Working Paper
T-31

ECONOMIC CRISES AND MIGRATION: LEARNING FROM THE PAST AND THE PRESENT[1]

Tim Green* and L. Alan Winters**

March 2010

*Department for International Development
**Department for International Development and University of Sussex

Issued by the Development Research Centre on Migration, Globalisation and Poverty

[1] This paper is the basis of the Keynote Address given by Alan Winters at the World Bank's Second *Migration and Development* Conference, 10th and 11th September, 2009, in Washington, DC. We are grateful to participants for comments on the first draft.

The UK Department for International Development (DFID) supports policies, programmes and projects to promote poverty reduction globally. DFID provided funds for the Migration DRC as part of that goal but the views and opinions expressed are those of the author(s) alone.

Development Research Centre on
Migration, Globalisation and Poverty
Arts C-226, University of Sussex
Brighton BN1 9SJ

Website: http://www.migrationdrc.org
Email: migration@sussex.ac.uk
Tel: +44 (0)1273 873394
Fax: +44 (0)1273 873158

CONTENTS

1. Introduction

I took over as Chief Economist at DFID (Department for International Development) on the day that Lehman brothers crashed – 15th September 2008. The financial and resulting economic crisis have dominated and defined my professional life since then, so that one year later, it seems natural to reflect on crises and migration and, in particular, this crisis and migration:

- How will it affect migration;
- Perhaps more importantly, how should it affect migration, for migration is nothing if not deeply affected by the policy decisions of government; and
- In the long run, perhaps even more important (at least to one with an academic bent, as I have), how will the crisis help us to understand the most complex and deeply felt of all aspects of globalisation – the decision to move to different country.

When I chose this topic I thought I would tell you how most migration was due to crises of one sort or another and thus that this was the *key* issue for us to study. In one sense we can make that true by defining "crises" appropriately, but once I started reading and thinking about the subject more carefully I concluded that I was wrong. For sure, crises affect the timing of migration and occasionally mark an identifiable watershed between regimes, but in the end I think the evidence suggests that migration is a long-run phenomenon responding to long-run determinants. Another thing I didn't know at the time was that Tim Hatton and Jeff Williamson were about to publish a very neat little note on the subject on VoxEU (Hatton and Williamson, 2009), which goes over much of the same ground and the good sense and wisdom of which I heartily commend.

The paper comprises four substantive sections. The first offers the briefest of descriptions of the current economic crisis. It is followed by a discussion of migration and crises in the nineteenth century. This is an attractive period to study because it not only saw massive flows of people, but these were largely unencumbered by government policies, and so they offer us a reasonable chance of inferring the real economic and social incentives to migration. In fact, one better say that the nineteenth century illustrates migration and economic cycles than migration and economic crises, for the sort of fluctuations we have just experienced were fairly common then, and were more or less accepted as a law of nature.

The third section looks briefly at twentieth century experience. By now policy had become more active and so it is more difficult to back the determinants out from observation, but nonetheless the patterns of crises and migration offer some insight – even if only confirming what had previously been seen. The final substantive section advances some hypotheses about what we might expect to see in the twenty-first century and asks whether the preliminary evidence is lending them any credence.

2. The Economic Crisis, 2008-2009

There are many accounts of the financial crisis of 2007-8 and the resulting economic crisis of 2008 to – who knows when[2]. I shall not rehearse them here save to argue that by modern standards we are witnessing a major shock. Not only are incomes and output sharply lower than expected but we experiencing a fairly much unexpected decline in global economic intercourse. Thus it may seem particularly pertinent to ask whether the currently poor relation of globalisation – migration – will be heavily affected.

Almost uniquely in post-war history 2009 has seen a decline in the volume and value of international trade. Trade volumes contracted by 0.6% and 2.2% % in 1981 and 1982 (WTO, Statistics Database), whereas for 2009, the IMF is predicting a year on year decline of 12%, which represents a drop of about 17% relative to what was predicted for 2009 even as late as mid-2008. In value terms, 1982 and 1983 saw declines of 6.3% and 2.0% respectively, compared with a 12-month decline of over 10% in June 2009, from $134 billion in June 2008 to $119 billion June 2009. Likewise international capital flows collapsed, with the Institute for International Finance forecasting private flows to developing and emerging markets of around $165 billion in 2009 compared with nearly $1 trillion in 2007 and $466 billion in 2008.

In terms of real GDP, the IMF's World Economic Outlook of April 2009 predicted world growth of -1.4 percent for 2009, more than 5% below the growth rates expected for that year a year earlier. The losses were more than 5% in Eastern Europe and Central Asia, where the financial collapse had direct effects and a bit less in Developing Asia which was dynamic and robust going into the crisis. Allowing a few years for economies to return to previous growth

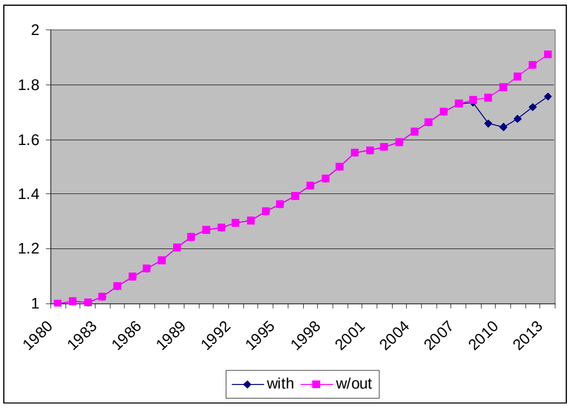
[2] The various papers and World Economic Outlooks produced by the International Monetary Fund offer a good overview.

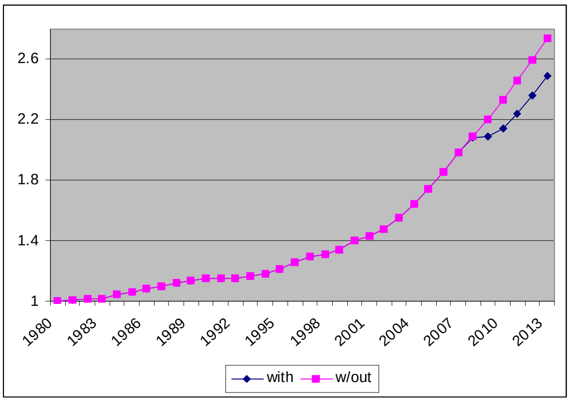
rates, we can expect real GDP (and hence real GDP per head) to be around 10% below the levels we had expected going forward from 2011. Figure 1 illustrates:

Figure 1: Real GDP per head with and without the current crisis

(A) Advanced Countries

(B) Emerging and Developing Economies





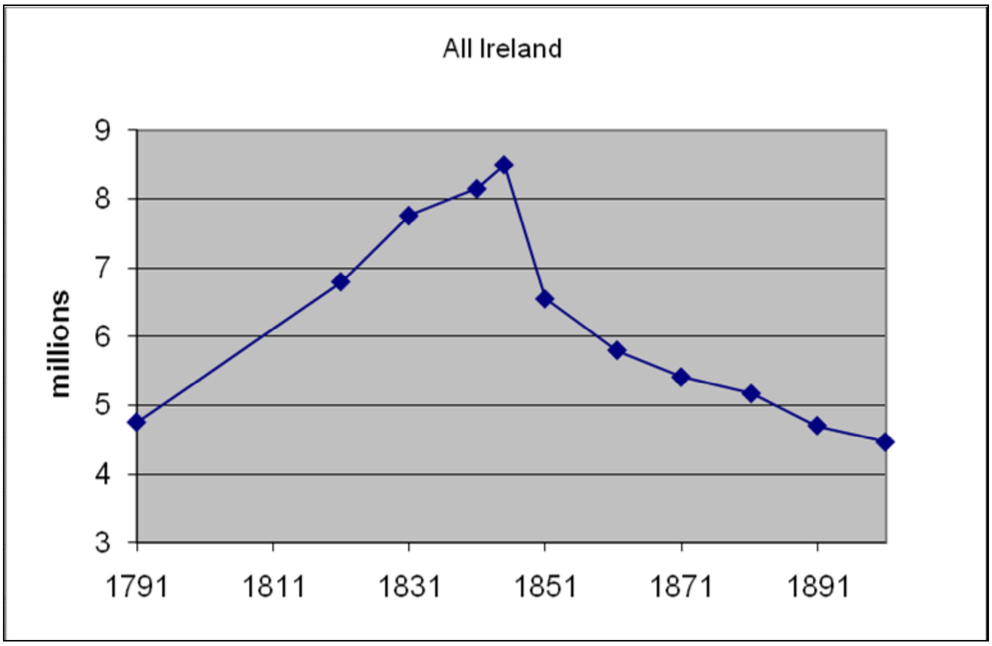
3. The Nineteenth Century

3.1 Ireland

Perhaps the best-known example of crisis-led migration among Anglo-Saxon scholars is the Irish Famine of the 1840s. Data are not very reliable for this period but O' Rourke (1995) has patched together the story. From 1800 the Irish population was increasing steadily. In 1845 half of the potato crop failed, in 1846 nearly the whole did, little was planted in 1847 and in 1848 the crop failed again. It is difficult to translate this into changes in GDP of the sort we are used to, but potato was the staple food of agricultural workers in an agricultural land, so it must have been very large. Moreover, poverty was very extreme in Ireland at the time, so the losses were almost certainly critical for many people.

O'Rourke reports excess mortality of about one million over the famine, averted births of around 400,000 and emigration of about one million. The numbers do not quite add up, but figure 2 shows the fantastic reversal of population trends in the late 1840s. Hatton and Williamson (2006, p.47) report from various sources that Irish emigration accounted for 71 percent of total European emigration and 50 percent of immigration over 1846-51, and that between the mid-1840s and early 1850s nearly one and a half million people left. Obviously these are not all due to the famine (i.e. many would have left anyway), but it is reasonable to conclude that a good part of it is.

Figure 2: The Population of Ireland during the Nineteenth Century



Source: O'Rourke (1995)

One of the most widely accepted ideas in migration work is the importance of networks – 'friends and families' – in reducing migration costs. Thus, the Irish famine increased net emigration and thus emigrant stocks over some counter-factual; the positive feedback loop will lead to greater flows for, probably, many decades[3]. Hatton and Williamson have, several times, estimated the size of 'family and friends effects' and found them large and positive in all cases. In their book of 2006 they suggest that, generally, for every 1,000 emigrants abroad, 20 more *per year* are pulled abroad, and that for Ireland the effect was twice that (41 *per year*). Thus, if the famine caused one million to leave and establish themselves abroad, the future outflow would be 41,000 higher each year, pushing the rate up from 7 per thousand per year pre-famine to 13 post-famine (O' Rourke, 1995). On this reading the famine explains perhaps half of Irish emigration from 1850 to, say, 1910 – a huge amount.

The Irish famine was a classic economic crisis – a productivity shock of exactly the sort real business cycle theory is designed to elucidate. It was also massive. Other "economic crises" are typically smaller and/or non-economic in magnitude. "Non-economic" is a difficult term to get to grips with – see, for example, Winters (1989) on "so-called non-economic arguments"

[3] Indeed, O' Rourke argues that the late 1840s emigration was partly built on previous emigration flows, although most scholars appear to agree that the very poorest did not manage a high rate of emigration over the crisis, suggesting that the friends and family effect had not overcome all the frictions by then.

for agricultural protections – but loosely-speaking I include conflict, such as in Rwanda or the Congo, political repression, including the pogroms, the Iron Curtain or Idi Amin in Uganda, and natural disasters, such as the dust bowl or the island-volcano Montserrat. For sure these matter and can have strong effects on population movements, but I save them for another occasion. On economic crises the important events are the ups and downs of the business cycle. The nineteenth century saw relatively large fluctuations in output and income in most countries and very large short-term fluctuations in migration. A natural question is whether they were related and they offer a good opportunity to study the effects of crises on migration because the period was largely free of policy impediments to mobility. Policy is clearly an important dimension of the response to crises, and I will come to it, but it is useful to keep it separate.

3.2 Push factors – Britain to U.S.

Asking about crises and migration is a bit like the pull vs. push debate in migration empirics – see, for example, Brinley Thomas (1954). Quite obviously both matter but if crises were generally influential we would expect to see some sign of it in the GDP growth and gross emigration data. Figures 3 and 4 plot emigration from the British Isles (including Ireland, that is), based on passenger records. The former, which refers only to migration to the United States includes non-UK citizens, probably in increasing numbers through the century, but for the latter, which looks at emigration to all non-European destinations, it is possible to identify UK citizens alone. The GDP data come from Maddison (2003) and the emigration data from Ferenczi and Wilcox (1929). I focus on North America so that I can also relate the flows to the US business cycle below. Both series have been standardised for ease of presentation. The correlation between emigration and growth are small and a regression of emigration on time and growth finds the latter quite insignificant.

Figure 3: Emigration from the British Isles to the USA and British GDP growth, 1831-1913

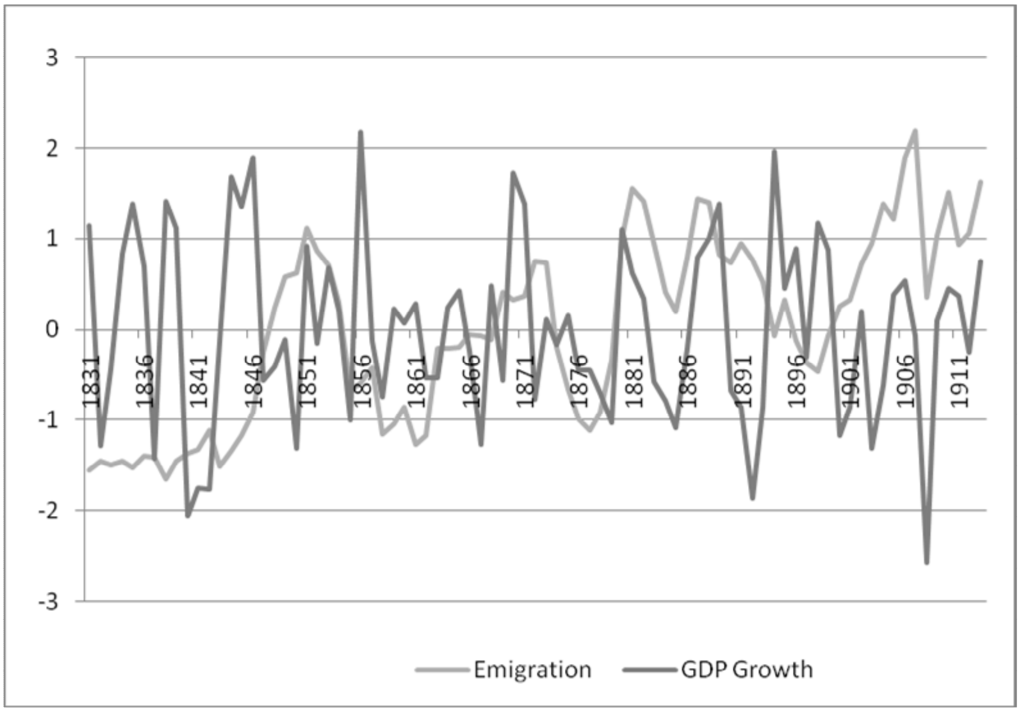
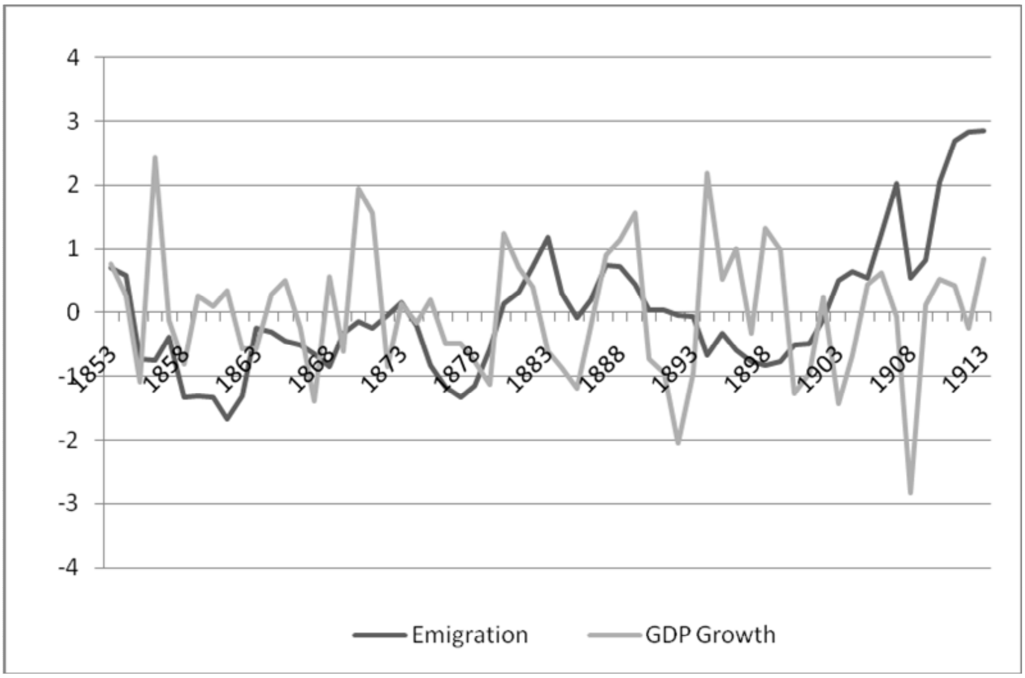
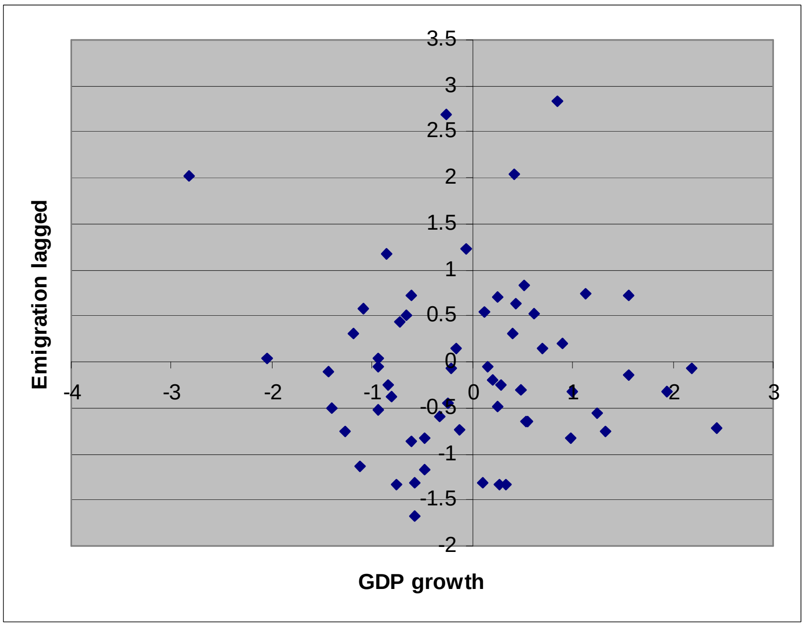


Figure 4: Emigration of British Citizens from the British Isles to non-European destinations and British GDP growth, 1853-1913



One might argue that an interest in crises mandates a focus mainly on periods of contraction or very weak growth but this, too, yields little signs of connection. Figure 5 shows that the years of least growth show only a slight tendency towards higher migration, even allowing for lags.

Figure 5: Emigration of British Citizens from the British Isles to the USA and British GDP growth, 1853-1913

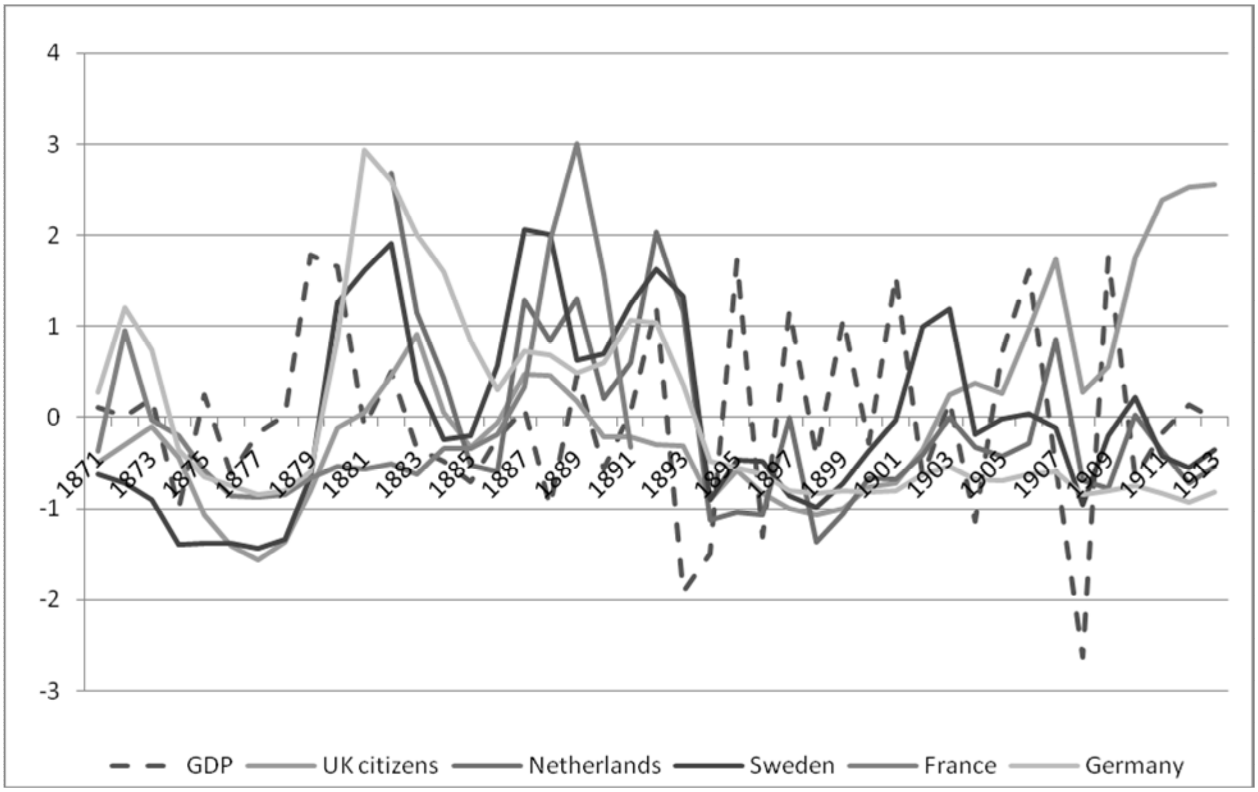


I have conducted a similar review of the nineteenth-century data for the Netherlands, Sweden, France and Germany, and have similarly found no plausible evidence that downturns in home countries systematically induce higher emigration.

3.3 Pull effects – To the U.S from Europe

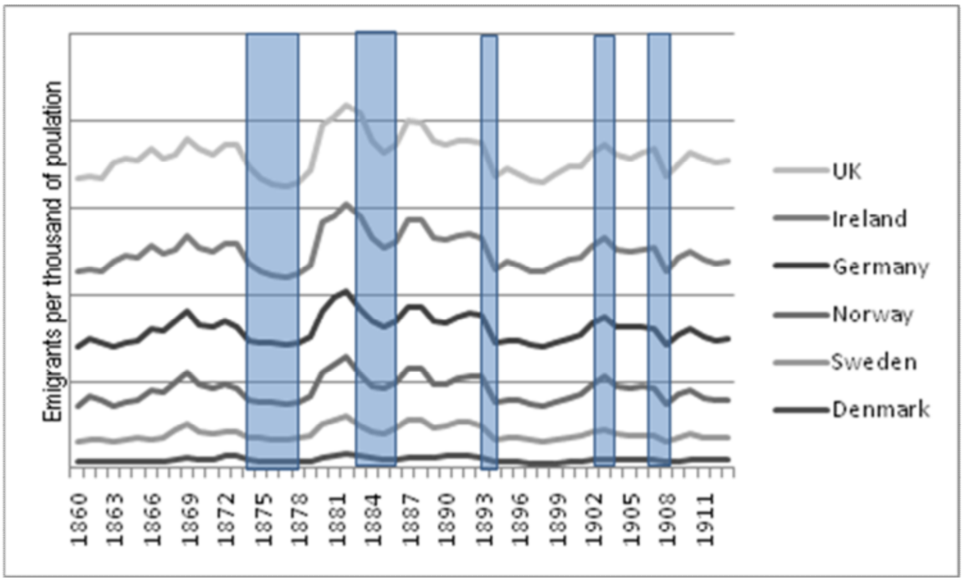
The alternative role for crises is on the 'pull' side, with income dynamics in the recipient country influencing migrant inflows. Figure 6 explores this for flows from our five example countries to the USA plotted along with the USA's growth rate of GDP since 1871 (the start of Maddison's GDP series). There are clearly signs of a positive relationship here, with the depressions of 1874-7, 1883-6, 1893-4 and 1907-8 all reflecting declines in emigration to the USA and similar sharp increases in the corresponding upturns.

Figure 6: Emigration to the USA from five European countries and US GDP growth, 1870-1913



Even clearer is Hatton and Williamson's (2006) figure reporting de-trended (total) emigration rates per thousand for six European source countries – reproduced with modifications in figure 7.

Figure 7: Emigration rates to the USA, 1870-1913



Source: Hatton and Williamson (2006), modified

The striking thing is the similarity of the patterns which suggests that all that may be at least partly caused by a common factor. Sketching in the depressions in the USA (which was the dominant, but far from the only, destination) suggests that, indeed, host country fortunes are a pretty strong determinant of voluntary migration. The shaded areas correspond to periods of US economic downturn.

The nineteenth century ended with a gradual rise in barriers to immigration into the USA. Hatton and Williamson (2006) explore several explanations for this and find that it is primarily a long-run phenomenon, responding to long-run pressures rather than an immediate response to crises. The latter may impact timing a little, but the attitudes of both the public and of factor of production based pressure groups build up gradually. Thus their econometric evidence suggests that the principal explanatory variable for the tightening of restrictions is the relative wages of unskilled to skilled workers, and that save through this mechanism, the absolute numbers of migrants have little independent effect.

Taking a longer time horizon, Hatton and Williamson (2009) note that anti-immigrant feeling tends to increase during economic downturns. Here they warn that such attitudes can trigger policy backlashes, especially if the downturn follows extended periods of high immigration, and if there are large cultural and socioeconomic differences between immigrants and natives.

4. The Evidence of the Twentieth Century

4.1 The Great Depression: 1930s

The Great Depression in the United States provides another interesting case study of the impact of an economic downturn on immigration. Inflows to the US had fallen significantly in the years before the Depression because of a series of restrictive immigration laws, including national quotas and outright prohibitions on immigration from some Asian countries. This caused immigration to fall from an annual average of 800,000 between 1900-1914 to around 400,000 per year between 1919 and 1929 (OECD, 2009b). Immigration from countries such as Canada and Mexico which were unconstrained by such barriers remained high, however – rising from 13% of total inflows in 1921 to 45% of the total in 1925-1928. Despite these pre-existing constraints, the Depression severely curtailed immigration. Between 1923 and 1929 an average of 93% of national immigration quotas were filled (with many countries regularly filling their quotas). By 1933 this had fallen to 5%. Outflows also increased, with significant returns to Mexico. So much so that net migration was negative between 1932 and 1935 (OECD 2009b).

4.2 The 1970s to 1990s

The sharp increases in oil prices in 1973, and the economic slowdown which this triggered in many of the destination countries of the developed world also had a significant impact on migration. Some countries saw large falls in inflows; total immigration to West Germany fell from 869,000 in 1973 to 423,000 in 1977. Immigration to Switzerland fell from 90,000 to 61,000 over the same period (Dobson,J., Latham, A. & Salt, J., 2009). Inflows did not decline evenly across origin countries, however, with migration from more developed origin countries slowing more than migration from the less developed origin countries. And falls in immigration were due at least in part to tighter immigration policies (OECD, 2009b). Recruitment from Turkey to Germany fell from 118,000 in 1973 to 6,000 in 1974, and labour immigration was suspended by France and Belgium in 1974.

Outflows from Europe rose slightly over this period, but then fell back again. In West Germany they rose from 527,000 in 1973 to 600,000 in 1975, but back down to 452,000 in 1977. Outflows from Sweden for the same years were 32,000, 21,000, and 15,000 respectively (Dobson,J., Latham, A. & Salt, J., 2009). This was despite large increases in unemployment amongst non-European migrants in many European countries, as the recession hit the construction and manufacturing sectors that employed large numbers of migrant labourers. Again, returns were more likely amongst migrants from higher income countries.

In general therefore, inflows often fell sharply over the period, but typically remained positive. This, combined with limited increases in returns, meant that stocks of migrants in Western Europe did not fall significantly. Indeed, by 1980, stocks were higher in many countries (including France and Germany) than they had been in 1973. Whilst aggregate numbers recovered, however, the recession did trigger significant structural changes in migratory flows. The guest worker programmes were effectively ended through a combination of falling labour demand, negative public opinion, and resulting policy change. Many migrants settled rather than returning home, however, and migration for family re-unification increased as families settled in many European countries. In the Gulf countries meanwhile, economic growth triggered the rise in migration to the region from South Asia that continues to this day: immigration boomed after the early '70s, with the foreign population in Saudi Arabia increasing fivefold between 1974 and 1990 (Lucas, 2005) as inflows from South Asia grew.

Analysis of migration to the UK during the recessions of 1974-77, 1980-84, and 1991-93 show a similar pattern of aggregate flows. Inflows slowed temporarily, but there is no evidence of a significant increase in outflows (Dobson,J., Latham, A. & Salt, J., 2009). Work by the OECD (OECD, 2000) found a close correlation between net immigration and economic cycles since the 1960s for a number of OECD countries. There were only a few cases, however, when net migration actually became negative during a downturn. The OECD also found that not only does the relationship vary by country, but also that in some countries it has weakened with time. They attribute this to tightened labour immigration regimes – family and humanitarian flows are much less sensitive to the business cycle than labour-migrants.

4.3 The Asian Crisis of 1997-8

In most cases the 1997 Asian crisis had a relatively modest impact on regional migration. As Table 1 shows, although stocks of migrants dipped in some countries, in others they increased throughout the crisis. This was despite attempts by a number of countries to tighten their migration regimes in order to protect the jobs of domestic workers. In some cases, such as the rice and fisheries sectors in Thailand and Malaysia, employers lobbied against these restrictions because of their reliance on migrant labour, and the reluctance of natives to do some of the tasks that they performed (Skeldon, 2004).

Table 1: Official estimates of total 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	-

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. Original data from 'Country papers presented at the Workshop on International Migration and Labour Market' in Asia, Tokyo, OECD and Japan Institute of Labour, 4-5 February 2002, as submitted by the respective country governments.

Source: Skeldon 2004

One exception to the muted response was Malaysia. Table 1 shows a large increase and then decrease in its migrant stock. This probably reflected a boom in 1997 followed by strong efforts to curb numbers, all superimposed on a rising trend of reported migration due to policy efforts to improve data collection.

5. Hypotheses for the Twenty-First Century

Based on this history and our understanding of the drivers of migration, we can construct a number of hypotheses about what we might expect to see in the current global downturn.

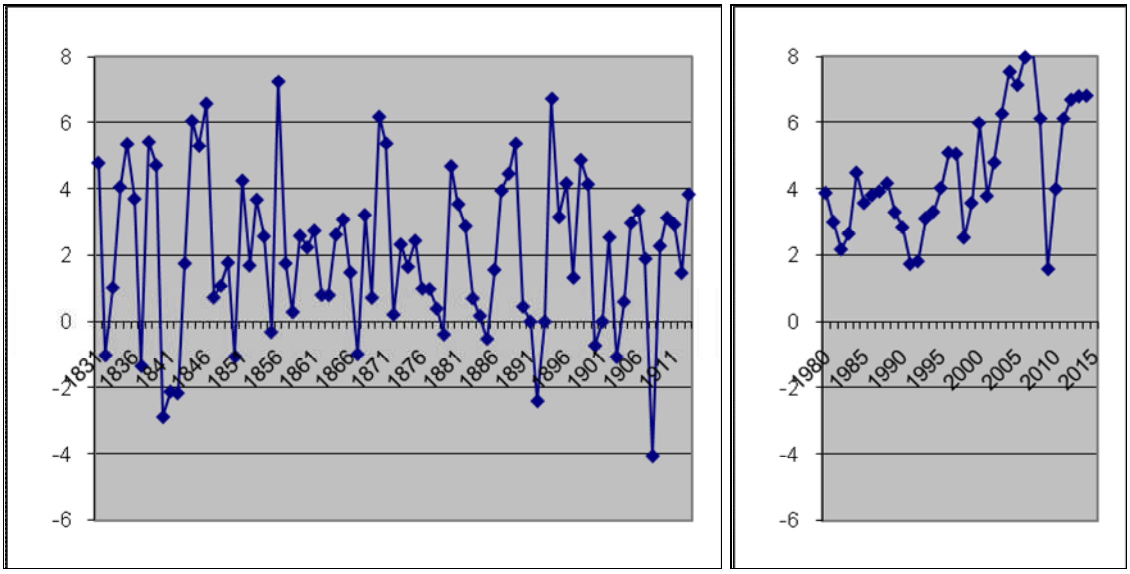
1. Inflows of migrants tend to fall when destination countries go through recessions. Whilst the expected income differentials that drive most economic migration are clearly affected by conditions in both origin and destination countries, historical evidence suggests that destination country conditions are more influential during downturns.
2. Returns may increase somewhat, but these increases tend to be significantly smaller than changes in inflows.
3. Whilst migration trends are largely driven by long-term determinants, crises could perhaps have longer-term effects if they trigger changes in government policies, structural economic change, or short run migrations that become long-term due to network effects.
4. A number of the commentaries on the impact of the current crisis suggest that migrants are likely to be affected more severely by the recession than native workers, given the kind of work they do, and the risk of discrimination.

5. Economic crises can trigger tighter immigration policies in destination countries, though this is more likely if public pressure for such changes had previously built up.

We need to ask whether past experience is enough to go on. By and large, I would say "yes". For example, figure 8 plots the fluctuations in GDP growth among likely migration source countries now (1980-2013) alongside those of Britain for the nineteenth century. Average growth is higher, but the current shock is pretty similar to several nineteenth century ones.

Figure 8: GDP Growth: Then and now

(A) UK, 1831-1913 (B) Emerging & Developing Countries, 1980-2013



The hypotheses focus on destination countries, and a brief consideration of the relative sizes of incomes across rich and poor countries shows why. An implication of the growth patterns shown in figure 1, is that the income differential between rich and poor countries – the driver of migration in the simplest of economic models – will be lower over the next five years than the last five. As noted above, advanced and developing economies will suffer approximately the same decline in their incomes relative to expected, so the ratio of their GDPs per head is roughly unchanged. But the same proportionate decline (about 9-10%) also applies to the absolute difference between them and it is generally held that migration responds more strongly to the absolute than to the relative difference. After all, the costs of migration are absolute – transportation, the psychological costs from being away from home, the costs of re-equipping and learning how to live in a new society, etc.

If we apply the real GDP growth rates projected above to the absolute differences in GNI per head between advanced and developing countries measured in Purchasing Power Parity (PPP) terms for 2000, the difference peaks in 2007 at about $29,400 and falls to about $27,200 in 2010 before gradually increasing again. The 'loss' of differential over the crisis is sufficiently small relative to the absolute gain from migrating that it seems unlikely to make much difference to the incentives to migrate *per se.*

On the other hand, Martin (2009) has suggested a number of reasons why the effects of this recession may be different to that of previous recessions. This recession has hit much of the world (at least high and middle income countries) broadly simultaneously, unlike, say, the Asian Crisis. There is an increased understanding of the value of remittances, so origin countries may make stronger efforts to ensure that emigrant populations stay abroad, and the flows of remittances continue. And migration to some countries such as the US is increasingly based on family re-unification which we might expect to be less sensitive to short-term economic downturns.

Even without these reservations, the degree of confirmation or refutation that we should expect from this exercise is limited. While the hypotheses are necessarily general, impacts tend to be highly country specific given the range of factors that can affect flows. Thus a good deal of heterogeneity must be expected. The severity of the recession is also likely to be important in determining the magnitude and possibly nature of the impacts and this is not yet entirely clear. Moreover, the data on migration are poor and slow to emerge. With all these caveats in mind, let us proceed to the evidence about the twenty-first century economic crisis, some of which now is starting to appear.

5.1 Inflows of migrants

We would expect there to be a lag between an economic slowdown and falling immigration, not least because of the delays involved in processing immigration applications. The US Employment-Based Permanent migration scheme, for example, has lags of 4-8 years (OECD, 2009b). Also, countries with quota systems may not see falls in inflows at all if those quotas (such as the H1-B programme in the US) were previously over-subscribed.

Despite this however, there is evidence that inflows to at least some of the main destination countries are already beginning to slow. Data from the US American Community Survey shows that net immigration to the US has slowed, from an annual average of around 1 million between 2000-06 to around 500,000 between 2006 and 2007. Mexican data (from INEGI) supports this. International emigration from Mexico fell from 1 million between February 2006 and February 2007 to just over 800,000 for the same period one year later. The UK has also seen significant falls in inward migration. Registrations to the Workers Registration Scheme (by migrants to the UK from the 'Accession 8' countries of Eastern Europe) fell by 54% between the first quarter of 2008 and the same period a year later, from 46,000 to 21,300. Ireland saw a 57% fall in immigration from these 'A8' states over the same period (Sumpton, 2009). In Spain, new entries to their employer-nominated immigration system fell from more than 200,000 in 2007 to 137,000 in 2008. Applications for temporary skilled migration to Australia were 11% lower in February 2009 than in the same period the year before.

Whilst it is possible that some of this slowdown is due to tighter immigration policies, at least some of it is not, such as the A8 migration to the UK, which is essentially unconstrained by official barriers. Similarly, applications for H-1B visas for the US have slowed. For the last 2 years all the 65,000 quota for such visas had been over-subscribed within days of applications being accepted at the start of April. This year only 45,000 applications had been received by August.

There is some evidence that irregular migration flows may also have slowed. Interceptions along the US-Mexico border fell from more than 1 million in 2006 to 860,000 in 2007 and 700,000 in 2008 (OECD, 2009b). These figures should clearly be treated with caution however. Illegal border crossing is only one form of irregular migration, and varying levels of interdiction will be affected by a range of factors besides changing flows.

In the US meanwhile, remittances sent home by Mexicans during the first half of the year fell by 11% compared to the same period the year before. Again, this could easily be due to declining remittances per migrant rather than declining migrant numbers, so it does not offer much independent evidence.

Equally, outflows from some countries don't seem to have been significantly affected by the downturn. Again this may be linked to the sectors in which migrants are working. Indonesian care workers working abroad rose slightly in the first quarter of 2009. Government statistics from the Philippines show no slowing in labour export by spring 2009, and the Overseas Employment Administration report that in 2008, 200,000 Filipino workers were recruited to the Gulf, only 4.9% less than in 2006 (Latorre, M. And Chappell, L. 2009). Again questions have been raised about the data here however, with reports that Filipino labour agencies have been reporting a 30% drop in labour exports (BMZ, 2009).

5.2 Returns

Evidence on returns is more difficult to come by than evidence on inflows, as governments tend to be less concerned with counting people on their way out of the country than they are with counting those on their way in. What information we do have seems to support the idea that there have not been large returns from most destination countries however. There seems to be little evidence of large-scale return migration from the US to Latin America. Suggested explanations for this include the poor employment situation in origin countries, and the increasing difficulty of re-entering the US once migrants have left (Ratha, D. et al., 2009a). Even when destination governments have tried positively to encourage return, this has not always been successful. In late 2008 the government of Spain introduced a programme offering significant cash inducements if unemployed immigrants agreed to return home, and not come back to Spain for 3 years. 80,000 places on this scheme were offered, but by August 2009 only 6,600 had applied.

There may be exceptions to this general rule of limited returns. There is anecdotal evidence of significant returns from Russia to some Central Asian countries such as Tajikistan and Uzbekistan, though reliable data for this does not seem to be available. And there have been widespread reports of returns of Poles from the UK (Latorre, M. & Chappell, L., 2009). Suggested explanations for this apparent exception have included the falling value of sterling against the zloty, the low cost of transport, the relative strength of the Polish economy, and the lack of barriers to prevent Poles from returning to the UK in future if they wished. Again though, there is no hard data on these returns, so it is difficult to be sure.

Having said this, there appears to be an expectation among a number of origin country governments that there either are, or will be, significant numbers of returns. A number of such governments have instituted schemes to assist those who may return home. Uzbekistan has set up 'crisis centres' to help returnees, or those who have fallen victim to traffickers, and Nepal has established a welfare fund to provide returnees with compensation if their contracts were prematurely terminated, and re-training programmes for returnees (BMZ, 2009). In October 2008 Malaysia's Human Resources Ministry announced that it was prepared to provide repatriation assistance for all Malaysian workers in Singapore who lost their jobs there (MPI, 2008), and the Keralan government in India has announced a scheme for providing low-cost loans to migrants returning from the Gulf. The Philippine government has introduced a range of measures to assist returnees, including help in finding new jobs. Between December '08 and April '09 this scheme helped 6,500 returning migrants.

5.3 Long-term structural effects

It is difficult to draw conclusions at this point about possible long-term changes. There have been reports of large-scale movements of internal migrants in China (and other South-East Asian countries such as Indonesia) because of declining employment in export-oriented industries, but data are limited, and this could simply be a temporary effect. Until more time has elapsed for changes to have occurred and data to emerge, it is difficult to say anything more, except to note that if changes to immigration policies of destination countries triggered by the crisis become permanent then this could be a potential source of long-term change.

5.4 Impacts on migrants relative to native workers

There has been considerable concern amongst those writing about the likely impact of the downturn on migration that migrants are likely to be hit harder by the recession than native workers. Immigrants (especially irregular migrants) often have less secure job contracts, they are more likely to be temporary or part-time, they're over-represented in less-skilled occupations, and immigrant-owned businesses are more likely to go bankrupt. (OECD, 2009a; Gibb, 2009; IOM, 2009; OECD, 2009b). They may also face discrimination. A study from Sweden (Arai and Vilhelmsson, 2004) found that after controlling for other factors such as education, non-European immigrants faced unemployment risk twice as high as that faced by natives during the economic crisis of the early 1990s.

Again, it is difficult to be categorical, but some evidence of migrants being more negatively affected by the recession than natives has emerged. There have been anecdotal reports of migrants being moved from permanent contracts to ad-hoc piece work in Thailand (Latorre,

M. And Chappell, L. 2009), and there have been big increases in numbers of part-time workers in the US, especially in the retail, food, and construction sectors that account for 30% of immigrant employment (OECD, 2009b). As noted above, there are also countries such as Spain and Norway where unemployment has gone up significantly faster amongst migrants (or at least some groups of migrants), than the population as a whole.

At least some of these differences may simply be due to migrants being concentrated in hard-hit sectors such as construction; this seems to be the case in the Spanish and Norwegian examples mentioned above. Analysis by the OECD suggests that this is not always the case however (OECD, 2009b). They find that, after allowing for the different sectoral distribution of migrants and natives in the US, if migrants had become unemployed at the same rate as natives, then migrant employment would have fallen by 1.7% in the year to November 2008, whereas in fact it fell by 3.6%. Whilst there may be other reasons for this besides discrimination (such as experience and language skills), this suggests that, for the US at least, differences cannot be fully explained by sectoral distribution.

Evidence from OECD unemployment rates seems entirely ambiguous on the question of whether migrants are being more severely affected (Table 2.1 and 2.2). Table 2.1 looks at cases in which labour markets have continued to strengthen since before the crisis, in the sense of native unemployment being lower in 2008 quarter four than in 2007 quarter four. Of the six countries noted, four show unemployment among immigrants falling by more than unemployment among natives (the difference in difference indicator is positive), while two show immigrant unemployment increasing by more. (Those countries in which immigrant unemployment has increased are shaded in grey in the tables.) Table 2.2 looks at countries in which native unemployment has increased between quarter four 2007 and quarter four 2008: immigrant unemployment has decreased in two, increased by less in two and increased by more in four. The one consistency in this is that migrant unemployment generally seems more volatile than that of natives, which, one presumes, is the normal behaviour of labour markets. Immigrants will typically have weaker tenure in jobs but will provide the margin for expansion when sectors are prospering. Thus overall it seems likely that these data simply reflect the fact that the recession had not begun to feed through into unemployment in many of those countries by Q4 2008. More data will be required before we can ascertain the relative effects of the recession on different segments of the labour market.

Table 2.Unemployment Rate (15-64 years old) by place of birth in selected OECD Countries, 2007-2008

2.1 Countries with improving labour market conditions

	AUT	BEL	CZE	POL	GRC	NLD
	A. Native born					
2007 Q4	3.2	6.1	4.8	8.6	8.2	2.5
2008 Q4	3.2	6	4.4	6.8	8	2.2
	B. Foreign born					
2007 Q4	8.4	16.2	8.2	17.3	7.7	5.5
2008 Q4	8.1	14.1	6.4	5.9	8.7	5.7
	Difference in Difference: A(08-07) - B(08-07)					
	0.3	**2**	**1.4**	**9.6**	**-1.2**	**-0.5**

2.1 Countries with worsening labour market conditions

	DNK	ESP	FRA	ITA	NOR	SWE	GBR	USA
	A. Native born							
2007 Q4	2.7	8	6.9	6.5	2	4.6	4.8	4.6
2008 Q4	3.3	12.5	7.3	6.9	2.2	5.2	6.1	6.6
	B. Foreign born							
2007 Q4	8.1	11.9	12.8	8.8	4.3	11.7	6.9	4.5
2008 Q4	6.8	20.3	12.1	8.9	5.7	12.2	7.4	6.8
	Difference in Difference: A(08-07) - B(08-07)							
	1.9	**-3.9**	**1.1**	**0.3**	**-1.2**	**-0.1**	**0.8**	**-0.3**

Source: Adapted from Sumpton (2009), data from OECD (2009b).

5.5 Tightened immigration policies

Given the depth of the downturn, the rising levels of migration to the OECD over the last 30 years, and the pre-existing balance of public opinion in favour of tighter restrictions on immigration (Hatton and Williamson, 2009), we would expect many destination countries to tighten immigration policies

There is indeed considerable evidence to suggest that this is happening in some countries. Russia announced in December 2008 that it would reduce work permits for 2009 by half from 4 million to 2 million (Ratha et al, 2009b). The UK has tightened its Points Based System, increasing skill and wage thresholds. In September 2009 it increased the period for which jobs must be advertised nationally before being opened to non-EU residents, it raised the minimum salary for a job to be classed as skilled by 17.5%, and it required employees to have longer tenure in multinational companies before they could transferred into the UK as key workers. The US fiscal stimulus package makes it more difficult for beneficiary firms to hire high-skilled foreign workers, although this may make little practical difference given how over-subscribed quotas for such visas are. Australia has cut its skilled permanent migrants quota for 2009 by 20% against the target initially announced. Italy has announced that it will cut its quota for non-seasonal workers from 150,000 in 2008 to zero for 2009. Spain has cut its quota for non-seasonal 'Contingente' workers from 15,000 in 2008 to 900 in 2009 (OECD, 2009a).

Policies have not only been tightened in developed countries. Malaysia has cancelled work visas for 55,000 Bangladeshi workers, and told employers to lay off foreigners before native workers. The Malaysian government has been discussing ways to reduce the number of migrant workers for some time (Martin, 2009). In February South Korea announced that it would stop admitting migrants through its Employment Permit System. Thailand, which has an estimated 2 million migrant workers (mostly in construction, agriculture, and fisheries), announced in January that it would not re-register migrants in 2009, in the hope that they would leave when their permits expired. In Kazakhstan, the authorities imposed a moratorium on the admission of less-skilled workers from April 2009 (IOM, 2009).

Whilst these examples are worrying, they are not universal. Other destination countries such as Canada and some European countries have broadly maintained their immigration stances, despite some tightening at the margins. Indeed, in January 2009 Japan announced programs to offer re-training and Japanese lessons to unemployed Nikkeijin (descendants of Japanese who emigrated to Latin America a century ago, who have since migrated to Japan).

6. Summary

Broadly speaking, the emerging evidence is in line with what we'd expect given the experience of past crises. There is evidence of some slowing of inflows to the major destination countries. There seems to be little evidence of significant returns, except possibly in a few specific cases. There are plenty of examples of countries announcing tightened immigration regimes, although this is not true in all cases, and it remains to be seen what the real impact will be. It's difficult to say categorically at this point whether migrants are being affected worse than equivalent natives, although there are some suggestions that they might be. One theme that runs through much of this paper is the impact of government immigration policies. This was much less of a factor in the nineteenth century, but does appear to have affected the impact of twentieth century crises on migration, and may do so again this time round. Their structure and operation can affect how much and how quickly inflows respond to changing circumstances, and how likely migrants are to leave. Changes in such policies therefore also affect flows in the short term, and potentially in the longer term if changes become permanent. How governments act over the coming months can therefore be expected to have a significant impact on how this recession affects migration, and its associated impact on development.

References

Arai, M. & Vilehelmsson, R. (2004) 'Unemployment-risk differentials between immigrant and native workers in Sweden', *Industrial Relations*, Vol. 43, pp. 690-698

BMZ (2009) *Studies on the impact of the downturn on migration and development in the Philippines, Nepal, and Uzbekistan*. Prepared for 2009 Global Forum on Migration and Development, Athens, November 2009 by the German Federal Ministry for Economic Cooperation and Development [unpublished].

Castles, S. (2009) 'Migration and the Global Financial Crisis - A Virtual Symposium', *Update 1A: Overview by Stephen Castles*, [Online], www.age-of-migration.com [Accessed 21 April 2010]

Dobson, J., Latham, A. & Salt, J. (2009) 'On the Move? Labour migration in times of recession', *Policy Network Paper*, Policy Network, 6 July 2009.

Ferenczi, L. & Wilcox, W. F. (1929) *International migrations,* vols. 1 & 2, New York: National Bureau of Economic Research.

Gibb, H. (2009) 'Impacts of the Economic Crisis: Women Migrant Workers in Asia'. *IWG-GEM Conference 2009: Gender and Global Economic Crisis*, The North-South Institute, July 13-14 2009

Hatton, T. J, Williamson, J G (2006) Global migration and the world economy two centuries of policy and performance, MIT Press, Cambridge, Mass.

Hatton, T. & Williamson, J. (2009) *Global economic slumps and migration*, [Online]. Available at: http://www.voxeu.org/index.php?q=node/3512, [Accessed 20 April 2010]

International Monetary Fund (2009) *World Economic Outlook*, April 2009, Washington, DC.

IOM (2009) 'The Impact of the Global Economic Crisis on Migrants and Migration', *IOM Policy Brief*, March 2009

Latorre, M. & Chappell, L. (2009), *The Impact of the Global Economic Downturn on Migration – Monitoring Report 2.* IPPR.

Lucas, R. (2005) *International Migration and Economic Development, Lessons from Low-Income Countries*, EGDI, Elgar.

Maddison, A. (2003) *The World Economy: Historical Statistics*. Paris: OECD.

Martin, P. (2009) 'The Recession and Migration: Alternative Scenarios', *IMI Working Paper 13,* International Migration Institute, University of Oxford,

Migration Policy Institute (2008) *Return Migration; Changing Directions? Top 10 Migration issues of 2008 #6*, MPI

Migration DRC (2009) 'Migration and the Financial Crisis: How will the Economic Downturn

Affect Migrants', Development Research Centre on Migration, Globalisation & Poverty, *Migration DRC Briefing No. 17*, February 2009

OECD (2000) 'The Employment of Foreigners: Outlook and Issues in OECD Countries', in OECD (2000) *Employment Outlook*, OECD

OECD (2009a) 'International Migration: Charting a Course through the Crisis', *OECD Policy Brief*, June 2009

OECD (2009b) 'International Migration and the Economic Crisis: Understanding the Links and Shaping Policy Responses', *International Migration Outlook 2009*, OECD

O'Rourke, K. (1995) 'Emigration and living standards in Ireland since the Famine', *Journal of Population Economics* 8(4): 1432-1475

Ratha, D. et al. (2008) *Migration and Development Brief 8*, November 11, 2008, World Bank.

Ratha, D. et al. (2009a) *Migration and Development Brief 9*, March 23, 2009, World Bank

Ratha, D. et al. (2009b) *Migration and Development Brief 10*, July 13, 2009, World Bank

Skeldon, R. (2004) 'Migration, the Asian Financial Crisis, and its Aftermath', in Joly, D. (ed.), *International Migration in the New Millenium*. Aldershot: Ashgate; 57-74

Sumpton, M. (2009) 'Social Networks and Polish Immigration to the UK', *Economics of Migration Working Paper 5*, May 2009, IPPR

Thomas, B. (1954) *Migration and Economic Growth: A study of Great Britain and the Atlantic Economy*, Cambridge University Press for National Institute of Economic and Social Research., London.

Winters, L. A. (1989) 'The 'So-Called Non-Economic Objectives' of Agricultural Policy', *OECD Economic Studies No. 13*, Winter 1989-1990, pp. 237-266