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The Global Economic Crisis and Migrant Workers: Impact and Response

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Impact of the Global Crisis

Impact on migrant workers depends on two major determinants:

- ❖ Economic performance in the region or country of destination
- ❖ Sectors of activity in which migrant workers are employed



Impact of the Global Crisis

Determinant:

GDP Growth Rates in Selected Countries of Destination

	2007	2008	2009	2010
United States	2.1	0.4	-2.7	1.5
Spain	3.6	0.9	-3.8	-0.7
Russian Federation	8.1	5.6	-7.5	1.5
Côte d'Ivoire	1.6	2.3	3.7	4.2
South Africa	5.1	3.1	-0.3	1.9
Qatar	15.3	16.4	11.5	18.5
UAE	6.3	7.4	-0.2	2.4
Japan	2.3	-0.7	-5.4	1.7

Source: International Monetary Fund, World Economic Outlook October 2009 – Sustaining the recovery



Impact of the Global Crisis

Impact on employment and migration opportunities in major countries of destination

- ❖ **USA:** In September 2009, the unemployment rate was 9.8 %, double that of December 2007. The unemployment rate for migrant workers was much higher at 11.3 %.
- ❖ **Spain:** 17.9% of unemployment for the total labour force in the third quarter of 2009, but 27.5 % for migrant workers
- ❖ **Russia:** 9.7% of unemployment in May 2009 with massive lay offs in sectors where migrants are concentrated
- ❖ **UAE:** Recruitment of migrant workers increased in March and April 2009. In contrast with the countries above, GCC members were enabled by the large financial reserves accumulated in recent years by oil-exporting, to sustain economic activity and mitigate the effect of the crisis in the region.



Impact of the Global Crisis

The sector of employment is an essential determinant:

- ❖ Some sectors with high concentration of migrant workers – construction, manufacturing and hotels and restaurants – have been seriously affected by the crisis, with migrant workers experiencing the major shocks.
- ❖ Other sectors, with an equally high concentration of migrant workers (e.g. health) have maintained, or even expanded ,their levels of employment.



Changes in Employment by sector and country of destination

		Agriculture, forestry and fishing	Manufacturing	Construction	Hotels & restaurants	Education & Health
Ireland	· Sep-Nov 2008	117,500	280,600	233,800	123,700	225,200
	· Apr-Jun 2009	97,200	258,300	155,400	119,800	378,200
	· Change	-20,300	-22,300	-78,400	-3,900	153,000
	· %	-17.3	-7.9	-33.5	-3.2	67.9
Spain	· Q1 2009	863,400	2,900,100	1,978,000	13,374,900	...
	· Q3 2009	737,200	2,719,600	1,850,300	13,563,100	...
	· Change	-126,200	-438,400	-642,300	-146,200	...
	· %	-14.6	-6.2	-6.5	1.4	...
United Kingdom	· Dec 2008	481,000	3,087,000	2,286,000	6,975,000	8,049,000
	· Jun 2009	488,000	2,885,000	2,170,000	6,816,000	8,193,000
	· Change	7,000	-108,000	40,000	-40,000	91,000
	· %	1.5	-6.5	-5.1	-2.3	1.8
United States	· Jan 2009	...	12,519,000	6,295,000	10,933,900	19,013,000
	· Sept 2009	...	11,719,000	6,068,000	11,245,800	19,311,000
	· Change	...	-800,000	-227,000	311,900	298,000
	· %	...	-6.4	-3.6	2.9	1.6



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Other subsidiary factors that determine the impact:

- ❖ Time frame of the migrants' presence in the country of destination
 - 88% of the more recent arrivals in the U.S. reported that jobs are difficult to find, compared with 79% of those who have lived in the U.S. for more than 10 years
- ❖ Regularity vs. irregularity of status
- ❖ Occupational distribution of migrant workers
- ❖ Sectoral and occupational distribution of the native labour force
 - migrants are often found occupations that are being shunned by natives. The construction sector in the Gulf countries is a clear example of this situation
- ❖ Trade performance
 - The overall decline in trade caused job losses to thousands Filipino seafarers and maritime officers.
 - Import growth decreased dramatically in the U.S. affecting countries like Jordan, with which it has Free Trade Agreements.
 - Reliance in many countries in South-East Asia on manufacturing exports to industrialized economies, made this region highly vulnerable.



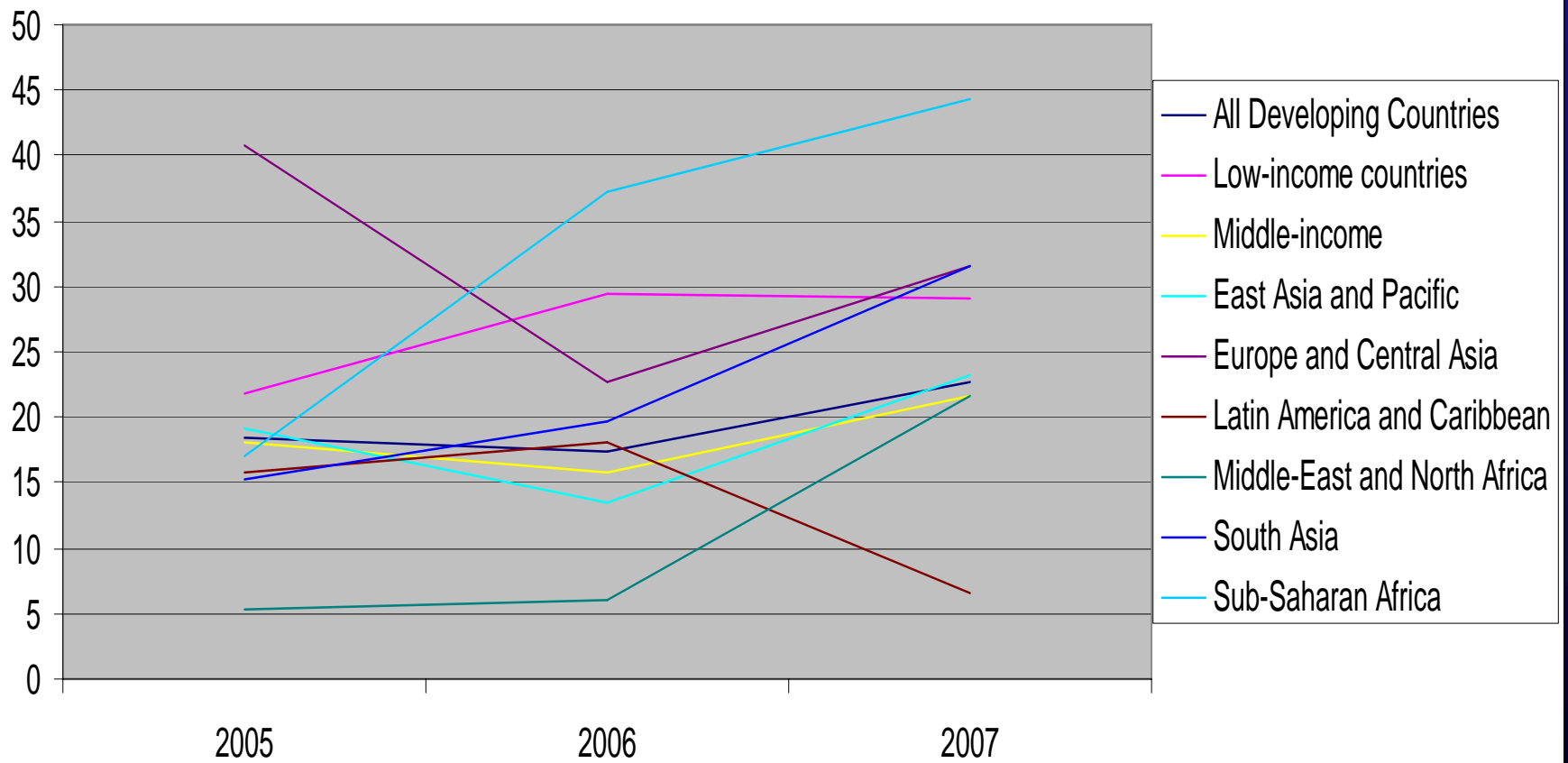
Growth rates of remittances received in developing countries, 2005-2007

	2005	2006	2007
All Developing Countries	18.5	17.4	22.7
Low-income countries	21.8	29.5	29.1
Middle-income	18.0	15.7	21.7
East Asia and Pacific	19.2	13.4	23.2
Europe and Central Asia	40.8	22.7	31.5
Latin America and Caribbean	15.7	18.1	6.6
Middle-East and North Africa	5.3	6.1	21.6
South Asia	15.3	19.7	31.5
Sub-Saharan Africa	17	37.2	44.4

Source: World Bank Staff estimates based on the International Monetary Fund's Balance of Payments Statistics Yearbook 2008



Growth rates of remittances received in developing countries (2005-2007)





Impact of the Global Crisis

Growth rate of remittance flows to developing countries

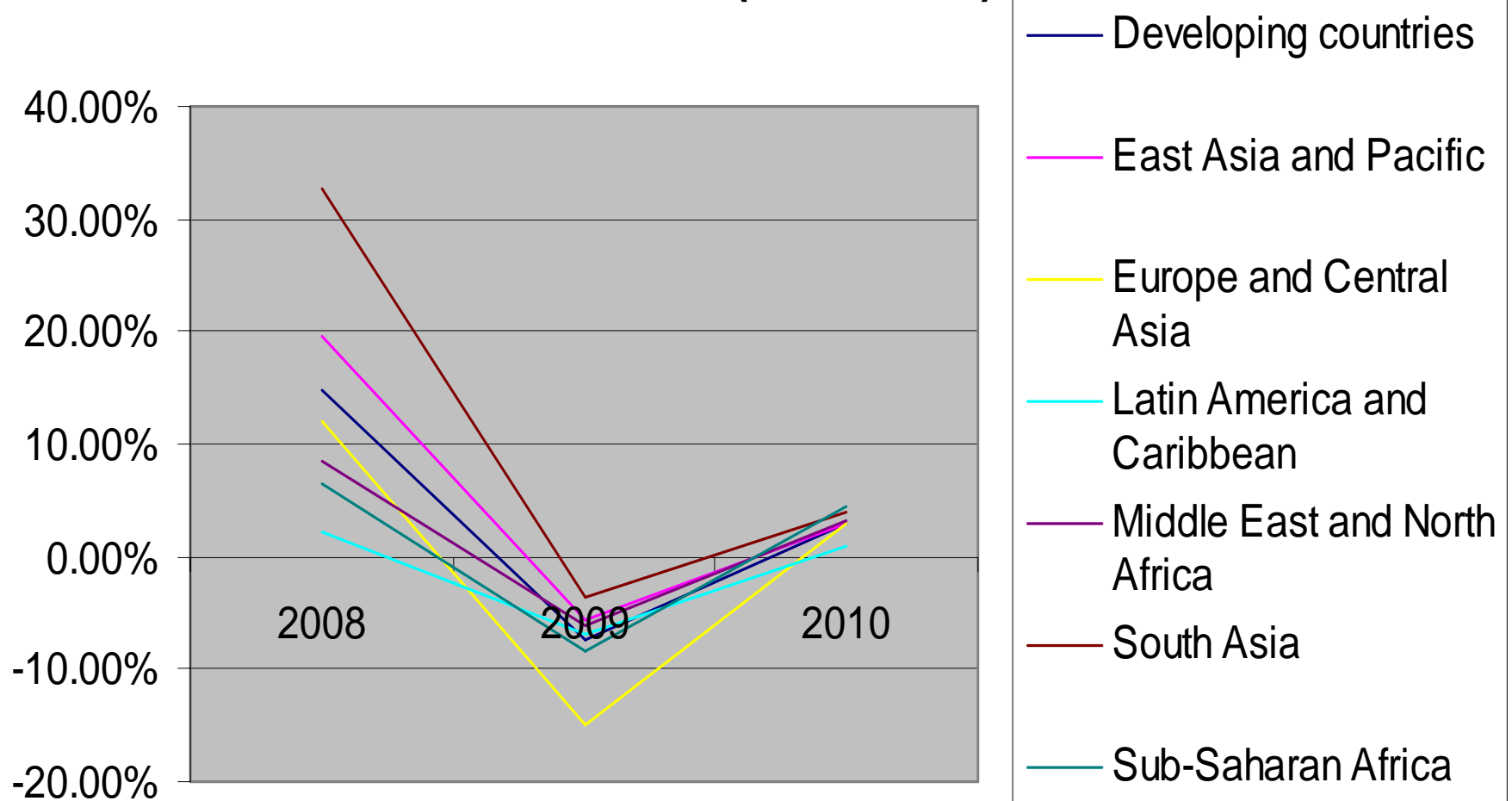
	2008	Base case		Low case	
		2009	2010	2009	2010
Developing countries	14.8%	-7.3%	2.9%	-10.1%	-0.3%
East Asia and Pacific	19.6%	-5.7%	3.0%	-8.8%	-0.5%
Europe and Central Asia	12.0%	-14.9%	3.0%	-17.2%	0.5%
Latin America and Caribbean	2.1%	-6.9%	1.0%	-9.4%	-2.0%
Middle East and North Africa	8.6%	-6.2%	3.3%	-9.8%	-0.4%
South Asia	32.8%	-3.6%	3.9%	-6.4%	0.5%
Sub-Saharan Africa	6.5%	-8.3%	4.4%	-11.6%	1.1%

Source: World Bank Migration and Development Brief 10, 13 July 2009



Impact of the Global Crisis

Growth rate of remittance flows to developing countries (base case)





Impact of the Global Crisis

In most countries remittances dropped dramatically due to the crisis:

- ❖ Remittances to Tajikistan fell by 22% in January 2009, compared to 2008.
- ❖ In Morocco the decline was 11.1% in August 2009, compared to the previous year.
- ❖ A similar decline of 11% decline was also reported in Mexico for 2009.

However, some countries experienced the opposite:

- ❖ In Pakistan there was a 23% growth in remittances for January to June 2009, compared to the same period in 2008.
- ❖ Similar growth is observed in Sri Lanka and Bangladesh.



Impact of the Global Crisis

In Context of Competition for Jobs: Rise in Discrimination and Xenophobia

- ❖ Recent poll in Europe demonstrates that 79% of Italians, 78% of Britons, 71% of Spaniards, 67% of Germans, and 51% of French support return programmes of unemployed migrant workers.
- ❖ A Russian NGO reported that 113 migrants were murdered between January and October 2008, double the rate of the previous year.
- ❖ Xenophobic protests have taken place: example, in the UK, a wildcat strike against employment of workers from other Member States of the EU.



Policies in Countries of Destination

Voluntary return and tightened admission of new workers

- ❖ **Spain:** a voluntary return programme (September 2008). Unemployment benefits paid in advance and contribution to social security system in Spain is accumulated for their future pensions. Beneficiaries can return to Spain after 3 years (87,000 foreign workers were targeted but as of June 2009, only 5,088 applications had been submitted with 3,977 approvals. Including the dependants, 6,077 people will have benefited from the programme). A new migration law was also announced.
- ❖ **Japan:** a programme to encourage migrant workers of Japanese descent to return to their Latin American countries of origin (April 2009). Migrant workers are offered US\$ 3,000 plus US\$ 2,000 for each dependent. Beneficiaries cannot reapply for a work visa.
- ❖ **UK:** implemented changes to the points-based system of admission for high skilled migrant workers. Qualifications and salary requirements are raised.



Policies in Countries of Destination -2

- ❖ **Italy:** Admission of new migrant workers was seriously restricted. A decree was issued in March 2009 whereby a quota of 80,000 non-EU seasonal workers was established. For the first time, no quota for non-seasonal workers was envisaged.
- ❖ **Malaysia:** The government decided to double the levy for bringing foreign workers and to reduce their volume by half a million. Up to March 2009 some 300,000 foreign workers had been sent back to their countries of origin.
- ❖ **Libya:** In contrast to other destination countries, it announced that it would increase the number of visas issued to Bangladeshi workers to be recruited for employment in construction.



Policies in Countries of Origin

- ❖ Expanded or reinforced return migration policies to facilitate reinsertion of returnees in national labour markets.
- ❖ Exploration of alternative labour markets.
- ❖ Protection of rights of migrant workers who lost their jobs.
- ❖ Measures adopted among others by Bangladesh, the Philippines, and Tajikistan.



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Conclusions

- ❖ Differentiated impact of the crisis on migrant workers: harshest in countries most severely affected by the crisis
- ❖ Differences in the impact between economic sectors within countries
- ❖ No massive returns to countries of origin have been observed
- ❖ The impact of migrants' remittances is one of the most important consequences of the crisis



The ILO Perspective Towards the Crisis

Policy Considerations:

- ❖ Efforts should be made to sustain employment in all countries. Migrant workers should benefit from stimulus programmes.
- ❖ Migrant workers and their families should be protected against discrimination and xenophobia.
- ❖ In case of employment termination, wages and benefits for work undertaken should be preserved for migrant workers.
- ❖ Countries of origin should step up and support their migrant workers. Human resources development and training policies can have beneficial effects.



Thank you for your kind attention.