

## Migration and the Financial Crisis: How will the Economic Downturn Affect Migrants?

### Overview

*During the past decade, migration has increasingly been seen as having potential benefits for development, as well as significant risks and costs. Given this, how will the current economic downturn impact on migration's potential contribution to development? This briefing explores this question by looking at how past economic crises have affected migration, and by considering the likely implications of the current financial crisis for the migration–development nexus. The prospect of rising unemployment among migrants, a possible decrease in migrant remittances, a rise in return migration and the further stigmatisation of migrant communities all threaten migration's potential to aid development efforts. In closing, the briefing suggests policies to help sustain the migration–development nexus during the crisis.*

### Migrants and the crisis: an uncertain outlook

There are several aspects of the economic downturn that are likely to have an effect on migration and development in 2009 – and perhaps beyond. First, unemployment in advanced economies is already on the increase, which may lead to a decrease in demand for migrant labour in these countries. Thus, migrants who already reside in advanced economies may lose their jobs – or be less able to find work on a casual basis – while new arrivals



A construction worker overlooks a building site in Beijing. The construction sector, which widely employs migrant workers, is likely to experience a slowdown as a result of the financial crisis – although this may be partially abated by government stimulus packages which invest in infrastructure projects. Photo © ILO 2007.

may be unable to secure employment. Secondly, a drop in demand for exports, as well as a sharp decline in foreign direct investment (FDI), is likely to have an acute impact on industrial centres and commercial production sites in developing countries – which tend to employ migrant labour. These trends mark significant shifts in the structure of the global labour market, and they are likely to have an impact on migration's potential benefits for development. The downturn may decrease the amount of remittances that migrants send home – and in some cases migrants may return to their countries of origin. Migrants may also face further stigmatisation, particularly in advanced economies, where more robust deportation programmes may be implemented. However, where governments seek to shut their doors to migrants, or to expel guest-worker populations, such measures risk making the crisis worse, stripping economies of productive workers. Ultimately, the impact of the crisis on migrants will likely depend on how severely it affects sectors in which migrants work, and how long it lasts.

### Migration and crises: past lessons

The two major financial crises which occurred in the latter half of the twentieth century – the Asian financial crisis of the late 1990s and the 1973 oil crisis – affected migration in distinct ways. The Asian financial crisis, which lasted from 1997 to 1999, had a relatively modest effect on migration in the region. Overall, few dramatic changes in the number of migrants in Asian economies appear to have occurred. Although the number of migrants fluctuated in some Asian countries, in other countries

they steadily increased during the crisis (see Table 1). This was despite the fact that a number of governments sought either to deport guest-workers or to export their own unemployed to better-off economies in the region. Some sectors, including rice plantations and fisheries in Thailand and Malaysia, were completely dependent on migrant labour, and in these cases employers lobbied against migrant expulsion. Moreover, unemployed citizens in relatively better-off Asian countries were often poorly suited to carry out jobs normally filled by migrants, or chose not to do so as these jobs were seen as undesirable. Thus, indiscriminately deporting migrants could actually have exacerbated the crisis in some countries. Migrant rights were negatively affected by the economic downturn, however, as increasing numbers of migrants were employed under more exploitative conditions by employers eager to keep costs low.

By comparison, the 1973 oil crisis had more global repercussions, and indeed had far-reaching implications for migration. The formation of OPEC led to an economic boom in the Gulf countries, which have become migration destinations in the intervening decades, especially for workers from South Asia. Additionally, the post-crisis recession in Europe effectively ended the era of guest-worker immigration that had provided European businesses with a source of flexible labour in the 1960s. Following the crisis, large corporations began outsourcing production to developing regions, with these

new industrial sites becoming destinations for migrants over time. However, the 1973 crisis did not result in large waves of return migration from Europe among non-European migrants. This was despite the fact that the recession in Europe had a hugely negative effect on migrant employment, as it greatly reduced production in sectors which employed migrant labour, including large-scale construction and manufacturing. While some migrants from European countries such as Spain and Portugal did opt to return home, other migrants – such as the large number of Turkish workers in Germany – were reluctant to leave, even given the difficult economic context in Europe.

### Migrants in advanced economies: return migration, migrant rights and remittances

It seems likely that migration to advanced economies will decrease in response to the current financial crisis, and that some migrants will return home. In the UK, immigration from Poland for the summer of 2008 was at its lowest level since 2004 – down 36 per cent from 2007 – reflecting an overall decline in immigration to the UK. The UK has also recently tightened its immigration guidelines, making it more difficult for skilled migrants from outside the EU to get visas if they work as doctors, nurses or secondary-school teachers. However, there is no reason to assume that migrants in advanced economies will begin returning home *en masse* as a result of the crisis, as some migrants have compelling reasons to stay – particularly if economic prospects at home remain dim.

Indeed, migrants who have invested large sums of money in order to migrate to the UK or other advanced economies in order to earn higher wages are likely to try to wait out the crisis rather than return home empty-handed. In the case of ‘irregular’ migrants who are in some way in violation of immigration rules, there are often significant barriers they must overcome in order to return home, such as access to transit documents. Migrants who remain abroad will be in an increasingly precarious position, however, with fewer opportunities for employment and the possibility of greater stigmatisation – potentially resulting in abuse, discrimination or deportation. Here, the need to devise innovative approaches to ensure social protection for migrants is paramount.

**Table 1: Official estimates of the total number of foreign workers in Asian economies, 1996-2000**

	1996	1997	1998	1999	2000
Taiwan	—	245,697	255,606	278,000	326,515
Hong Kong*	164,300	171,000	180,600	193,700	216,790
Japan**	610,000	630,000	660,000	670,000	710,000
South Korea**	210,494	245,399	157,689	217,384	285,506
Singapore	—	—	—	530,000	612,233
Indonesia***	24,868	24,359	21,207	14,863	16,836
Malaysia**	745,239	1,471,645	1,127,652	818,677	799,685
Philippines***	4,333	6,055	5,335	5,956	—
Thailand**	1,033,863	1,125,780	1,103,546	1,089,656	1,102,612
China***	80,000	82,000	83,000	85,000	—

Source: Skeldon 2004.

Notes: \*Indicates an estimate of foreign domestic workers only, not highly skilled workers; \*\*Includes estimate of undocumented workers; \*\*\*Estimate of foreign experts only, primarily professionals, the highly skilled and teachers.

In addition, there has been some discussion that the economic downturn will be a blow to migrant remittances, which have been identified as a key source of external capital for developing countries in the past decade. A Pew Hispanic Center study conducted in the US found that 70 per cent of migrants surveyed had sent less money home in 2008 than in 2007, a trend which could have significant consequences for families back home who are dependent on these funds. However, despite rising unemployment and fluctuating international exchange rates largely unfavourable to developing countries, the World Bank predicted in November 2008 that global migrant remittances will decrease by just 0.9 per cent in 2009 – to US\$280 billion – down from US\$283 billion in 2008. Or, in the World Bank's 'worst case scenario', remittances will decrease by 6 per cent worldwide in 2009 to US\$267 billion, before rebounding in 2010. This fairly optimistic prediction is based on the assumption that migrants are unlikely to return home in large numbers, and that they will continue to send money to their families even if they experience significant reductions in their income. Some caution is needed here, however, as it remains uncertain how severe the financial crisis will become – and how acutely it will affect migrants' income levels.

## Implications for migration in the developing world

Developing countries are already being affected by the financial crisis, even in cases where their financial systems are relatively insulated from the sub-prime mortgage assets that triggered the financial crisis in advanced economies. The secondary effects of the crisis are playing themselves out in many developing countries, including a steep fall in export demand, which is expected to be followed this year by a drop in FDI and possibly a decrease in both overseas development aid and migrant remittances. Industrial centres in the developing world have been affected, with reports from South America, South Asia and China of manufacturing firms firing employees as a result of declining export demand. China's export sector has been particularly hard-hit, with an estimated 10 million workers losing their jobs in the final months of 2008, many of them internal migrants who have moved from rural areas to work in urban production centres. An estimated 188 million migrants travelled home for the Chinese New Year holiday at the end of January 2009 and the government used this opportunity to reach out to those who have lost their jobs, offering migrants training so that they could

begin entrepreneurial ventures in rural areas. The Chinese government is also providing subsidies to the poorest rural families, and has announced a £400 billion stimulus package that will focus on infrastructure development.

Export processing zones in India have also been affected by the large drop in demand for their products. University of Sussex researchers currently conducting fieldwork in Tiruppur have witnessed first-hand the impact of this drop in demand. The city is a textile manufacturing hub in Tamil Nadu state where many employees are internal migrants from nearby villages. Even before the financial crisis, jobs for migrant workers in the textile sector were insecure, and many people were employed on an irregular basis. The erratic nature of employment in the sector is being further exacerbated by the crisis – although it is unclear whether this will encourage migrants to return home. Unlike in China, the Indian government has not put in place a wide-reaching stimulus package, instead providing aid only for financial institutions. The contrasting examples of India and China show that migrants are likely to face different challenges as the crisis unfolds, depending not only on government responses to the downturn, but also whether their work is directly affected by fallout from the crisis.

## Policy suggestions

In addition to holding potential benefits for development, migration also carries with it significant risks and costs for many migrants, and these may be exacerbated in various ways by the current financial crisis.

- In both advanced economies and developing countries, governments and civil society groups should work to ensure that migrant rights are not eroded. 'Decent work' principles, as defined by the International Labour Organisation, should be practiced in sectors which employ migrant workers.
- Civil society groups should challenge the stigmatisation of migrant workers. If migrant return programmes are initiated by governments, these should ensure that migrants are treated with dignity and given proper assistance upon return.
- In developing countries, there is a risk that migrants may be less able to find work, leading to increasing insecurity. Governments and development NGOs should aim to provide migrants with adequate social protection and to provide unemployed migrants with access to services and skills training.



## Key readings

### Migration and past crises:

Skeldon, R. (2004) 'Migration, the Asian financial crisis and its aftermath', in Joly, D. (ed.) *International Migration in the New Millennium*. Aldershot: Ashgate: 57-74.

Slater, M. (1979) 'Migrant employment, recessions, and return migration: some consequences for migration and development', *Studies in Comparative International Development* 14(3-4): 3-22.

### Remittances:

Ratha, D., S. Mohapatra and Z. Xu (2008) 'Outlook for remittance flows 2008-2010: growth expected to moderate significantly, but flows to remain resilient', World Bank Migration and Development Brief No. 8. Available online: <[http://site/resources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MD\\_Brief\\_8.pdf](http://site.resources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MD_Brief_8.pdf)>.

Lopez, M.H., G. Livingston and R. Kochhar (2009) *Hispanics and the Economic Downturn: Housing Woes and Remittance Cuts*, Pew Hispanic Center report. Available online: <<http://pewhispanic.org/files/reports/100.pdf>>.

### Impact of the crisis on the Global South:

Institute of Development Studies (2008) *Voices from the South: The Impact of the Financial Crisis on Developing Countries*. Brighton: Institute of Development Studies. Available online: <[www.ids.ac.uk/UserFiles/file/globalisation\\_team/financial\\_crisis/Voices%20from%20the%20South%20Report.pdf](http://www.ids.ac.uk/UserFiles/file/globalisation_team/financial_crisis/Voices%20from%20the%20South%20Report.pdf)>.

Macartney, J. (2009) 'Mass exodus greets Year of the Ox – an anniversary tinged with fears', in *The Sunday Times*, 24 January 2009. Available online: <[www.timesonline.co.uk/tol/news/world/asia/article5576663.ece](http://www.timesonline.co.uk/tol/news/world/asia/article5576663.ece)>.

### UK immigration trends:

Home Office (2008) *Control of Immigration: Quarterly Statistical Summary, United Kingdom; July 2008-September 2008*. Available online: <[www.homeoffice.gov.uk/rds/pdfs08immig308.pdf](http://www.homeoffice.gov.uk/rds/pdfs08immig308.pdf)>.

## Development Research Centre on Migration, Globalisation and Poverty

The Migration DRC aims to promote policy approaches that will help to maximise the potential benefits of migration for poor people, whilst minimising its risks and costs. Since 2003, the Migration DRC has undertaken a programme of research, capacity-building, training and promotion of dialogue to provide the strong evidential and conceptual bases needed for such policy approaches. This knowledge has also been shared with poor migrants, with the aim of contributing both directly and indirectly to the elimination of poverty. The Migration DRC is funded by the UK Government's Department for International Development, although the views expressed in this policy briefing do not express DFID's official policy.

## How to Contact Us

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