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

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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

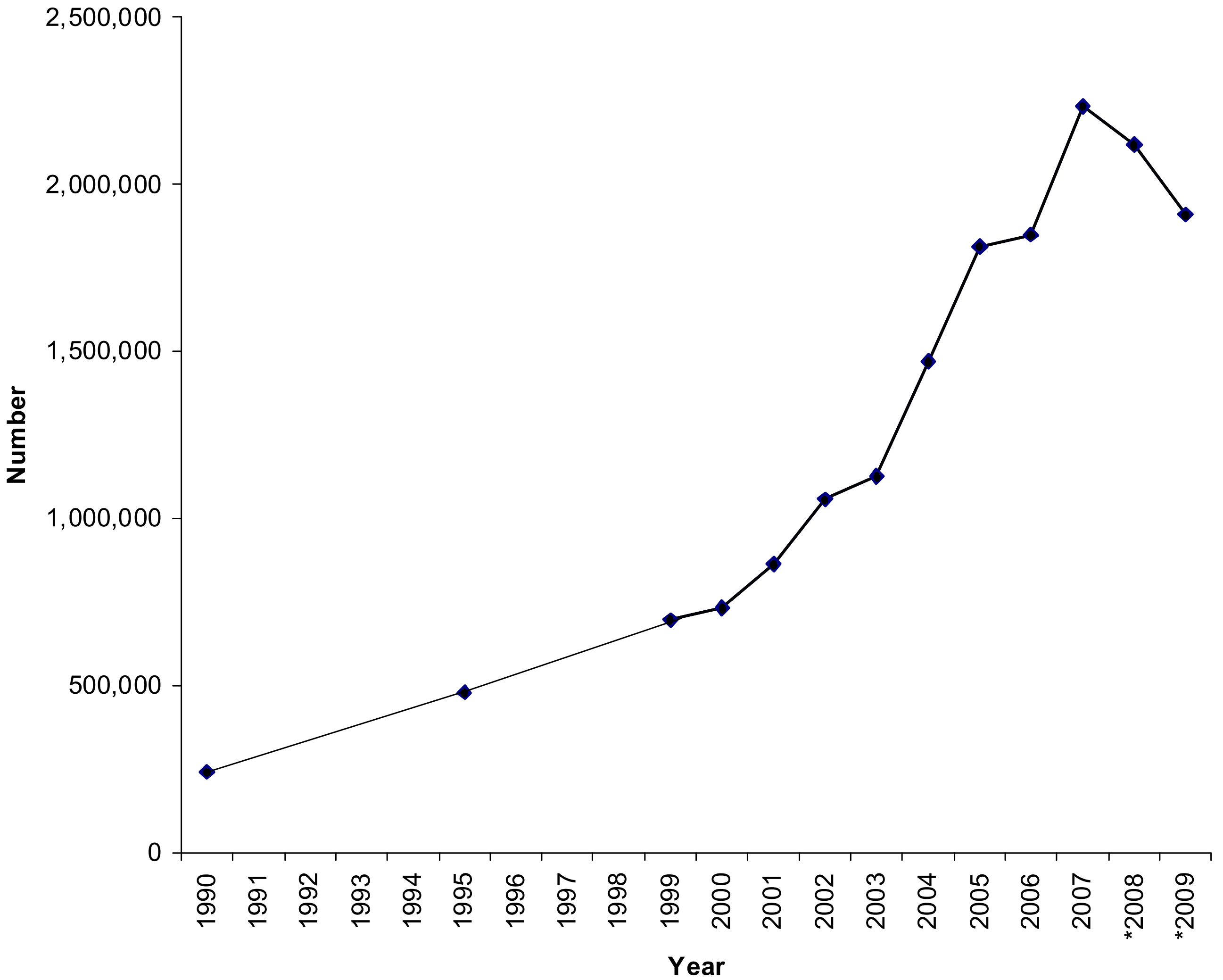
- Voluntary Return Programs (e.g. Vietnamese workers in Czech Republic)
- Laying off foreigners first – Singapore, Korea, Japan, Malaysia
- Taiwan – limited companies so that maximum of 20 percent of workers could be foreign workers
- Freeze on issuance of work permits – Malaysia, Korea, Thailand
- Stepping 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 uneffected
- 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 burgeoning 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

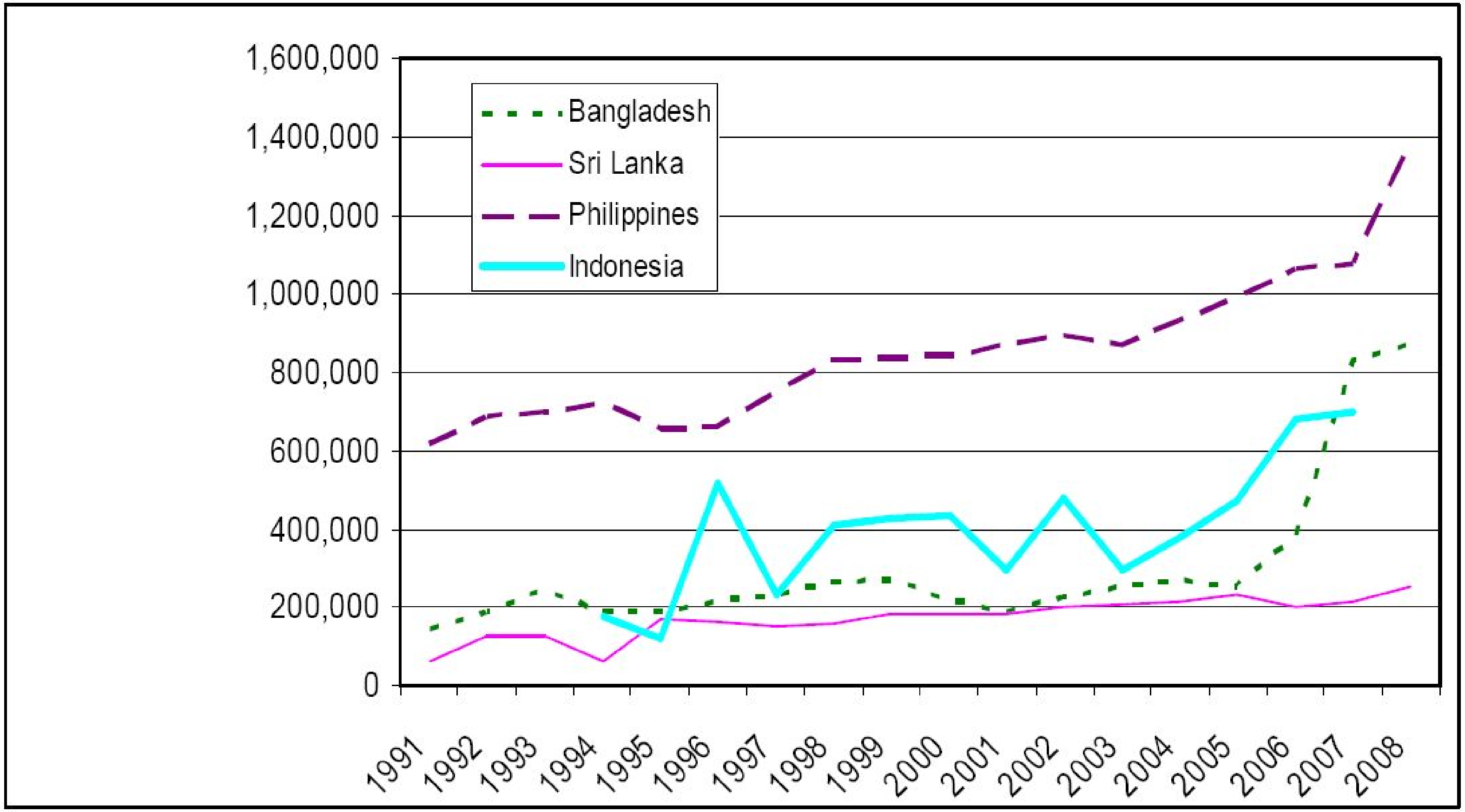
- Announced substantial reduction in intake of skilled migrants from a record 107,469 in 2007-08 (to be announced in budget on 12/5/09)
- Some evidence of increased return of skilled Australians, especially from US and UK
- Pressure to stop recent pilot program to bring in agricultural workers from Pacific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

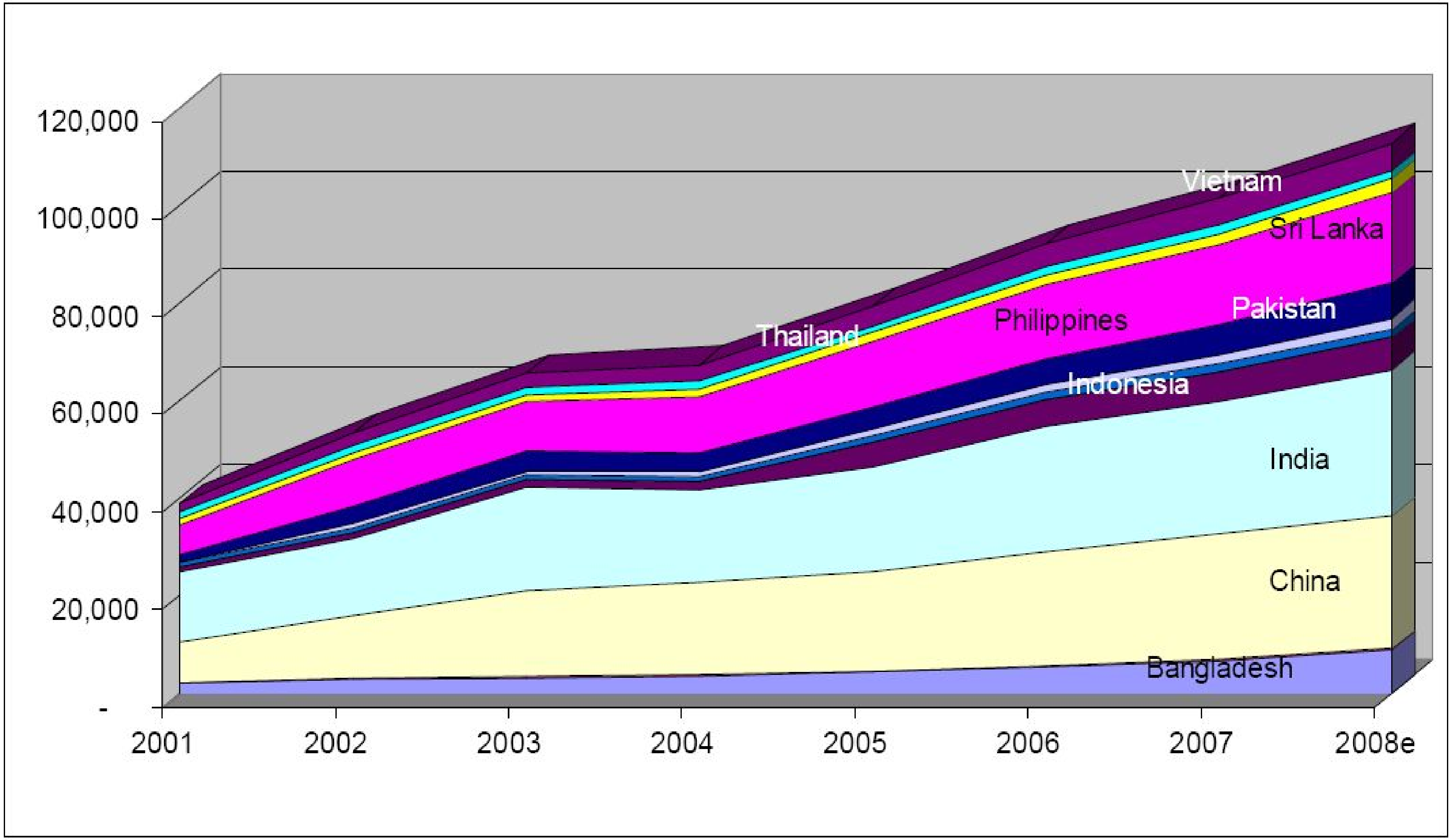
Remittances – World Bank

- 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
US$ Billion							
East Asia/Pacific	70	67	68	72	64	64	65
South Asia	66	63	65	70	61	62	64
Growth Rate (%)							
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



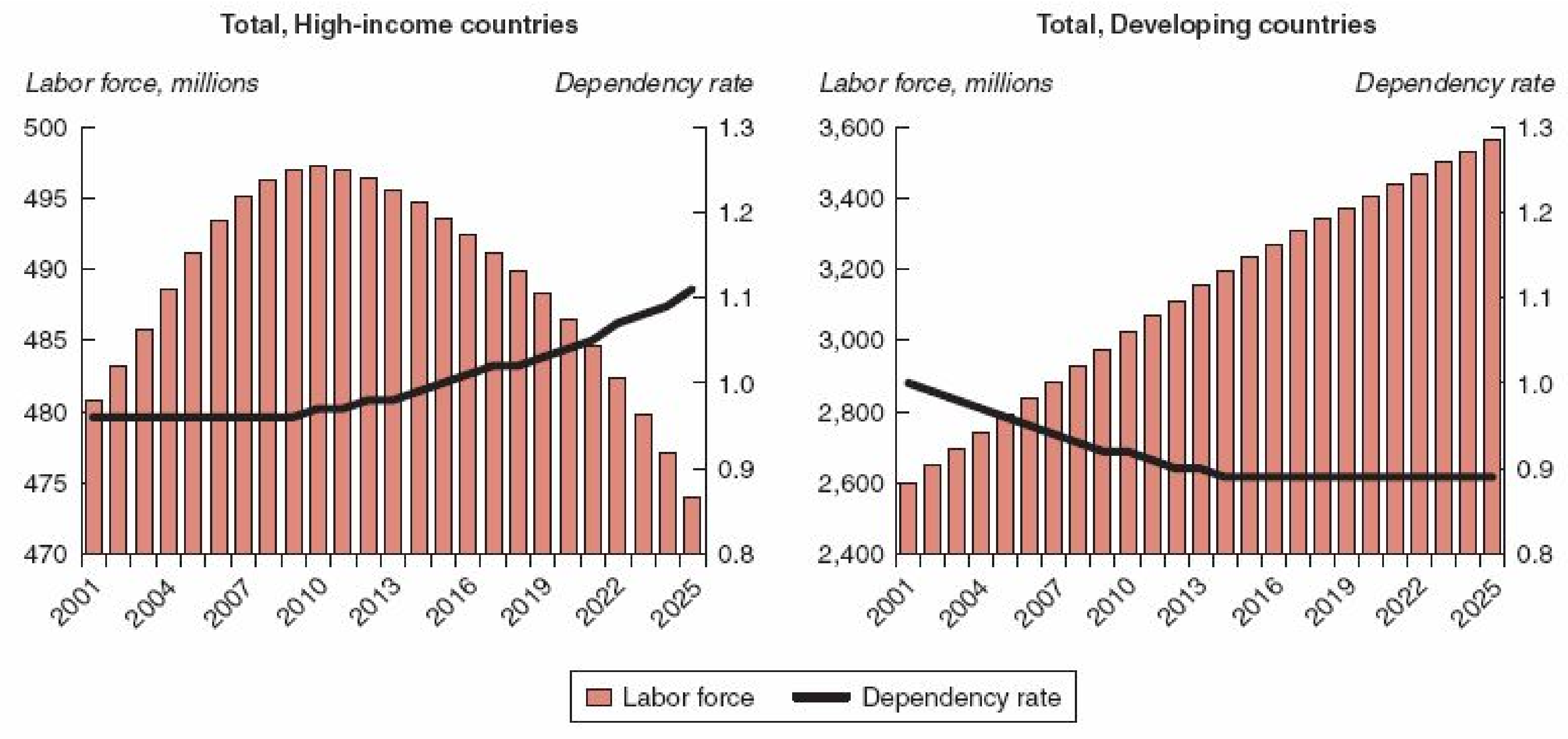
Source: Abella and Ducanes, 2009, p. 7

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



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