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Why Didn't the Global Economic and Financial Crisis Have More of an Impact on International Migration?

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Key Points

- Economic and financial crises always impact on migration patterns, processes, and policies, as witnessed by the experiences of the Great Depression, the Oil Crisis, and the Asian, Latin American, and Russian financial crises in the 20th Century.
- Even though it has been the most severe global recession since the Great Depression, the recent global economic and financial crisis has not had as severe an impact on international migration as earlier crises did, contrary to predictions at the start of the crisis.
- Five reasons explain why this is so:
    - The crisis did not last long enough to disrupt migration plans that were already prepared before it began;
    - Migrant labour has become an integral component of many advanced economies especially at the lower end of the labour market and cannot readily be replaced with native workers even during times of recession;
    - The underlying forces that drive contemporary migration are not only economic, and in any case are so powerful that they are relatively immune to economic cycles and policy interventions;
    - Both migrants and their employers calculated that the crisis would be short-lived and therefore neither took drastic measures to change their employment relations;
    - To a large extent governments have learned the lessons from previous crises.
- The international community played a fairly insignificant role in protecting migrant workers' rights during the recent crisis, and the crisis represents a missed opportunity for the development of more coherent global governance on international migration.

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Economic and financial crises have always impacted on 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. The Oil Crisis (1973) resulted in severe restrictions on labour migration, a concomitant growth in asylum applications and irregular migration in Europe, and the emergence of new flows of labour migration to emerging industrial centres in Asia and Latin America. As a result of the Asian financial crisis (1997-99) several South-East Asian countries introduced policies of national preference and sought to expel migrant workers. The Russian financial crisis (1998) accelerated rates of emigration from Russia, in particular of Russian Jews and the highly-skilled. The gravity of the Latin American financial crisis (1998-2002) also resulted in a significant exodus, in particular from Argentina.[1]

The global economic and financial crisis of 2008-10 was expected to have equally, if not more, dramatic effects on international migration (see Box). It has been the worst economic downturn since the Great Depression. While the impact of earlier crises was most keenly observed at the regional level, with one region tending to benefit economically at the expense of another and thus allowing migrants to shift to alternative destinations, the recent crisis has taken place in a world more interconnected than ever before, and has had global ramifications. The evolution of the recent financial crisis is also relevant. It has evolved in a cumulative manner, whereas the Oil Crisis of 1973 for example was an overnight shock to the economic system. Another important difference when comparing the recent crisis with the Oil Crisis has been its effect on oil-rich states, which benefited directly in the 1970s but are being negatively impacted today. Given the size of the migrant labour workforce in the Middle East, this is significant. Finally, in comparison with the crises of the 1990s that came at the end of a decade of substantial economic growth, expansion, and poverty reduction in the affected regions, the recent crisis has compounded the effects of rising food prices and unstable commodity exports for developing countries, thus exacerbating global disparities to which migrants usually respond.

Although evidence on the impact of the global economic and financial crisis remains limited, it is clear that is has impacted international migration. Restrictions have been placed on new admissions of migrant workers and work permits have not been renewed in countries ranging from Australia through Kazakhstan to Thailand. 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.[2] Working and living conditions for migrant

Box: Dire predictions about the impact of the global economic and financial crisis on international migration

"*Reduced overall demand for labour affects the employment and migration opportunities of migrant workers as well as their terms and conditions of work. These, in turn, have repercussions on the volume of remittances migrants send home. At the same time, reduced demand for labour results in perceived or actual competition with nationals, which can be seized upon to spur xenophobia and discrimination against migrant workers and their families. Contraction of the economy and rising unemployment may prompt destination countries to introduce more restrictive labour migration policies. Origin countries, which often heavily depend upon the remittances sent by their migrant workers, respond to the impact of the crisis by exploring new labour markets and introducing reintegration and employment packages.*"
International Labour Organization (ILO), "The Global Economic Crisis and Migrant Workers", ILO, Geneva, 2009.

"*There has been a significant shift since 2003 in the circumstances driving people smuggling and trafficking in our region… The current global financial and economic crisis may well also encourage more people to seek economic opportunities outside of their own borders.*"
S. Smith, former Australian minister for Foreign Affairs, Opening statement to the Bali Regional Ministerial Conference, 14 March 2009.

"*Immigrants are more likely than the native born to be affected by the economic crisis. In most cases, they are more likely to be fired first and they tend to have higher unemployment rates than their native counterparts.*"
Migration Policy Institute, "Migration and the Global Recession", MPI, Washington DC, 2009.

workers have been reported to have deteriorated, for example as a result of non-payment of wages for foreign workers; reductions in wages, working days, and the availability of overtime; and sporadic instances of discrimination against migrant workers. There have been significant returns of migrant workers to their home countries, especially from the Gulf States to the Indian subcontinent, but also as a result of the introduction of financial incentives to encourage unemployed migrants to return home (for example in the Czech Republic), and in some countries accelerated deportation of irregular migrants. For the first time in at least twenty years, the World Bank has also predicted a decline in remittance flows for 2009, at best by 0.9 per cent and at worst by six per cent (as compared with a growth rate of 6.7 per cent in 2008).[3] More significant declines in remittances have been reported in Morocco, the Philippines and Sri Lanka. There is even some evidence of a reduction in the flow of irregular migrants, for example a significant reduction in irregular flows from Mexico to the United States was reported at the beginning of 2009. 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 has been estimated that hundreds of thousands of Tajiks are in this situation in the Russian Federation.[4]

But now that the global economy is showing tentative signs of recovery, what has surprised many commentators is that the impact of the crisis on international migration was not more significant. Migrant workers have not been laid off at the rate initially feared; and in the end the scale of return was relatively modest. The policy reaction by most governments was more moderated than during earlier crises. Some of predicted outcomes did not materialize at all – for example student migration has remained robust and donors have maintained their commitments to migration-related agencies such as the International Organization for Migration (IOM) and the UN High Commissioner for Refugees (UNHCR). Remittances are expected to rebound to, and indeed quickly exceed, pre-crisis levels; and similarly the overall scale of migration – including irregular migration – is expected to continue to grow rapidly in the coming years.

How can this be explained?

1. The crisis did not last long enough to have a significant impact

While some analysts continue to be nervous about a ‘double dip’ recession, and there have certainly been regional variations, the global economy has on the whole recovered relatively quickly from the crisis. Compared to most of the 20th Century economic and financial crises – the Great Depression, the Oil Crisis, and the Russian and Latin American crises – the recent crisis was relatively short-lived and has not had a lasting impact on the world’s major economies. Its short time-span explains its limited impact on international migration because much migration is planned considerably in advance – for example by students lining up a place in an overseas university at least a year in advance, or workers waiting for visas, or family members for whom entry clearance can take many months. For many who had already begun to plan their migration before the start of the crisis, its impact was compressed enough not to disrupt their plans. Thus families had already committed and mobilized resources to send their children to study abroad; while limits imposed by governments did not apply to pending visa or work permit applications, but rather limited future applications. The implication is that the true impact of the crisis on migration may only be felt in a year or two, after the recovery, when the decisions made by governments, migrants, and their families, begin to feed through. On the other hand the effect of stimulus packages that generate more employment, including for migrants, may alleviate this trend.

2. Migrants have become an integral part of the labour market

Labour markets in many of the world’s most advanced economies have become increasingly segmented, meaning that employment in certain sectors is eschewed by native workers because they are low paying, have little security and are low status. These are often described as ‘3D jobs’ – entailing work that is dirty, dangerous or difficult, or even a combination of all three. They are concentrated in sectors such as agriculture, timber, plantations, heavy industry, construction and domestic services. These sectors have increasingly become dominated by migrant workers, often with undocumented or irregular status, for they are more willing than native workers to work in insecure conditions for very low wages. On the whole these sectors are not sensitive to economic cycles, which instead tend first to affect employment sectors such as financial services, retail, travel and tourism.

Furthermore, research has demonstrated that even during times of recession, native workers have tended to prefer unemployment and social welfare to taking on undesirable '3D jobs'.[5] In other words migrant workers cannot readily be replaced, and have become an integral part of advanced labour markets. While rising unemployment was reported among migrant workers in countries as varied as the Russian Federation, Spain, Taiwan, the United Kingdom and the United States, a more significant trend than unemployment has been deteriorating working and living conditions for migrant workers. While they cannot readily be laid off, they can readily be exploited, especially during recession when they are unlikely to find alternative work, and especially where they have insecure legal status.

3. Work is not the only reason people move

While most migration can be explained in terms of people responding to economic disparities – leaving areas of high unemployment to areas where there is work to be found – work is not the only reason people move. Refugees, for example, move in response to conflict, violence, and human rights abuse, none of which has been demonstrated to have reduced (or been exacerbated) as a result of the global economic and financial crisis. International migration is also facilitated by the effects of 'revolutions' in communication and transportation. While the former has made people more aware of what life is like in other parts of the world and more aware of opportunities to move and to work abroad, the latter has made migration more feasible. Most migrants move to countries where they have friends or family already established, forming what are often referred to as transnational 'migration networks'. One of the main reasons why migration has increased in recent years is migration networks, which establish a self-perpetuating cycle. Migration networks have been shown to encourage migration by providing information, financing trips by lending would-be migrants' money and helping new migrants to settle, by providing an initial place to stay, helping them find a job and providing other economic and social assistance. The momentum associated with migration networks is hard to reverse. Another way that migration is facilitated is by a burgeoning 'migration industry', comprising a growing number of stakeholders including labour recruiters, immigration lawyers, travel agents, brokers, housing providers, remittances agencies, immigration and customs officials. There is also an illegitimate side to the migration industry, comprising human traffickers and migrant smugglers. The enormous profits that the migration industry generates create an almost irrepressible momentum. To an extent, therefore, contemporary international migration is driven by very powerful underlying forces, which are relatively immune to the effects of economic cycles, as well as to policy interventions.[6]

4. Migrants are risk-takers; employers are risk-averse

Another way to explain the relatively limited impact of the global economic and financial crisis on international migration is the reaction of both migrants and employers. As indicated above, for example, many migrant workers were willing to accept lower wages and deteriorating work conditions to retain their jobs. Equally, there is evidence that many of those migrant workers who were laid-off, chose to remain in the country where they had been working, rather than return home, even if this meant staying without legal status. To an extent migrant workers were therefore taking a gamble that the recession would end quickly, they would regain their jobs, and their working conditions and salaries would improve again. Far greater returns might have materialized had the crisis lasted longer, and migrants realized that a reversal in their fortunes was less likely in the short to medium term. It appears that many employers made a similar calculation that the recession would not be long-lasting, and their reaction was to keep hold of migrant workers, rather than risk not having a labour force in place to respond to the recovery, and having to re-hire workers a short period after having laid them off. In response to the same gamble that the crisis would be a short, sharp shock, migrants took risks and employers avoided risks, the outcome being a muted effect on migration patterns and processes.

5. Governments have learned the lessons from previous crises

While governments did react to the global economic and financial crisis through migration-related policies, for example with restrictions on new admissions and the non-renewal of work permits for certain migrant workers, on the whole their reactions were far less dramatic than those adopted by governments during earlier crises. In response to the Asian financial crisis, for example, the government of Malaysia announced at the beginning of 1998 the repatriation of almost one million foreign workers by August 1998, comprising 200,000 migrant workers who were expected to be laid off in the construction sector and over 700,000 migrant workers whose permits would not be renewed. However this policy was reversed in July 1998 when it became clear that foreign workers were still required in the labour market. Similarly, in Thailand the Thailand's Employers' Association proposed to lay off 600,000 foreign workers. In striking contrast to Malaysia and Thailand, the government of Singapore made a clear policy decision that *retrenchement* decisions should be based primarily on productivity rather than nationality. Indeed, in all the East Asian countries affected by the Asian financial crisis, business was strongly opposed to cutting back on migrant flows. In this regard it can be argued that most governments appear to have learned lessons from previous crises. Most have been more willing to listen to employers; to recognize that migrant labour is often required even during times of recession; and to avoid short-term political grandstanding.[7]

Conclusion

This Policy Paper has outlined five reasons why the global economic and financial crisis of 2008-2010 did not have the dramatic impact on migrants, migration patterns and processes, and migration policy, that was initially predicted, and that was witnessed during previous economic and financial crises. The explanations vary from the nature of the crisis, through the integration of migration in processes of globalization, to the individual reactions of migrants themselves.

Perhaps the most striking omission from this list of explanations is the efforts of the United Nations or other international organisations. In a number of sectors, the global economic and financial crisis provided a fillip to global governance arrangements, for example through the newly-found relevance of the G20 and international efforts at regulating banks. In contrast, international agencies were largely inactive, or at best reactive, as regards the migration impacts of the crisis. The fact that on the whole migrant workers' rights were protected, and there were not mass returns of migrants, was largely down to the responsible policy approaches of national governments, the flexibility of employers, and ingenuity of migrants themselves. The recent global economic and financial crisis represents a missed opportunity for the development of more coherent global governance on international migration.[8]

NB: The views expressed in this paper are entirely and solely those of the author and do not necessarily reflect the views of the GCSP.

[1] S. Castles, "Migration and the Global Financial Crisis: A Virtual Symposium", 2009, accessed at http://www.age-of-migration.com/uk/financialcrisis/updates/1a.pdf

[2] International Organization for Migration (IOM), *IOM Policy Brief*, January 2009.

[3] World Bank, *Migration and Development Brief* 8, 11 November 2009.

[4] IOM, "The impact of the global economic crisis on migration", *IOM Policy Brief*, March 2009.

[5] International Labour Organization (ILO), "The Global Economic Crisis and Migrant Workers", ILO, Geneva, 2009.

[6] See K. Koser, *International Migration: A Very Short Introduction*, Oxford, Oxford University Press, 2007.

[7] K. Koser, "Responding to the Impact of the Global Financial Crisis on International Migration: Lessons Learned from Previous Financial Crises*", IOM Migration Research Series* 37, 2009.

[8] K. Koser, "International migration and global governance", *Global Governance*, Vol.16, No.3, 2010.

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