



International Organization for Migration (IOM)
Organisation internationale pour les migrations (OIM)
Organización Internacional para las Migraciones (OIM)

International Dialogue on Migration 2011
The Future of Migration: Building Capacities for Change

Intersessional Workshop • 12 and 13 September 2011

ECONOMIC CYCLES, DEMOGRAPHIC CHANGE AND MIGRATION

Background Paper

Setting the scene: principal challenges for policymakers

In a globalized world, migration, economic cycles and demographic change form a complex triangle whose interactions are particularly evident in labour market and workforce dynamics. Economic cycles and demographic change are interdependent, but react to different stimuli and involve different actors: for instance, demographic trends are largely determined by personal choices and social norms, while economic cycles follow the logic of markets, demand and supply. Migration flows, particularly labour migration, are primarily the result of economic conditions and inequalities and can be important in energizing economic upswings and promoting recovery after a crisis. In addition, migration flows can be explained by demographic imbalances reflected in labour force surpluses and deficits. Migration is already the principal driver of population growth in many countries, but the long-term demographic outcomes of migration will vary depending on the composition of the migrant population and on whether movement is temporary, permanent or something in between.

One of the main challenges in this triangle is that of timescales: firstly, economic and demographic trends operate on different timescales – generally speaking, one is a matter of years, the other a question of decades. Secondly, migration flows do not resemble a “tap” that can be turned on or off in response to economic cycles or to surpluses or shortages in the workforce. Even if one is to assume that migration is purely determined by economic triggers, there will always be a time lag between the trigger and any reflection in migration patterns. Thirdly, as mentioned above, the effects of migration are “time-dependent”: not only will its impacts on population structures and workforces differ according to the duration, size and composition of migration flows, they will also change through time, for example as migrants age or as initial demographic gains diminish over time. Finally, any policies made today to address the future are inevitably grappling with large uncertainties.

Policymakers are thus challenged to evaluate the role of migration vis-à-vis demographic realities, labour market trends and economic cycles, while balancing short-term interests and priorities against long-term considerations:

- Is migration a *structural* or an *ancillary* factor in addressing questions of population dynamics, labour market needs and economic growth and development?
- Can migration be a “fix” for demographic challenges?
- How can migration be managed to flexibly respond to labour market upswings and downturns?
- How may labour mobility contribute to growth, development and competitiveness?

- What policy options are available for managing the relationship between migration and demographic trends, on the one hand, and between migration and economic cycles, on the other? And can migration policy effectively integrate these two forces?

As this paper will show, migration can contribute to addressing demographic challenges and adjusting to periods of economic boom and bust and corresponding changes in labour market needs. For a comprehensive and sustainable response, however, migration will always have to be part of a larger policy framework.

Impacts of the 2008-2009 economic crisis on migration: a few observations¹

Based on evidence from the 2008-9 global economic crisis, a number of conclusions can be drawn about the interactions between migration and economic recessions: firstly, while there was a drop in new migration flows, no large-scale return to countries of origin came to pass. Where possible, migrants adopted a “wait and see” attitude, counting on better labour market conditions in their host country than in countries of origin. Likewise, irregular flows did not *per se* increase, although it is likely that more migrants slipped into situations of irregularity, for example by entering the informal labour market and losing work / residency permits. Treated as a “flexible workforce”, particularly in cyclical industries such as construction, finance and manufacturing, migrants were often the first to be laid off and unemployment rates among migrants generally exceeded those of native workers, sometimes by a large margin. Migrant men were generally more affected than migrant women, largely due to the fact that men were overrepresented in sectors most vulnerable to recession. Lastly, remittance flows did not exactly follow the counter-cyclical pattern that had sometimes been theorised: some countries registered a sharp fall in remittances, in others receipts remained steady, and others even saw an increase. Global or country-level figures, however, cloud the real impact on the families of migrants for whom even small changes in receipts can make a critical difference. Moreover, given that economic conditions also deteriorated in countries of origin, families are likely to have become more dependent on remittances. Nevertheless and compared to other financial flows, remittances proved the most stable and resilient, and showed a quick recovery in 2010. Remittances are expected to return to pre-crisis level in the next two years with growth forecast between 7-8 per cent for 2011-2013.

The recent crisis resulted in a range of migration policy adjustments in major destination countries – for example, reduced migration quotas; stricter labour market tests in favour of the local workforce; limited possibilities for changing or renewing work and residency permits; and incentives for return migration. Overall, however, awareness of economic interdependence and of longer term demographic trends and labour needs seems to have prevented attempts to cut off national labour markets from international migration.

Global demographic change: broad trends²

Global demographic change is shaped by the twin trends of declining fertility and increasing life expectancy. Yet differences among countries and regions remain highly significant and have implications for future global distribution of population in general and of working-age population more specifically. Population growth³ is generally concentrated in the developing world, and this is projected to remain the case until 2050. From now until 2100, the fastest population growth is expected in Africa (with the exception of southern Africa), followed by Asia. India and China,

¹ Sources: Migration Policy Institute, OECD, World Bank, IOM. For more on the impact of economic crises on migration, please refer to some of IOM’s publications on the subject: www.iom.int/idmeconomiccycles.

² Sources: UN-DESA Population Division, European Commission / Eurostat, World Bank

³ Population growth is calculated as “natural growth” (numbers of births minus numbers of deaths) plus migration in- and outflows.

currently the world's most populous countries, are moving quickly through the demographic transition⁴ and will decline in relative size. At the same time, parts of East Asia will witness population decline as early as 2025. Europe experiences continuous ageing and shrinking trends that are more accentuated in Eastern and Southern Europe and Russia than in Western and Northern Europe. In the EU27 countries, the working age population will start shrinking as of 2014, whereas overall the EU27 population will contract as of about 2030. Already now, most population growth in the EU27 is attributable to migration. In the Americas, Latin American population increases until 2050, and then starts to decline, but ageing is already palpable with the proportion of over-60s expected to almost triple over next 50 years. North America is projected to see continued growth until 2050 due to migration and high fertility.

Economic cycles, demographic change and migration: policies and capacities

Clear policy priorities and a range of capacities for formulation, implementation and evaluation of policies must be in place to address the complex triangle of economic cycles, demographic change and migration. Labour market policies, population policies and aspects of migration management (including labour migration, talent mobility and migration's contribution to growth and development) need to be brought into a coherent common framework. In line with the theme of IOM's World Migration Report 2010 *The Future of Migration: Building Capacities for Change* – which also guides the International Dialogue on Migration in 2011 – some of the priority areas for capacity building are discussed below.⁵

a) Understanding and adjusting to labour market dynamics⁶

Understanding labour market dynamics in relation to economic cycles and demographic parameters, both now and in the future, is a major challenge for countries at all levels of economic development. Labour market assessments and labour forecasting also form the basis for decisions on whether and how to receive or send migrant labour and for appropriate migration policy responses. There is, however, no official definition of what constitutes a labour shortage or surplus, as the equation is typically more complex than a simple discrepancy between demand and supply. The choice of time horizons is a critical determinant: should assessments be made against current conditions or future projections? Furthermore, not all sectors of the economy are equally prone to phases of boom and bust, and assessments must differentiate between cyclical and non-cyclical sectors. As the 2008-9 crisis demonstrated, recruitment of migrant labour actually increased in areas such as education, health and domestic services. Lastly, certain "informal" sectors, such as domestic and care work, are often not assessed at all and remain invisible on the balance sheet of supply and demand – a gender-sensitive analysis of the labour market can yield important conclusions in this regard.

→ Priority areas for capacity building: macro- and micro level data collection and rigorous labour market assessments with attention to cyclical and non-cyclical sectors, short term and long term considerations, "informal" sectors, and gender-sensitive analyses of labour force participation (including participation of migrant women); consultation with employers and trade unions to evaluate and anticipate needs; strengthened coherence between labour market assessments, labour market policies and migration policies.

⁴ Demographic transition denotes a progression from high birth and death rates and a young population to low birth and death rates and an older population.

⁵ For a more detailed analysis of capacity needs, please refer to World Migration Report 2010 *The Future of Migration: Building Capacities for Change* (especially chapters 3 and 5): <http://publications.iom.int/bookstore/>

⁶ For more on skills shortages and migration, consult the research conducted by the Independent Network of Labour Migration and Integration Experts (LINET) <http://labourmigration.eu>

b) Managing labour migration for economic growth and development

Countries of origin and destination need to develop a long-term vision regarding the role of migration in national economies and labour markets. In most cases, the result will be a policy mix combining migration (and the benefits derived from the economic contribution of migrants to host and home countries) and other measures⁷. Where populations are predominantly young, migration can alleviate pressure on labour markets and thus reduce unemployment, while supporting the economy through remittances and migrants' contributions upon return. For example, the mixed evidence from the 2008-9 economic crisis indicates that remittances may not be an "insurance" against economic downturns, but can represent some degree of buffer, especially when economic slowdown is uneven and migrant destination countries are less affected than their home countries. Nonetheless, the departure of the most educated can represent a drain on a country's human capital and reduce its growth and competitiveness. The problem, however, is often a circular one, as lack of opportunities at home might lead to an underutilization of human capital, for example when graduates cannot find jobs at an adequate level. Gaps in the labour markets of origin countries are therefore the result of a much larger set of factors than simple out-migration. The migration of health workers is a good example: even if all migrant health workers returned to their respective countries they would not meet the shortages that exist. Nonetheless, countries may address shortage sectors by jointly developing strategic training and mobility programmes.⁸

In countries of destination, migrant labour responds to important structural challenges in labour markets, including those created by ageing labour forces and higher dependency ratios⁹. Moreover, the effects of labour migration on employment, costs of production, demand and innovation are generally favourable.¹⁰ Existing admission and selection schemes often distinguish between demand-driven and supply-driven approaches: the former is usually skills-specific and closely oriented on labour market needs, while the latter focuses on adding value to the labour market by attracting human capital. Many models – ranging from "shortage lists" and employer-led recruitment to quotas and points-systems – combine elements of the two. To attain the desired labour market outcomes for migrants and host economies, recognition of qualifications, job matching and appropriate placement and training are among the most crucial measures to avoid deskilling, underemployment and brain waste.

→ **Priority areas for capacity building:** investment in education and training; transparent standards for the recognition of skills and qualifications; evaluation of entry systems for migrant labour of different skill categories; anti-discrimination in the labour market; preparation for return and labour market reintegration of migrants; dialogue between countries of destination and countries of origin to identify common interests.

c) Attracting and retaining talent

Attracting highly skilled professionals, including those from the diaspora, is a growing priority for many countries around the world even during times of recession. In the global competition for talent and skills, admission and selection policies need to be accompanied by measures to

⁷ These will vary according to the specific situation, but a few key measures include: investment in education and training; improving working conditions and wages to enhance retention; switch to less labour intensive goods and services and production processes; higher (formal and actual) retirement age; higher labour force participation of women and migrants already present in a country; active family policy.

⁸ For more, see Khadria, Binod (2010) *The Future of Health Worker Migration*, part of the IOM World Migration Report 2010 background paper series: http://publications.iom.int/bookstore/free/WMR2010_health_worker_migration.pdf

⁹ The ratio between those not part of the labour force and those who are.

¹⁰ For instance, see the findings in IOM (2010) *Migration, Employment and Labour Market Integration Policies in the European Union (2000-2009)* Part 1, produced by LINET: <http://labourmigration.eu/research>

facilitate family reunification and access to the labour market for spouses, enable portability of benefits, and resolve tax issues, to name a few. Student migration is an integral part of overall labour migration policy, and is especially relevant in encouraging mobility of the highly skilled. Student migration can potentially also change demographic composition, although the impact would likely be small. Statistics indicate that about 15 to 35 per cent of international students remain in their country of study after graduation, suggesting that the majority either return home or move to another country. Governments may wish to promote education and training abroad but make return attractive. In some cases, scholarships and grants are made conditional on returning home for a certain period of time following completion of the degree. Countries may also focus on circulation and retention of foreign students through partnerships between universities, by actively promoting their institutions of higher education abroad or by extending student visas for the period of job search after graduation.

→ **Priority areas for capacity building:** cooperation and exchange in higher education; reductions in bureaucracy and costs for professional recruitment; public-private partnerships with employers, universities and training institutions.

d) Enhancing the potential of temporary and circular migration

Temporary and circular migration¹¹ is often cited as one possible migration system flexible enough to respond to economic and labour market fluctuations in both high- and less-skilled categories. In theory, temporary and circular migration would not alter the demographic structure of societies of origin and destination in the long run. Evidence suggests that regional free movement regimes are most conducive to circulation as migrants who wish to return are assured of the possibility of migrating again. Indeed, in regions where mobility provisions allow individuals to return home and easily re-migrate, migrants reacted flexibly to deteriorating conditions in host countries during the 2008-9 economic crisis. While temporary and circular migration can benefit both home and host countries, such schemes are not without difficulties: above all, the protection of the human and labour rights of migrant workers has often proven inadequate. From an employment perspective, temporary and circular migration which obliges workers to periodically return to their home countries creates interruptions and does not necessarily encourage employers to invest in migrant workers through training. True circulation which balances the interests of different stakeholders and that gives priority to the human and labour rights of migrant workers would comprise elements of upskilling, job matching and recognition of qualifications; variations in the periods of stay; multiple-entry provisions; easier transition between different visa or residency categories; more flexible residency permits that are geared towards temporary absences; and portability of benefits.

→ **Priority areas for capacity building:** rights protection; regulation of employers; investment in training and upskilling; portability of benefits; adaptation of admission schemes for circulation; evaluation of past and existing circular migration programmes; creation of genuine bilateral, regional and inter-regional partnerships.

e) Placing migration policy in a demographic context

As decisions surrounding family life and fertility are strongly influenced by individual life choices and social and cultural norms, this is a sensitive and difficult area for policy intervention. Few countries have factored migration into their population projections or accept it as a feasible

¹¹ The term temporary and circular migration encompasses a wide range of “migration models”. Circular migration can be defined as “The fluid movement of people between countries, including temporary or long-term movement which may be beneficial to all involved, if occurring voluntarily and linked to the labour needs of countries of origin and destination” (IOM 2011 *Glossary on Migration*, Second Edition: <http://publications.iom.int/bookstore/>).

strategy to address demographic trends. That said, permanent, marriage and family migration¹² are the main avenues through which migration can affect populations and workforces in the long run. Ultimately, migration as a demographic strategy is tied to questions of citizenship. In the shorter term, policymakers may wish to consider how humanitarian or family migrants can be integrated into labour markets, improving economic outcomes for migrants and host countries. However, in line with general ageing trends the proportion of older migrants is also on the rise: retirement migration or return of elderly migrants to their countries of origin will become increasingly prominent in the near future and will have policy implications ranging from health care provisions to the portability of pensions. Lastly, there are also close linkages between labour market needs (especially urban labour markets), demographic imbalances and internal migration. Internal migration can result in depopulation and demographic imbalances (e.g. when only women or the elderly remain in certain areas), but also respond to labour needs in economically vibrant parts of a country.

→ **Priority areas for capacity building:** coherence between non-economic migration categories (e.g. family reunification and humanitarian entries) and labour market access and absorption; inclusion of second and third generations into labour markets; integration policies; frameworks and regulations for internal migration.

Conclusion

In conclusion, policy options oscillate between making migration a structural demographic and labour market factor and treating it as merely ancillary, not overly relevant for a country's demographic and economic future. The reality is that, given global and regional labour market and demographic trends and disparities, migration has become essential for economic growth, development and competitiveness. Effective strategies would aim to balance long- and short-term considerations, reconcile the interests of home countries, host countries and migrants, and strive for maximum coherence between migration policy and other domains, particularly investments, incentives and regulations pertaining to labour markets, employment, family and education and training. Finally, while many arguments can be made in either direction of the debate, the decision is ultimately a political one that will be context-specific and one that must be based on societal consensus and ethical considerations. The maxim that migration is about people, not factors of production, remains as valid as ever. Therefore, policy decisions must take equal account of economic and market demands and human development priorities of individuals and societies.

¹² As an example, see Lee, Hye-Kyung (2010) *Family migration issues in North East Asia*, part of the IOM World Migration Report 2010 background paper series: http://publications.iom.int/bookstore/free/WMR2010_family_migration_neasia.pdf