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Migration and the Global Economic Crisis: One Year On

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In March 2009, the first contributions to our ‘virtual symposium’ on Migration and the Global Financial Crisis were posted on The Age of Migration website. At that time, information and analysis on the effects of the crisis on international migration were quite fragmentary, and there was a lack of comprehensive statistical data on trends in migration, migrant employment and remittances. We knew little about the effects of the crisis on the migrants and their families, and about how the crisis would affect migrant-origin and – destination countries, and the relationships between them.

In order to gain an overview of the state of knowledge and debate on these topics, in December 2008 we wrote to some leading migration experts around the world, and asked them to send information, references and specially-written articles arising from their specific areas of expertise concerning migration and the crisis. The generous response from several colleagues allowed us to put together the initial package of articles and material on The Age of Migration website. These texts provided information on and analyses of emerging trends. Several of the authors drew on their extensive knowledge of previous crises to speculate on what could happen this time. In the course of 2009, it was possible to add further articles, so the ‘virtual symposium’ helped to chart emerging developments.

Now, in April 2010, far more material is available. Updates from national and international statistical sources provide the data for analyses by social scientists and policy agencies. Reports on the effects of the crisis on employment, unemployment, incomes, occupational patterns and migrant remittances allow far more reliable assessments than a year ago. A plethora of academic conferences, policy fora and publications have addressed the implications of the crisis.¹ This therefore seems an appropriate moment to wind up the

¹ A useful collection of papers can be found on the webpage of the Annual Conference of the Oxford University Centre on Migration, Policy and Society (COMPAS): New Times? Economic Crisis, Geo-Political Transformation and the Emergent Migration Order, organised by Nicholas Van Hear, Franck Duvell and Jennifer Newman: http://www.compas.ox.ac.uk/events/annual-conference-2009/
‘virtual symposium’. Readers of The Age of Migration can now draw on a wide range of other sources to keep abreast of further developments in international migration that are linked to current major economic shifts.

In this final contribution, the aim is to draw attention to some of the main international migration trends that have emerged over the last year or two in the context of the most serious economic crisis to affect the capitalist world since the 1930s. We will start with some conceptual points, and then move on to look at some of the more descriptive evidence. It is important to realise, however, that it is still too early to come to any clear conclusions on possible fundamental shifts in economic patterns that might herald a reshaping of migration systems at the global, regional, national or local levels. A major question remains as to the degree of what Katzenstein refers to as internationalization in response to the crisis (2005, 16-19). Will states reaffirm sufficient coordination and control over financial and economic matters and thereby bring the free-market and deregulatory excesses of the Reagan-Thatcher-Bush era to a definitive end?

**From housing crisis to financial crisis to employment crisis to debt crisis**

One factor which makes the effects of the crisis for migration hard to assess has been the constantly changing character of the crisis. The initial focus was on the **housing crisis**: the collapse of the US housing market in 2006-7, and the resulting major losses sustained by financial institutions which had provided ‘sub-prime’ mortgages. Early predictions claimed that the ‘real economy’ – that is, the production and distribution of goods and services – would not be much affected. In the course of 2007-8, the crisis transmogrified into a general **financial crisis**, as it became apparent that most banks and similar institutions around the world had splurged on securitized mortgage debt in the form of ‘collateralized debt obligations’ and a bewildering array of other ‘derivatives’. The **Global Financial Crisis** came to a head in September 2008, when it became apparent that many banks around the world were on the brink of insolvency – that is why we used the term Global Financial Crisis (or GFC) for our virtual symposium. The danger of a worldwide collapse of the financial system was only averted by massive taxpayer-funded bailouts. Ironically, the financiers who had long resisted regulation and called for completely free markets were now clamouring for hand-outs from the state (Gamble, 2009; Mason, 2009).
The concerted state action worked – but at a cost. By late 2008, the loans and investment capital crucial to keep the real economy going and growing were drying up. The world was confronted with an *employment crisis*. The ILO estimated in 2009 that 61 million people were unemployed because of the crisis (Alexander, 2010, 118). Now, in early 2010, the stock markets are recovering and industrial production is also beginning to climb – in some places at least. However, many areas have so far experienced a jobless recovery. Now the high level of debt taken on by governments to save the financial system has become a new threat. States have saved capitalism-as-we-know-it by borrowing against the future, but the resulting *debt-crisis* could make a sustained recovery very difficult to achieve. The near-collapse in early 2010 of the economies of Dubai and then Greece due to very high debt levels made the dangers obvious. Overall therefore we should speak not of a Global Financial Crisis, but of a recession, a slump or a *Global Economic Crisis* (GEC).

The various forms of this crisis have had differing effects on migrants. The initial *housing crisis* had highly negative consequences for migrant workers, especially in the USA. As Phil Martin pointed out in his article for the AOM website:

... employment in US construction reached 7.7 million in Fall 2006 before shrinking by almost a million to 6.8 million in December 2008. The unemployment rate for persons in construction occupations rose from 9.4 percent in December 2007 to 15.3 percent in December 2008. About two-thirds of the three million Hispanic workers employed in US construction in 2007 were foreign born, and almost all of the 300,000 Hispanic construction workers who lost jobs between 2007 and 2008 were foreign born.

In its early stages, the *financial crisis* had its greatest impacts on highly-skilled personnel, including international transients, working in banking, information technology and similar high-end services, who lost jobs or experienced lower incomes. Lower-skilled migrants were affected indirectly, by the decline in demand for housing, services and goods. But as the financial crisis metamorphosed into an *employment crisis*, migrant workers often bore the brunt of unemployment, reduced hours and lower pay. In many places, it was the most vulnerable groups that suffered most. For example, in Japan, the Toyota car company was quick to sack Latin American workers of Japanese descent (*Nikkeijin*). Unlike Japanese
workers, the *Nikkeijin* often lacked secure employment contracts and had no social insurance. Since they were sometimes also evicted from company-owned housing, they could quickly become destitute.

At present it is impossible to forecast the future effects of the *debt crisis* on international migration. The Dubai crisis has certainly had severe effects on the many Asian construction workers in the previously fast growing Gulf state, for many of the ambitious building projects have been abandoned or at least suspended. At a more general level, if debt levels lead to a faltering and uncertain recovery, current migrants may experience hardship, new migrations may be impeded, and origin communities - highly dependent on remittances - may suffer.

**Interdependence**

An important lesson of the GEC is the high degree of global economic *interdependence*. Analyses of earlier recessions showed that downturns in one region could lead to declines in migration to that region, but that these might be compensated by increased migratory flows to new destinations elsewhere. For instance, the stopping of labour recruitment in Western Europe following the 1973 Oil Crisis was counterbalanced by the emergence of new labour flows, first to oil-rich states in the Middle East and Africa and later to the emerging industrial tigers of Asia. Similar experiences were made in subsequent regional downturns, such as the Chilean Debt Crisis of 1982-4, the Asian Financial Crisis of 1997-9 and the Russian crash of 1998. Because of their spatial limitations, these shocks had strongly negative effects for migrants in the specific regions, but did not have a significant or lasting impact on international migration at the global aggregate level.

The GEC of 2007-10 is different – as Phil Martin pointed out in 2009: it is global in nature, so that migrants cannot readily switch from one destination to another. Moreover, both destination countries and origin countries are affected (Jha *et al.*, 2009, 1). One reason why labour migrants who lose their jobs do not repatriate is that things are even worse at home, so that many migrants decide they are better off sitting out the crisis in a destination country, in the hope that an impending recovery will generate new jobs. Certainly the scope to switch to new destinations is very limited at present.
Fall in new labour migration

Let us turn now to more descriptive findings on the effects of the GEC. There still do not appear to be comprehensive global or regional data on new migration flows, although all observers agree that new labour migration has fallen – but not stopped altogether. The absence of reliable data on migrations in and from Africa and Latin America is particularly noticeable. World Bank researchers Ratha et al. report a decline by nearly half in migrant departures from Bangladesh in the first nine months of 2009. New migration from Poland to the UK (and no doubt Ireland too) has fallen sharply (Ratha et al., 2009, 5). Migration to the USA began to slow in late 2007 and that trend appears to have continued into 2009 – not surprisingly in view of a US unemployment level of 10.2 per cent in October 2009, the highest level for 25 years (McCabe and Meissner, 2010). Migrant departures from Mexico to the USA fell from 369,000 in 2006 to just 114,000 in 2009 (Alba, 2010).

The CIS region (the states that emerged after the breakup of the Soviet Union) appears to have also experienced sharp falls, although precise data do not seem to be available. Before the crisis, migration played a major role, with between 10 and 25 per cent of the population of many CIS states living abroad. Russia was a major pole of attraction, especially for workers from Central Asian states like Tajikistan and Kazakhstan. The GEC has put a temporary brake on such flows, but not stopped them altogether, as high unemployment in some areas still encourages people to move to other countries with acute labour market shortages (Canagarajah and Kholmatov, 2010).

As for Asia, which makes up well over half the world’s population, comprehensive data are still lacking. In early 2009, Abella and Ducanes noted that the sharp economic downturn in some parts of the region was causing some governments in Southeast and East Asia to close their borders to new migrant workers. They expected intra-regional labour migration to slow down substantially in 2009, but thought that labour demand in the Gulf States – major destinations for workers from South and Southeast Asia – would remain fairly strong. They also found no substantial decline in departures from migrant origin countries (Abella and Ducanes, 2009). The findings from Bangladesh, cited by Ratha et al (see above), indicate that this may have changed in the course of 2009. Also, the economic crisis has affected Dubai where there have been reports of large-scale retrenchments of migrant construction workers.
Other Gulf States have had to cut back investment plans due to low oil prices. By the end of 2009, a paper published by the Asian Development Bank was pointing to the vulnerability of unskilled and semi-skilled workers in highly cyclical occupations, and to ‘a decline in the new deployment of migrants from most Asian countries’ (Jha et al., 2009, 2).

**Fall in irregular migration**

Several observers have pointed out that irregular migration (also referred to as unauthorized, undocumented, illegal or spontaneous migration) is highly sensitive to labour market demand in destination countries (e.g. McCabe and Meissner, 2010, 7). Irregular employment is particularly common in low-skilled jobs in low-productivity sectors of the economy, such as agriculture, construction, catering and certain services. These jobs – which often have insecure and exploitative conditions – are often strongly affected by economic downturns. Since irregular migrants move through networks and tend to rely on information and support from previous migrants, potential migrants quickly learn of the lack of work opportunities in recessions. Moreover, irregular migrants, unlike those with appropriate residence and work permits, generally lack entitlements to welfare support, and have little motivation to come to a destination country or to stay there if work is not available. Finally, destination countries tend to tighten up border control measures and campaigns to identify and deport irregular migrant workers in times of recession.

All these of these factors have been at work in the 2007-2009 period. The decline of migrant employment in areas as diverse as the USA, Spain, the Gulf States and Malaysia has been linked to concentration in the crisis-sensitive construction industry. Several Asian governments have tightened up entry controls (Abella and Ducanes, 2009). In the USA, the failure of attempts at immigration reform and creation of a path to ‘earned citizenship’ for irregular migrants in 2006-7 opened the way for the ‘Secure Fence Act’ of 2006, designed to prevent Mexican migrants entering across the Southwest border (McCabe and Meissner, 2010, 5). In any case, the tightening of border control that started in 1994 with ‘Operation Gatekeeper’ had already had the effect (unexpected by policy-makers if not by researchers) of transforming much Mexican migration from short-term cyclical flows to permanent settlement (Alba, 2010, 2).
However, as we noted in *The Age of Migration* (Castles and Miller, 2009, pp. 232-42), irregular migration and employment are the result not only of migrant disregard for national laws, but also of the emergence of a ‘new economy’ in which workers are treated differently because of their ethnicity, race, origins and legal status. Several highly-developed countries with strong systems of law and rights for their own citizens tolerate employer use of irregular migrants as a way of providing flexible and low-cost labour for sectors that might otherwise be unviable. The USA is the prime example, with over 12 million irregular residents in 2008. Southern Europe countries, with fast-growing economies up to 2008, recruited millions of irregular workers as a way of quickly meeting labour-market demand. Many of these workers were subsequently offered ‘regularisation’ through a series of amnesties. In Asia, Japan, Malaysia, Thailand and other countries all use irregular migration as a way of getting labour without high administrative costs. The added bonus is that such workers can be easily fired without incurring social costs when employment declines.

**Other forms of migration less affected**

The effects of the GEC on migration that is not directly motivated by employment criteria appear to be complex and uneven. Again comprehensive data are not yet available, but there seems no reason to expect general declines in mobility.

It is important to remember that the largest single entry category for immigrants, especially in OECD countries, is family reunion – spouses, children and other relatives coming to join existing primary migrants. Since family reunion generally only takes place once a migrant has been able establish him- or herself in legal, economic and social terms, there is generally quite a long time time-lag. This is further increased by the bureaucratic procedures needed to obtain family visas. There is little evidence that family reunion migration has been substantially affected by the GEC.

A year ago, in his contribution to the ‘virtual symposium’, Roger Zetter argued that the need of people to seek protection from violence and persecution would not decline because of the GEC, but that states’ willingness to recognize and accept refugees – already in sharp decline since the early 1990s – might well diminish further (Zetter, 2009). At present, statistical data to test these forecasts are not available. Speaking in Washington DC in mid-2009, the UN
High Commissioner for Refugees António Guterres urged the international community not to allow the global economic crisis to adversely affect humanitarian aid. He pointed out that some 42 million people worldwide had been displaced and needed support. Eighty per cent of refugees and internally-displaced persons (IDPs) remained in poorer countries. Since these countries have been hardest-hit by the GEC (Alexander, 2010), their ability to assist people fleeing violence and persecution was greatly diminished. On this basis, it might be expected that the number of people seeking asylum in developed countries would not decline due to the GEC, but this cannot be confirmed at present.

In *The Age of Migration* we drew attention to other forms of migration, which are becoming increasingly significant: mobility for marriage, retirement, lifestyle and education. For want of data, we can only speculate at present:

- Marriage migration (most notably to East Asian countries as we noted in *The Age of Migration*, p. 134) is generally the result of long-term demographic and social factors, and is unlikely to be affected much by the GEC.
- Retirement migration could well be affected, if changes in housing and currency values reduce the ability of retirees to pay for moving and establishing themselves in retirement destinations.
- Lifestyle migration too might be affected by economic changes, although the effects could be quite complex and not necessarily linear.
- Migration for education – a growing trend in recent years – could well be reduced, if parents are unable to pay the costs of student fees and living costs in developed countries. However, changes in currency exchange rates (e.g. the decline of UK Sterling) could increase the attractiveness of some destinations.

**Little return migration**

All the reports on the effects of the GEC on migration seem to agree that:

....there is little evidence of *return migration* as a result of the financial crisis in the US and Europe. On the contrary, there are widespread reports that migrants are unwilling to return to their countries of origin fearing that they may not be able to re-enter once they leave because of tighter immigration controls (Ratha *et al.*, 2009, 4, emphasis in original).
Since their families at home are often dependent on remittances, migrants ‘adopt several strategies to cope with the recession, such as lowering spending, looking for a new or second job, moving to a cheaper house, refinancing mortgage, drawing down savings, selling possessions, mortgaging property, or declaring bankruptcy’ (Jha et al., 2009 3).

In some cases, governments do appear to have taken measures to force unemployed migrants to leave. This has often been coupled with campaigns to remove irregular workers. Malaysia, Singapore and some of the Gulf States have announced such approaches. However, they are hard to implement in practice, due to lack of institutional capacity is some places, employer concerns that unemployed nationals will not be willing to take ‘migrant jobs’, and the efforts of migrants to remain.

On the other hand, there is some evidence of departures of Polish and other Central and Eastern European workers from Britain and Ireland. Lack of jobs in the destination countries is certainly one reason, but improving prospects at home may also be a factor. It is important to note that these migrants, as EU citizens, have the right to return to Britain, Ireland or other EU countries once employment prospects pick up. The right to return means there is no reason to sit out the crisis in the destination country.

Several destination country governments have set up schemes to give financial incentives to migrants to return home. In a recent paper, Piotr Plewa complements his two papers already on The Age of Migration website by analysing the long-term effects of the French voluntary return scheme introduced in the early 1980s, and comparing it with the apparent failure of the recent Spanish scheme (Plewa, 2009). In his presentation on The Age of Migration website, Emilio Reyneri noted the poor take-up of the Spanish and Czech voluntary return schemes. In the former, unemployment benefits were to be paid in installments to unemployed non-EU workers who returned home and agreed not to come back to Spain for at least three years. In principle, nearly 90,000 migrant workers were entitled to apply, but only about 5,000 did so. Only 1,345 migrants had applied to join the Czech scheme by April 2009. Similarly, A Japanese scheme to encourage unemployed Latin Americans of Japanese descent (Nikkeijin) to depart through payments of US$3000 had little success (Ratha et al., 2009, 4).
Taking this rather fragmentary evidence together, it seems that the experience of previous recessions is being repeated: most migrants are not willing to return to poorer origin countries, due to the low incomes and the lack of work prospects there. They prefer to sit out the crisis in the destination country, even if this may mean considerable hardship. The only migrants likely to go may well be those that the destination country would prefer to retain: those with skills and prospects elsewhere, and with a secure legal status that would allow them to come back again once job markets improve.

**Little or no decline in migrant stocks**

Overall then, it seems clear that new labour migration – and especially irregular migration – has fallen, while other forms of migration are less affected. Return migration is quite limited. The result – as virtually all the sources cited so far agree – is that migrant stocks in destination countries have declined little or not at all. This is an important finding. However, it still represents the interruption of a trend over the 1990s and the early 2000s to rapid increases in migrant flows and steady increases in migrant stocks in many regions. Economic dynamism has been closely associated with a demographic transition to lower fertility in many industrial countries in Europe and Asia (though less so in the USA and Australasia). This has created the structural conditions for strong and enduring demand for migrant workers of all skill levels.

In previous recessions (such as that following the 1973 Oil Crisis), there was some initial decline in migrant stocks due to the fact that many migrants had always intended to stay a few years only, and were ready to return home. Often, as already noted, this return was selective: those with the best prospects at home left, while migrants from countries strongly affected by the recession tried to stay. The decline in numbers associated with return labour migration was quickly made up by family reunion, family formation and settlement of those who stayed. This led to a demographic normalization of migrant populations, which in turn resulted in increased needs for housing and for public services such as education, health, welfare and recreation amenities.
Remittances: decline in growth rates, but no sharp falls in transfers

As pointed out in *The Age of Migration* (Castles and Miller, 2009, 59-62), economic remittances – the money sent home mainly to their families by migrants – have come to be seen as a crucial economic factor in many less developed countries. Remittances have been seen as a reliable source of capital far greater that official development assistance (ODA) and in many cases larger than foreign direct investment (FDI). Apart from their significance for the economy as whole, remittances have helped lift millions of families out of poverty. The ability to support families through remittances is a key motivation for migration. What happens then when economic recession reduces the ability of migrant workers to send money home? This has been a key concern in recent analyses of the effects of the GEC.

British Overseas Development Minister Alexander points out that remittances are worth over US$300 billion a year and cites a forecast of a possible decline of between US$25 and US$66 billion over 2009 (Alexander, 2010). Ruiz and Vargas-Silva point out that the previous rapid growth rates in remittances fell off sharply in 2008, and that actual declines in transfers were expected for 2009. Latin America seemed to be more severely affected than other world regions, while Mexico – the largest Latin American recipient – had already experienced a downturn in remittances in 2008. These authors link the decline in money flows to Mexico to the downturn in the US housing construction industry (Ruiz and Vargas-Silva, 2009). The Asian Development Bank paper draws attention to the very rapid growth in remittances to Asia prior to the GEC. It goes on to show how rising unemployment of Asian migrant workers has led to sharp falls in transfers. For instance, remittances to Tajikistan – the world’s largest recipient in terms of share in GDP (50 per cent) – were expected to fall by 29 per cent in 2009, equivalent to 14 per cent of GDP. Interestingly, some countries, such as Pakistan and Bangladesh, experienced an increase in remittances in early 2009, partly because migrants were trying hard to compensate for difficult conditions at home, and partly because of the repatriation of savings by returning unemployed migrants (Jha *et al.*, 2009). Deposits by overseas workers to banks in the Indian state of Kerala increased by roughly 20 per cent between September 2008 and 2009 (Gravois, 2010, 7).

The most comprehensive source for remittance data is the *World Bank Migration and Development Briefs*. The November 2009 Brief found that remittances world-wide had
totalled US$338 billion in 2008, higher than the World Bank team had predicted. Their revised forecast for 2009 was for world-wide remittances of US$317 billion, a fall of 6.1 per cent – again more optimistic than the previous prediction of a 7.3 per cent decline. Generally results were better than expected for the South Asian and the Asia-Pacific regions. On the other hand, trends for Latin America and the Caribbean region were worse than expected. This was thought to reflect the severity and early onset of the crisis in the USA and Spain – key destinations for Latin American migrants (Ratha et al., 2009).

The World Bank predicts a gradual recovery in remittances with modest growth in 2010 (1.2 per cent growth for the world as a whole and 2.6 per cent for low-income countries) and 2011 (3.7 per cent for the world and 4.6 per cent for low-income countries). However, this expected growth is far lower than the very rapid increases of earlier years (15 per cent for the world in 2006 and 21 per cent in 2007) (Ratha et al., 2009, 14). A period of stagnation seems likely, and this could turn into decline if the expected economic recovery fails to materialise.

Changes in remittance levels are hard to assess. The apparent rapid rise in remittances from 2002 to 2007 was partly due to increased use of official channels for transfers. Following 9/11/2001, governments tried to block informal transfer systems (called Hawala or Hundi systems in various regions), fearing that they could be used to finance terrorism. Governments also made efforts to get money transfer agencies to reduce fees to encourage migrants to make use of them, rather than send money home with relatives or friends (Jha et al., 2009, 4). Some of the current decline in remittances may be due to renewed mistrust in global banking and a return to informal systems.

All the same, remittances have proved more resilient than many observers predicted. As the World Bank team points out, remittance flows in a given year are not directly related to migration flows, but rather to the stock of migrants in a specific country (Ratha et al., 2009, 4). Since migrant stocks have not declined much (if at all), remittances levels have on the whole been maintained. However, some migrants have lost their jobs or experienced lower incomes, reducing their capacity to remit. This has led to declines, but these have sometimes been made up by migrants’ willingness to make sacrifices in order to continue to provide support for their families and communities at home. Another mitigating factor has been currency effects: the rise of the US Dollar has meant that remittances from the USA and some
other areas have become more valuable. Of course this can work the other way too: migrants paid in UK Pound or in Euros have found their transfers less valuable.

**Long-term prospects: still unclear**

The material drawn on here is only a small fraction of the many official studies and academic analyses that are becoming available. Trends are always clearer in retrospect, and it will be some years before the full significance of the GEC for migration becomes evident. The immediate effects of the crisis on migration appear to have been rather less than was originally predicted in late 2008 and early 2009. Indeed, it is the resiliency of international migration flows that again is most striking. Nonetheless, hardships also again have been disproportionate and often very severe for many migrants and for their dependents. Another consequence (not discussed here) has been the rise of hostility to migrants in many destinations countries, such as the Republic of South Africa, giving rise to dangerous outbursts of racism and, in some cases, motivating exclusionary action by authorities.

Emilio Reyneri (in his presentation on *The Age of Migration* website) argues that the demographic causes of attraction of migrants to Europe will remain important. Similarly, it may be postulated that any return to economic growth is likely to lead to new migratory flows to dynamic economic areas, just as has been the case in the past. The intriguing question is whether these dynamic economic areas will be the same as in the past. Interestingly, the Chinese premier, Wen Jibao, recently pointed out that China is growing fast and is experiencing structural labour shortages. In the long run, the GEC may be a symptom of a long-term shift in economic power away from the USA and the other older industrial economies to the emerging BRICS economies (Brazil, Russia, India, China and South Africa) of the industrializing South. All of those countries (except perhaps China) are already emerging poles of attraction for international migrants. China still mainly relies on internal migration, although it is beginning to recruit overseas professionals. In ten years time, we may well look back at the 2007-10 GEC as a turning-point to the emergence of important new migration systems, just as we do today with regard to the post-1973 recession.
References


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