Remittances and the movement of workers

Session on Learning the Hard Way: The Great Crash and the Employment Crisis (Part II)

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ILO-GTFA conference
1. Scale and impact of the Crisis
2. Effects on Migration in the European Union (EU)
3. Changes in remittance flows - global level
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Forthcoming/recent IOM publications


- «The Impact of the Financial Crises on International Migration: Lessons Learned»: New publication within the Migration Research Series (MRS 37).
Key features of the 2008/2009 ‘Global Crash’:

- struck more quickly and more countries affected than preceding global economic downturns.
- struck during an ‘age of mobility’: In 2010, one out of every 33 persons is an international migrant (214 million migrants).
- has had an uneven impact on labour markets between countries and regions.
- as during other economic recessions, migrants are among the most vulnerable category of workers affected by declining employment.
SCALE & IMPACT OF THE CRISIS

Migrants vulnerable during crises:

- Tend to be younger
- In temporary jobs
- Less formal education
- Sectors affected by crisis (construction, manufacturing and services)
- Job losses
- Moving into irregular forms of employment
- Need of social protection and unemployment benefits
- Returns
Overall stock of migrants has not decreased in response to the crisis but flows of new migrants have slowed in many parts of the world.

- Negative net migration returned to Ireland in 2009.

- partly due to a drop in inflows and a rapid increase in outflows of migrants from the New Member States (30.6 % increase in 2008).

Source: Central Statistics Office (CSO), 2009, cited from IOM Ireland case study.
Migrants were the first to lose their job during the economic crisis.

Non-EU migrants were particularly affected by unemployment as they were often concentrated in sector with high cyclical demand such as construction, retail, and hospitality.

Note: Foreigners include EU and non-EU foreigners.
Source: EUROSTAT, 2009; own calculation.
OTHER EFFECTS ON MIGRATION IN THE EU

- **Irregular migrant population is likely to have increased** during the downturn: less because of new irregular inflows, and more because of overstaying visas or permits and increased working in the grey economy.

- **Many migrant workers have lost their jobs**, during the recession, but have not returned home.

  - Little evidence of a mass return of non-EU migrants to countries of origin.

- **Emigration rates of non-EU migrants during crisis were lower** than those of EU migrants as former **faces higher barriers to mobility**.

- **No consistent increase in public hostility** towards migration.

- **Policy adjustments varied from country to country** and across regions in the EU: migration policy changes were not solely restrictive; they also included provisions for extending visas (i.e. Ireland), but few additional measures to protect rights of migrant workers introduced.
Impact of the crisis on remittance flows depends on several factors:

- Number/type of migrants in destination country and their labour market participation.
- Their propensity to remit money, depending on duration of stay and family situation - the share of migrants who remit may have decreased, since recent migrants are generally the ones likely to remit larger amounts and do so more frequently.
- Conditions at home.
Remittances 2009 = over US$ 414 billion (316 billion went to developing countries).

First recorded drop (US$ 443 billion in 2008) in remittances since 1985 but higher than in 2007 (US$ 385 billion).

Remittances sent to developing countries decreased by 6% in 2009 but expected to increase by 6% and 7% in 2010 and 2011, respectively.

Remittance flows to sub-Saharan Africa have experienced a slower negative growth compared to the rest of the world in 2009 (falling a modest 3%). (see graph)

The decline in remittance flows to Latin America and Caribbean seems to have bottomed out: flows to El Salvador, Honduras, Guatemala became positive in 2010.

Some regions experienced an increase in remittances: flows to South Asia continued to grow in 2009 although at a markedly slower pace than in the pre-crisis years.

Sources: Ratha et al., 2009 and 2010.
As the labour markets are relatively integrated within the EU, migration is more responsive to economic cycles of the destination and sources countries.

Decline in remittances flows to Poland and Romania is due to:

- Weak labour markets in destination countries such as Spain, Italy and UK;

- Ability of workers within the EU to easily move in and out of countries;

- Flows to Poland also dropped as result of large emigration of Polish migrants from the UK in the first few months of 2009.

Source: IMF balance of payments and Ratha et al., 2010
REMITTANCES IN THE EU

- Some evidence that the remittances corridors from EU to non-EU countries were less responsive to economic cycle than intra-EU remittance corridors.

- Remittance flows from the UK to Pakistan and Bangladesh in latter part of 2008 increased by 24 per cent and 16 per cent, respectively.

- Migrant households that receive social security or unemployment benefits are likely to continue to remit, sometimes more so than other households.
CONCLUSION

- Despite uneven impact on labour markets and remittance transfers, migrants are among the most vulnerable category of workers.

- Non-European migrants are particularly affected by job losses, but no large scale return to countries of origin took place.

- Remittances generally remained resilient and held up stronger than other financial flows.
  - Decline in remittances was only partly due to migrants sending less money or to increasing emigration.
  - Remittance-sending behaviour during the crisis depends on other factors as well.

- Despite lower labour demand and slowed flows of new migrants, incentives to migrate or “wait out” the crisis for current migrants remain.