

The Impact of the Global Financial Crisis



on Migration

Summary

The current global financial crisis is expected to lead to a downturn in the global economy (and perhaps a deeper recession). The depth and extent of the crisis is difficult to predict and the impact of the crisis is likely to vary according to country, geographic region and employment sector. During economic downturns, however, migrant workers are often the first to lose their jobs and while some may well choose to return home, policies aimed at sending migrant workers home are not the solution and could have potentially disastrous consequences for development, given the scale of remittances – expected to reach USD 283 billion to developing countries in 2008 – and the already high levels of unemployment in developing countries.

Calls to reduce migration in destination countries tend to be based on the false perception that “migrants take jobs” or “compete for welfare benefits”, when in fact the majority of migrants create economic activity and jobs. Human mobility, as underscored in IOM’s 2008 World Migration Report¹, makes economies more dynamic and more efficient. Migration may also be a positive force in alleviating various aspects of the financial crisis and potentially make an important contribution towards overcoming the economic downturn. Trying to combat the financial crisis by simply cutting immigration may make the situation worse. Nevertheless, countries of origin are likely to experience some influxes of returning migrants, which may result in economic and social instability in poorer countries. Reduced labour migration flows and increases in irregular migration and trafficking in human beings are also possible outcomes. Therefore, flexible, coherent and comprehensive migration management policies are needed to maximize the benefits of migration, protect migrants and take their needs into account in measures addressing the crisis.



Likely impact of the financial crisis on Migration

There is no concrete evidence available yet on the impact of the global financial crisis on migration, but the following largely negative effects have already been observed or are likely to occur:

- Job losses, especially in construction, manufacturing, finance, services, retail and tourism, thus affecting migrants in these sectors.
- Possible reductions in wages and poorer conditions in the workplace as companies and employers seek to make savings, as well as cuts in social services provision, impacting on migrants' quality of life and health.
- The risk of discrimination and xenophobia as migrants are mistakenly perceived as taking the jobs of local workers particularly in low-skilled sectors of the labour market.
- The return of unemployed migrants to countries of origin (or regions of origin in the case of internal migration) where they are also likely to face inferior economic conditions (e.g. high unemployment and poverty) and could affect economic and social stability. Such returns, however, are less likely to occur from those countries (e.g. European countries) where migrants (and their families) enjoy secure residence and the safety net of a strong social welfare system.
- A decline in remittance flows to developing countries as migrants lose their jobs, thus increasing poverty and exacerbating development gaps. However, the World Bank has observed that remittances are expected to remain resilient relative to many other categories of resource flows (e.g. trade, foreign direct investment – FDI) to developing countries and in 2009 are expected to fall by 0.9 per cent and, at worst, by no more than six per cent². Migrants may also be more reluctant to send money through formal channels due to a lack of confidence in the stability of banking systems.
- Adoption of more restrictive immigration policies to protect the local labour market and in response to a demand for fewer foreign workers. For example, a reduction in the number of migrants to be admitted for employment has already been announced in some countries (Italy, U.K.) or is under discussion in others (e.g. Australia). In Spain, the Government has introduced financial incentives to encourage unemployed migrants to return home.
- A reduction in labour migration flows as potential migrants choose to stay home and see out the crisis there.
- An increase in irregular migration and the strengthening of the informal labour market as unemployed migrants in destination countries seek to work without authorization and as opportunities for regular labour migration decrease resulting in the emigration of more persons from countries of origin more seriously affected by the crisis. An increase in trafficking in human beings is also a possibility.
- The crisis is expected to impact differently on male and female migrant workers especially in affected sectors of the economy dominated by one gender (e.g. construction in which male migrant workers predominate).





Conversely, the following less negative effects have also been identified:

- Demand for migrant workers in destination countries may remain stable in certain employment sectors, particularly where there exists a structural demand for migrants, such as healthcare and domestic work (and agriculture in some countries).
- The volume of remittances to countries of origin affected badly by the crisis may actually increase, as well as the level of investment and trade, as migrants and diasporas seek to reduce the harmful impact of the crisis at home.

← Elements for Policy Responses

Previous downturns in the economy at both global and regional levels (e.g. the oil crisis in the early 1970s and the 1998 Asian financial crisis) indicate that migration will continue regardless (and irregular migration may even increase) because of the continuing structural demand for labour in certain sectors of the economy and despite increases in unemployment. Such demand is partly attributable to broad demographic considerations – aging and shrinking populations in much of the industrialized world compared to growing populations in much of the developing world -- as well as to the fact that in many countries local workers either lack required skills or are reluctant to take up certain low or semi-skilled jobs. The Asian financial crisis also demonstrated that keeping markets open to migrants and migration is important to stimulating a quicker economic recovery.

Therefore, flexible, coherent and comprehensive policies are needed to ensure that:

- The rights of migrants are effectively protected, for example in terms of their working and living conditions and in the event of loss of employment.
- Measures to facilitate remittance flows through lowering transaction costs as well as public and private sector initiatives to encourage the productive use of remittances are promoted in both countries of destination and origin to counter potential declines and also protect the families of migrants.
- Migrants are not stigmatized for job losses that occur and are protected from discrimination and xenophobia – this also calls for measures to inform the general population and raise awareness in destination countries about the valuable economic and social contributions made by migrants.
- Regular labour migration channels remain open with a view to meeting any continuing demand for migrant workers thus helping to prevent irregular migration and trafficking in human beings.
- Measures are adopted to assist with the repatriation, reception and reintegration of returning migrants.
- The consensus achieved between destination and origin countries in recent international fora on migration and development is not weakened as a result of the financial crisis. For example, measures could be taken to increase official development assistance (ODA) or, at the very least, to guard against reductions given that part of ODA contributes to the





creation of conditions (e.g. poverty reduction, job creation) that limit the precipitation of irregular movements and related abuses – the objective is to ensure that migration remains a matter of choice.

- Labour mobility and the interests and needs of migrants are fully factored into any remedial measures (including reforms to the global financial system) proposed to address the crisis.
- The impact of the financial crisis on migrants is carefully monitored.

IOM's Position

IOM considers the following four points to be of particular relevance when responding to requests for policy guidance from government policymakers and other stakeholders:

1. On the basis of past experience with similar crises and the current economic outlook, the financial crisis is likely to have negative effects on both migrants and nationals, although these effects will differ according to country, geographic region as well employment sector. Considerable attention, therefore, needs to be devoted to ensure that migrants, who are particularly prone to stigmatization in such circumstances, are adequately protected from xenophobia and discrimination in the employment and social spheres.
2. Given that migration, and labour migration in particular, is an integral part of today's global economic, political and social life, flexible, coherent and comprehensive policies are needed to effectively manage migration, and such policies are all the more pertinent in an economic downturn.
3. A strong degree of solidarity between countries of origin and destination is called for to safeguard and continue to harness the benefits flowing from the migration and development relationship to both sets of countries as well as to migrants and their families.
4. Migration is part of globalization and the global economy. Consequently, this requires that it be factored into policy responses aimed at economic recovery.

In addition, IOM underscores the need to carefully monitor the impact of the financial crisis on migrants as well as countries of origin, transit and destination, and to carry out, collect and disseminate relevant research and data in collaboration with its Member States, international agencies (e.g. those agencies participating in the Global Migration Group) as well as other pertinent stakeholders.

Endnotes

- 1 World Migration 2008: Managing Labour Mobility in the Evolving Global Economy (IOM, Geneva, 2008) <http://www.iom.int/jahia/Jahia/cache/offonce/pid/1674?entryId=20275>.
- 2 D. Ratha, S. Mohapatra and Z. Xu, "Outlook for Remittance Flows 2008-2010: Growth expected to moderate significantly, but flows to remain resilient", 11 November 2008, Migration and Development Brief No. 8, Migrant and Remittances Team, Development Prospects Group, The World Bank, http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MD_Brief8.pdf.

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