrants move to work and not to take advantage of the welfare state. There is a growing dependency on the labor of migrant workers, which is only likely to increase with demographic shifts across the industrialized world. Significant though remittances are, migrants and migration are not a replacement for responsible poverty reduction and development policies. Popular responses to migrants and migration are often ill-informed. And if they are to realize the potential benefits of international migration, governments have the responsibility to make policy on the basis of sound economic evidence, rather than short-term political gain.

Notes

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