

# **IMPACT OF THE ECONOMIC CRISIS ON INTERNATIONAL LABOUR MIGRATION: IMPLICATIONS FOR THE APEC ECONOMIES AND SOME POLICY IMPLICATIONS**

by

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# Outline of Presentation

- **Introduction**
- **The PECC-ABAC Labour Mobility Study**
- **Some Impacts of the GFC in Asia and the Pacific**
- **Destination Countries**
- **Origin Countries**
- **Outlook**

# **PECC-ABAC Labour Mobility Study**

- **Documented increasing scale and complexity of international labour migration to and from APEC economies. Now an important structural element in most economies in the region.**
- **Also examined constraints on mobility, widespread misunderstanding of the current and political impacts and poor governance of migration within the region.**

- **Underlying drivers of labour migration – demographic and development differentials, social networks, migration industry – are strengthening.**
- **Recommendations to reduce constraints to movement – improving governance, strengthening international cooperation, apply best practice principles and change perception of migration.**

# Recessions and Migration

- **Effect of recessions on migration complex and hard to predict**
- **1973-74, 1981-82 and 1997-98 Asian crises effected migration but impacts relatively short term.**
- **GFC likely to have greater impact because most countries are affected and it is more severe.**
- **Evidence of impact fragmentary.**

**Fear that the modest gains made in liberalising migration will be lost as countries become more protectionist, just as they are with trade and investment.**

# **Destination Countries**

## **IMPACTS**

- **Voluntary Return Programs (e.g. Vietnamese workers in Czech Republic)**
- **Laying off foreigners first – Singapore, Korea, Japan, Malaysia**
- **Taiwan – limited companies so that maximum of 20 percent of workers could be foreign workers**
- **Freeze on issuance of work permits – Malaysia, Korea, Thailand**
- **Stepping up detection and deportation of undocumented migrant workers – Malaysia, Korea**
- **Repatriations – e.g. Filipinos from Taiwan (Asis, 2009)**
- **Experience of Asian Crisis of late 1990s may influence policies of some countries to not rush into repatriations (Asis, 2009)**
- **Flow of migrants influenced more quickly than stock**

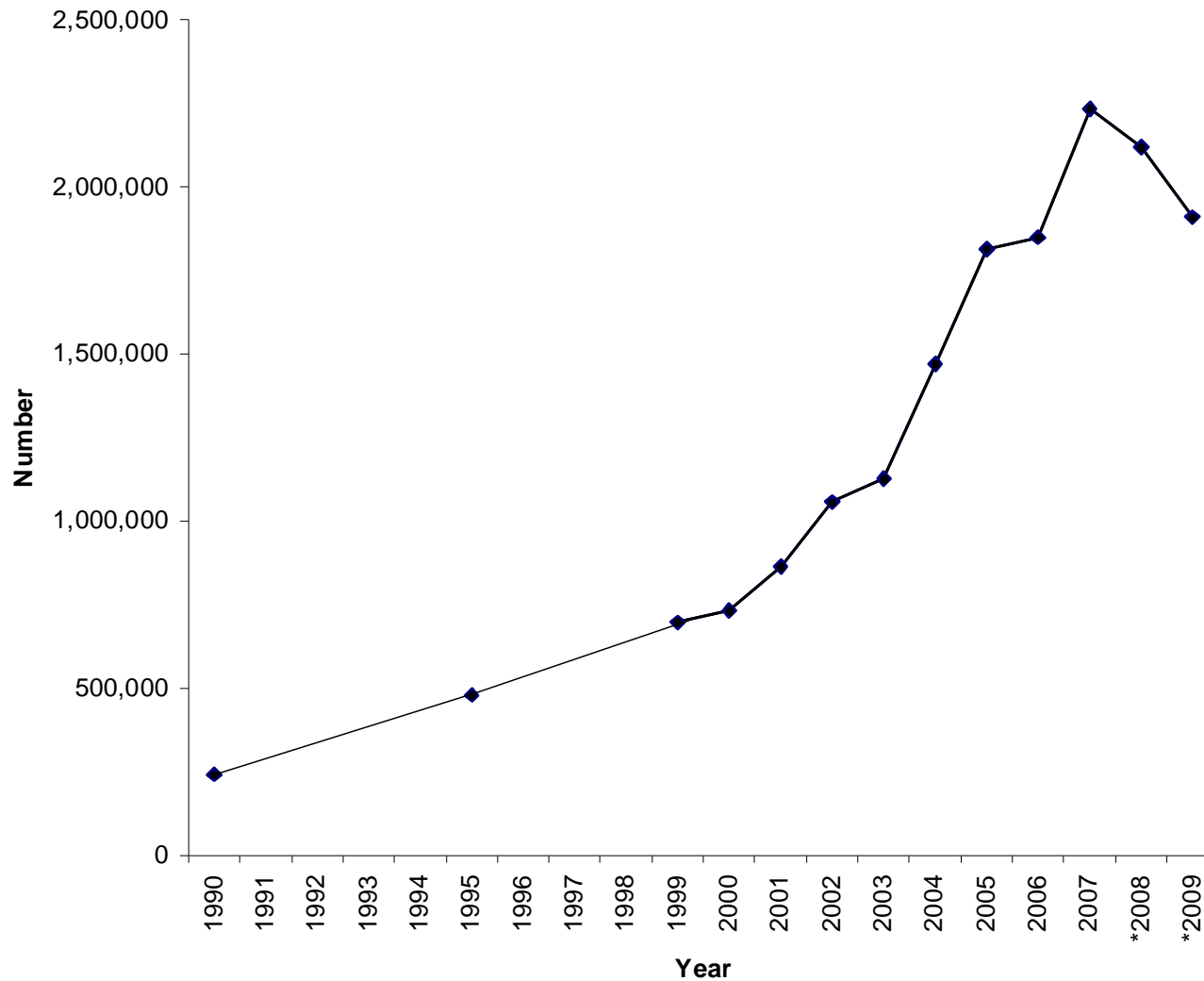
# **Migrants More Vulnerable to Recession Effects**

- **Marginal position – often undocumented**
- **Younger**
- **Often most recent employees**
- **Lack access to benefits**



# Malaysia: Stocks of Migrant Workers, 1990 to 2009

Source: Malaysia, Economic Planning Unit; Kanapathy 2008; Badri 2008; Economic Planning Unit Malaysia



\* At 31 March

# **Concentration of Job Loses in Particular Sectors (Martin 2009)**

- **Construction**
- **Financial services**
- **Manufacturing**
- **Travel related services**

**Hence migrants in these areas likely to be most effected. However some areas not effected, e.g. domestic workers, care workers, health workers**

# Construction

- **GCC countries shedding construction workers, Dubai, Saudi Arabia**
- **China – reduction in infrastructure development**
- **Thailand – January 2009 announced would not reregister migrants**
- **Malaysia – January 2009 froze new entries of migrant workers**

# Manufacturing

- **China: most visible impacts. More than 100 million employed in manufacturing. Some 25 million lost their jobs (*AMN*, March 2009).**
- **Korea: halted admissions under the Employment Permit Scheme in February 2009**
- **Malaysia: 752,000 registered foreign workers but plan to reduce significantly.**

# Domestic Workers

- **Experience from Asian crisis of 1998-99 was that they were largely unaffected**
- **Sri Lanka, major source of destination workers, reports that its migrant worker outflow and remittances have not been not effected**
- **Philippines Overseas Employment Administration reported in February 2009 that there were no lay-offs of Filipino domestic workers in Singapore and Hong Kong because the recession encourages households to have two earners and thus need a domestic helper (*MN*, February 2009)**

# Impacts on Working Conditions

- **Migrant workers often have weaker bargaining position, especially undocumented workers**
- **Reports of pay cuts, delays in payment, reduced conditions**
- **More risking illegal overstaying**
- **Some locals beginning to take on less attractive domestic work previously reserved for migrant workers (e.g. Taiwan)**

# Reductions in Foreign Workforce

- **Korea:**
  - **Cut number of work visas from 100,000 in 2008 to 34,000 in 2009**
  - **Quota of ethnic Koreans from China cut from 34,000 in 2008 to 17,000 in 2008**
- **Taiwan: Reduction of foreign workers by 30,000 in 2009**
- **Kuwait: Foreign workforce declined from 1.77m in 2007 to 1.75m in 2008**
- **Malaysia: January – banned new hires of migrant workers in services and manufacturing**

# **Adjustments by Migrant Workers at Destinations**

- **Displaced workers move into informal sector**
- **Displaced workers become undocumented overstayers**
- **Accept lower conditions/wages**



# Malaysia

- **Government has announced several initiatives to reduce dependence on foreign labour**
  - **Doubling migrant levy in services and manufacturing**
  - **Enforcing that levy must be paid by employer, not the migrant worker**
  - **Banning new hires in manufacturing and services**
  - **Tightening control of recruiters so all migrant workers have to have a job promised**
  - **Subsidising training of local population if they replace migrant workers**
  - **Employers ordered to retrench migrant workers before local workers**
- **Indonesian Ambassador to Malaysia estimates 15 percent of 2 million Indonesian migrant workers could be laid off by mid 2009**

# Australia

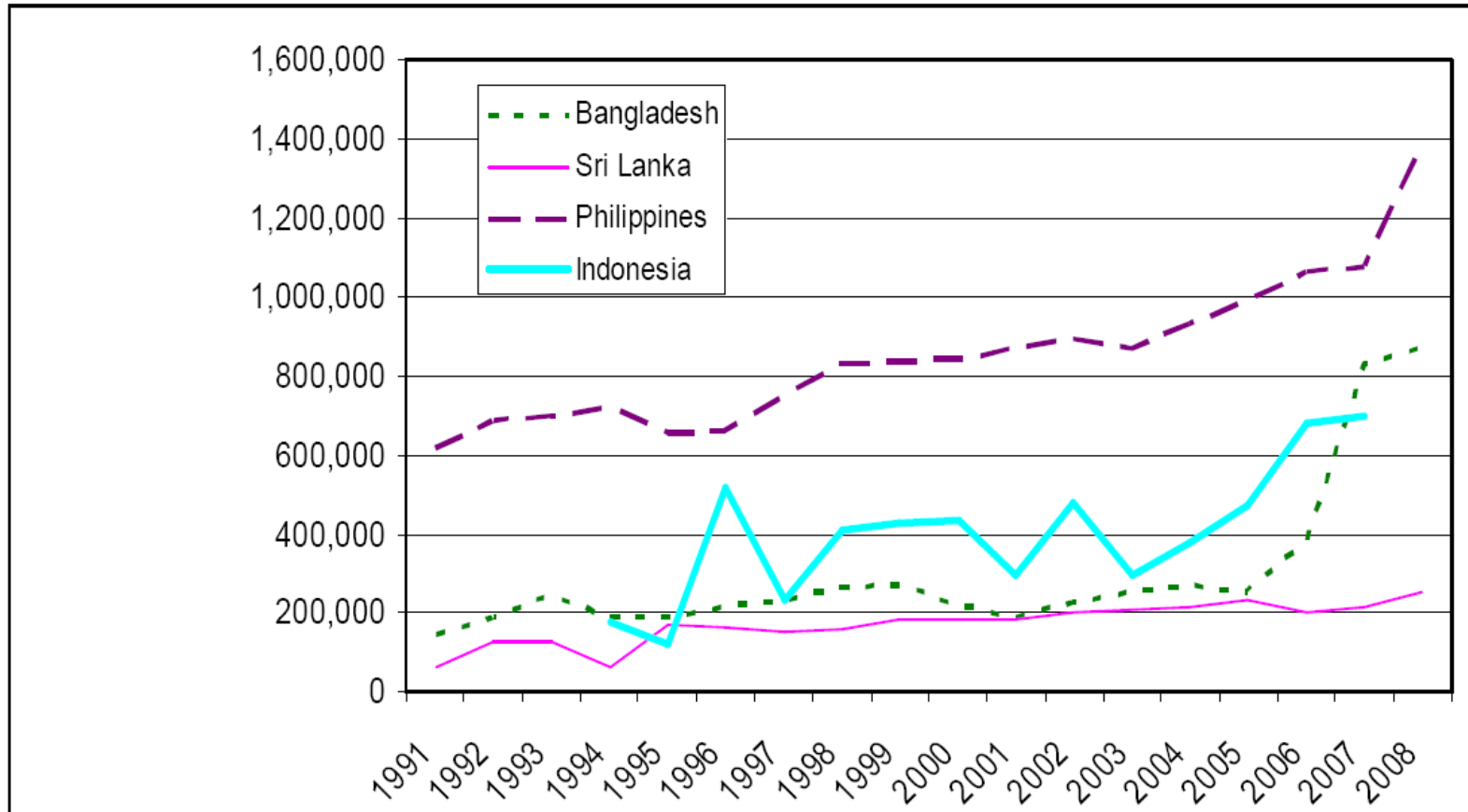
- **Announced substantial reduction in intake of skilled migrants from a record 107,469 in 2007-08 (to be announced in budget on 12/5/09)**
- **Some evidence of increased return of skilled Australians, especially from US and UK**
- **Pressure to stop recent pilot program to bring in agricultural workers from Pacific countries**

# Origin Country Impacts

- **Absorbing return migrants**
- **‘Brain’ gain of skilled returning migrants**
- **Transaction costs of migration may increase**
- **Seeking new markets for migrant workers**
- **Migrant workers more vulnerable to traffickers and illegal recruitment**
- **Migrant families reported to be saving more and spending less (Philippines)**

# Little Evidence of Decline in Numbers of Migrant Workers Leaving

Figure 1: Annual outflows of migrant workers from selected Asian countries



Source: Abella and Ducanes, 2009, p. 2

# **Origin Country Policies**

**(Abella and Ducanes, 2009)**

- **Embassy assistance to retrenched migrant workers – Sri Lanka, Bangladesh, Philippines**
- **Establish help desks in origin provinces influenced – Philippines**
- **Assistance with repatriation – Philippines**
- **China: Grain subsidies, vocational education initiatives and rural infrastructure projects to help laid-off workers returning to villages (AMN, March 2009)**

# Return Migration

- **Little known about it.**
- **May be greatest where the origins are able to offer opportunities rather than strength of recession at destination.**
- **Bangladesh: Returnees who had been laid off due to the crisis 4,817 in January and 8,022 in February. Outflow declined from 50,632 to 43,856 over same months.**

# Remittances – World Bank

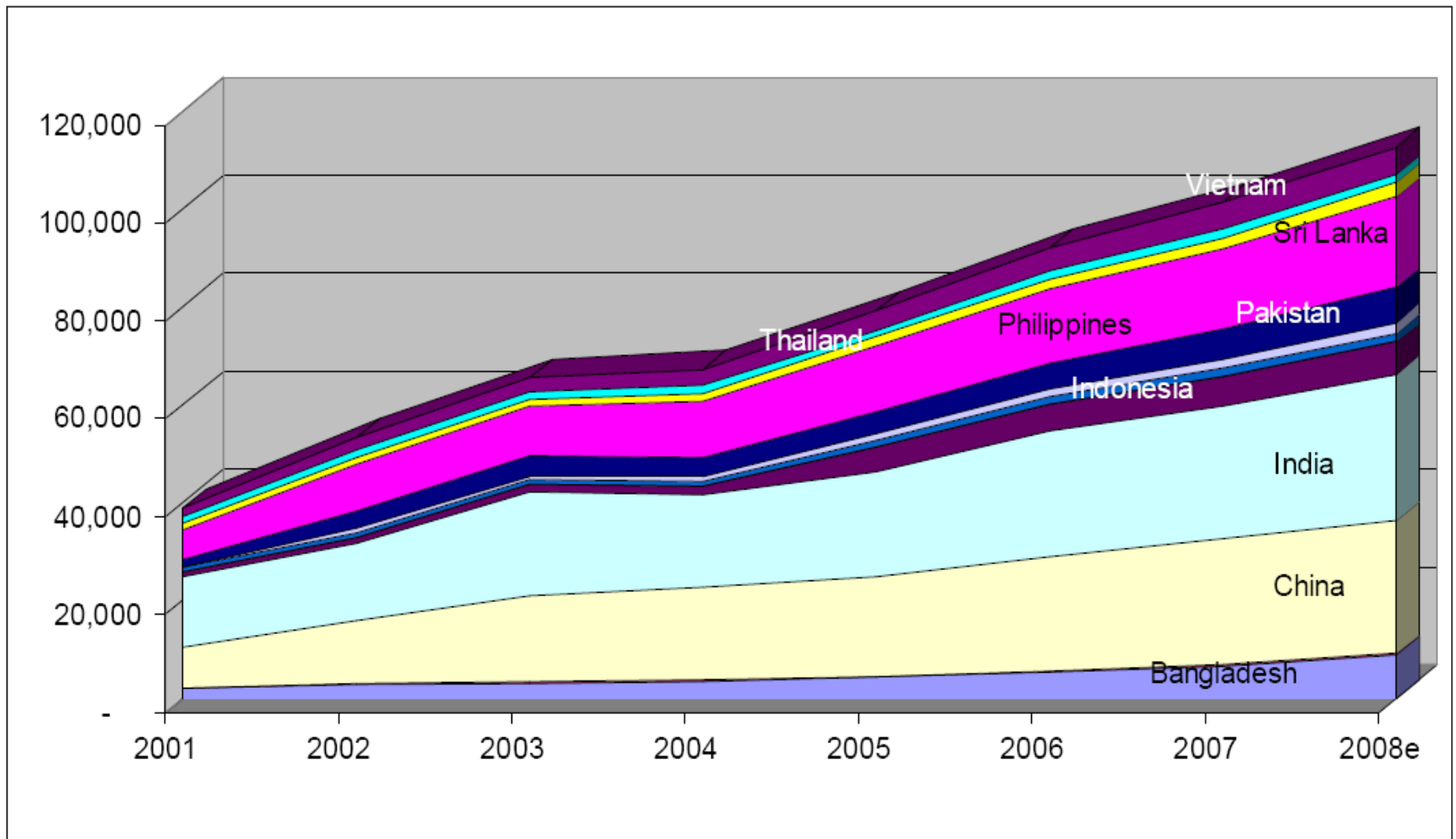
- **Slow down in growth in third quarter of 2008**
- **March 2009 predicted a downturn of 5 to 8 percent in 2009**
- **Downturn already reported in Sri Lanka, Philippines**

# World Bank Forecasts

	2008	Base Case Forecast			Low Case Forecast		
	Estimate	2009	2010	2011	2009	2010	2011
<u>US\$ Billion</u>							
East Asia/Pacific	70	67	68	72	64	64	65
South Asia	66	63	65	70	61	62	64
<u>Growth Rate (%)</u>							
East Asia/Pacific	6.6%	-4.2%	-1.9%	5.6%	-7.5%	-1.3%	2.1%
South Asia	26.7%	-4.2%	3.4%	6.8%	-7.3%	0.5%	4.2%



**Figure 2: Migrants' remittances to Asian countries of origin, 2001-2008**



Source: Abella and Ducanes, 2009, p. 7

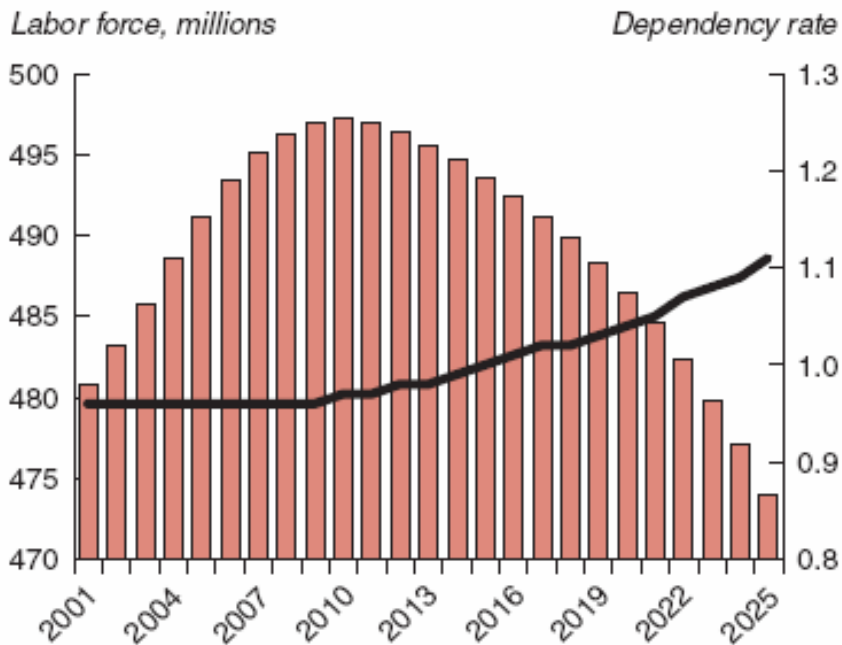
# Outlook

- **Much uncertainty, depends very much on how long the recession goes on**
- **However the underlying drivers of migration remain and several of them are strengthening**
- **For example, from 2010 the number of working age persons in high income countries will begin to decline and there will be a decline of 500 million in this age group by 2025 (World Bank, 2006)**

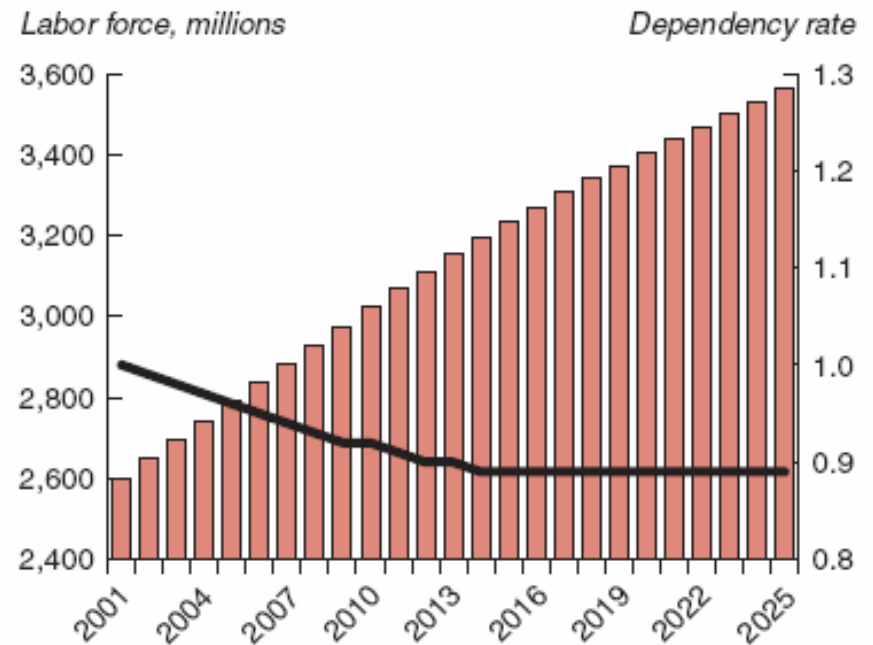
# Labour Force Age Groups and Dependency Rates

Source: World Bank, 2006

Total, High-income countries



Total, Developing countries



■ Labor force    — Dependency rate

# **Labour Migration Will Remain Important**

- **Foreign workers integral to economies – labour market segmentation**
- **Some jobs are tailored to migrants (e.g. in Malaysia plantation and forestry exports would not be competitive without cheap migrant labour)**
- **Role of social networks will strengthen**
- **Many skill shortages remain**

# Conclusion

- **In the Asian Crisis of 1998-99 several destination countries learned that knee-jerk large scale repatriation of migrant workers can have negative consequences for economic recovery**
- **It must not be lost sight of the fact that migration is an increasingly important long-term structural feature of APEC economies**