Labour migration and youth (un)employment (Session 3)

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ILO WEBINAR

Thinking the labour market for a job-rich economic recovery

Some facts on labour migration …

The young are the future of their country, yet many youth go abroad to work as they cannot find productive jobs at home

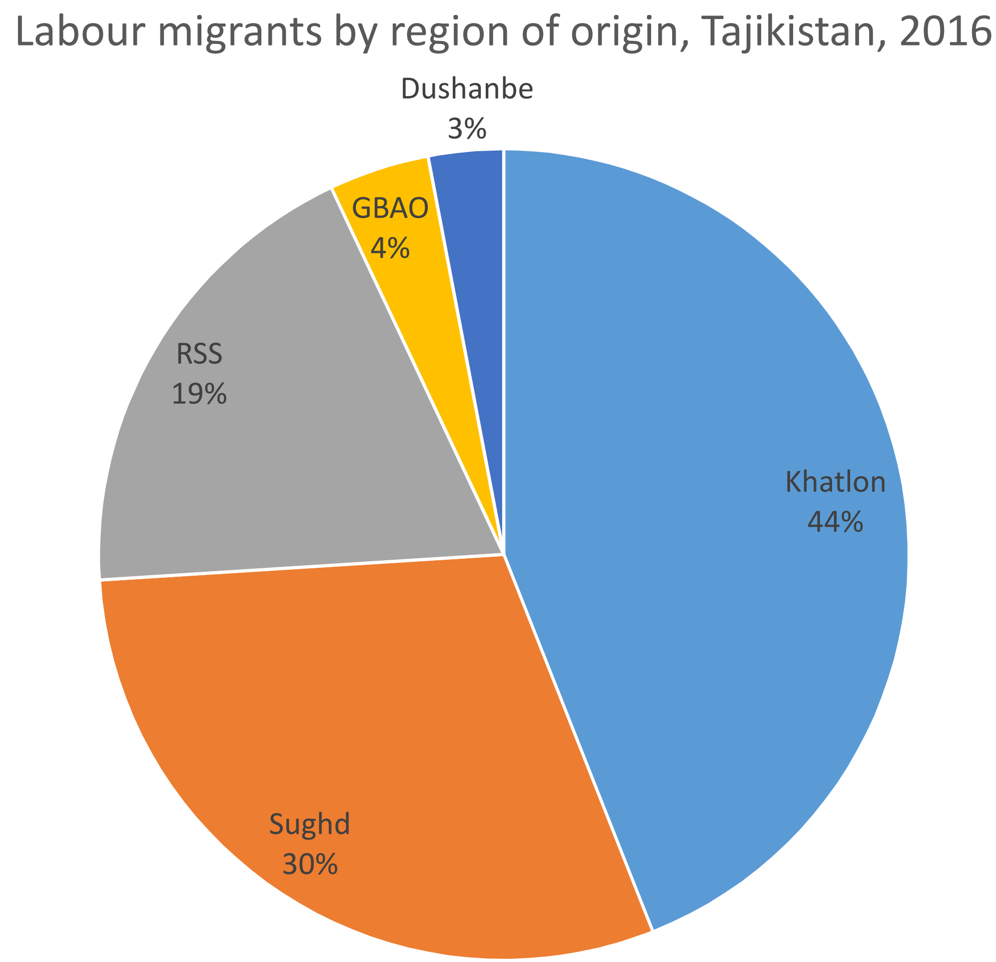
- In 2019, there were 281 million migrant workers in the world, 108 million more than there were in 2000
- The vast majority are economic migrants. There were 34 million recognised refugees and asylum seekers fleeing war and persecution in 2019. Environmental refugees are emerging as a new category and the distinction between a refugee and an economic migrant is vague. Most economic migrants are from middle-income countries, and most migrate to a higher income destination
- As long as migration goes from lower productivity origins to higher productivity destinations (they do), then global GDP rises (it does).

Who migrates?

Labour migrants from Tajikistan

- 82 % men
- 40 % aged 18-29 years
- 33 % aged 30-39 years

Source: Labour force survey, Tajikistan, 2016



From shock absorber to way of life

Large scale temporary labour migration began in the 1990s as a survival strategy following the collapse of the domestic economies.

The remittances from labour migrants served as a shock absorber.

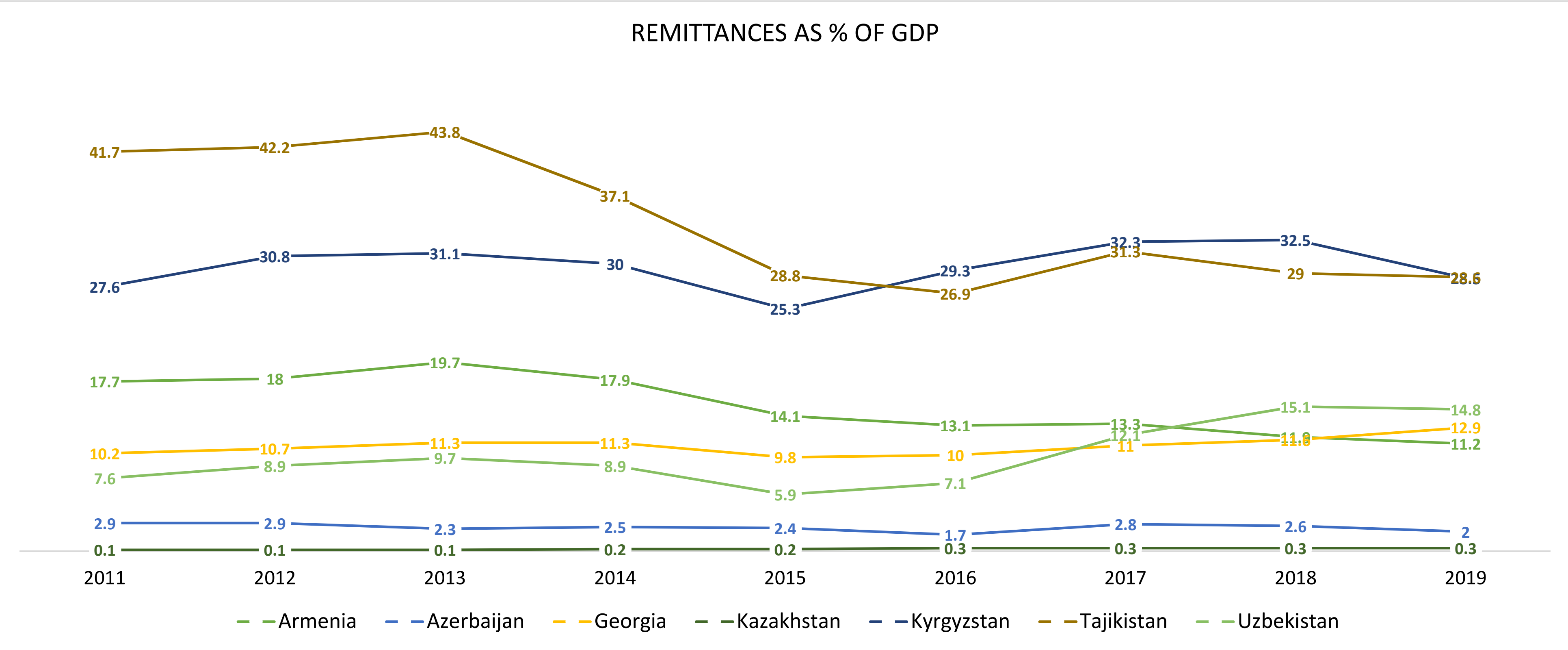
At the micro level it allowed households escape extreme poverty.

At the national level it reduced the supply pressure on the labour market and provided much needed injections of foreign currency into the domestic economies.

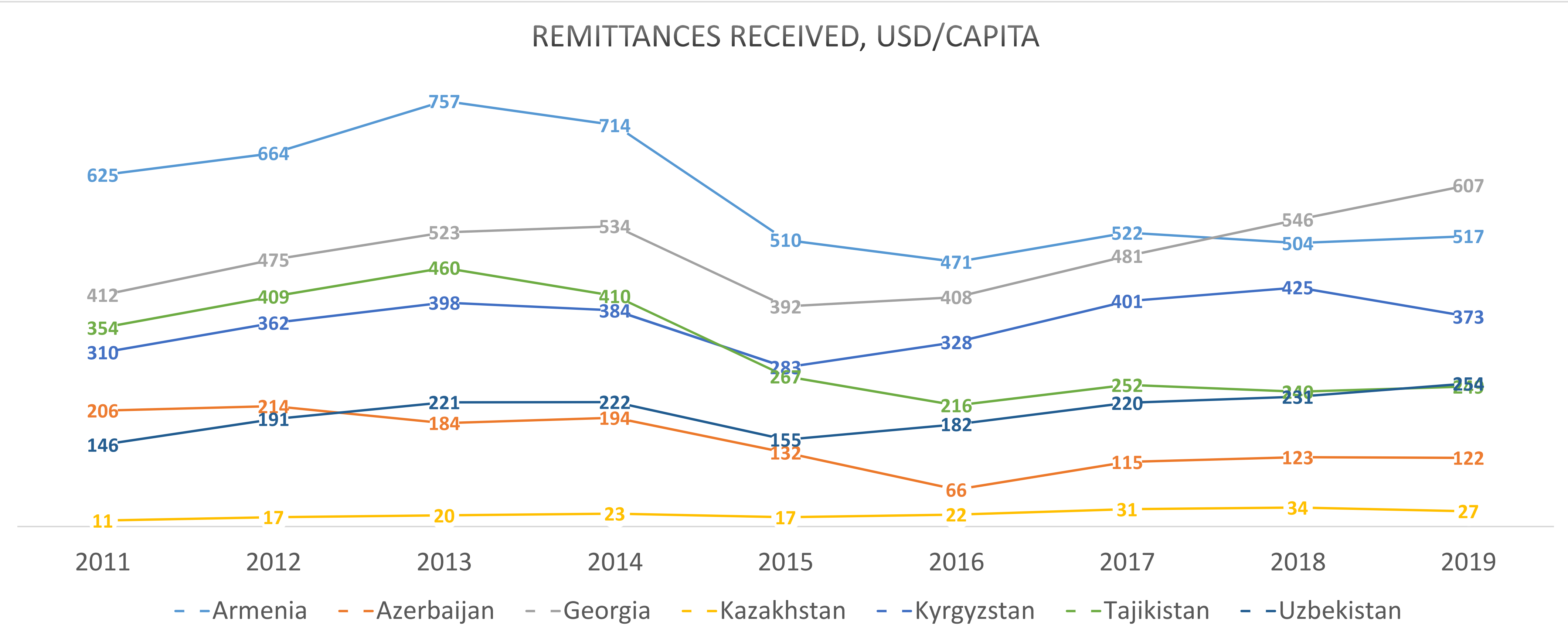
In several of the countries the rapid recovery after the collapse in the 1990s would hardly have been possible without this migration.

Today, the acute hardship has been overcome, yet labour migration remains an important feature in many countries.

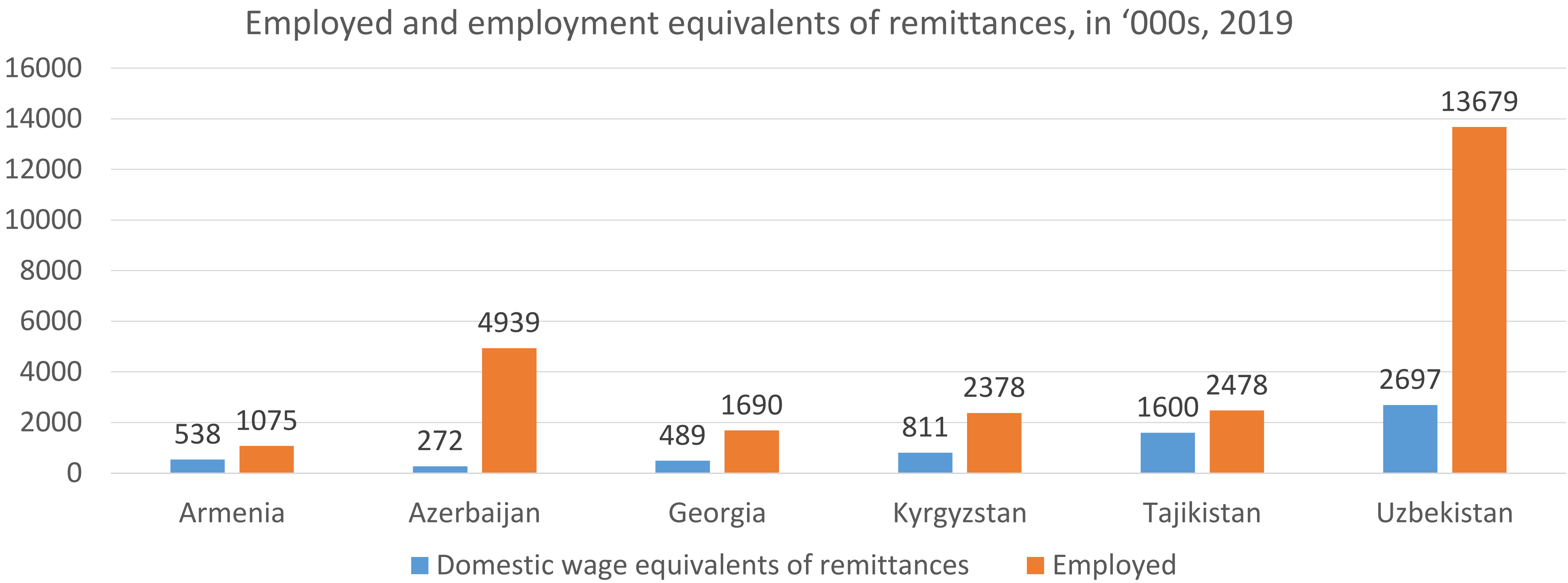
The importance of remittances to the national economies remains significant in most of the countries



Remittances remain an important source of income to households in many countries in the region



One way to look at the impact on the labour market is to examine how many domestic jobs (at an average wage) would be needed to compensate for a loss of remittances



Advantages to the sending country

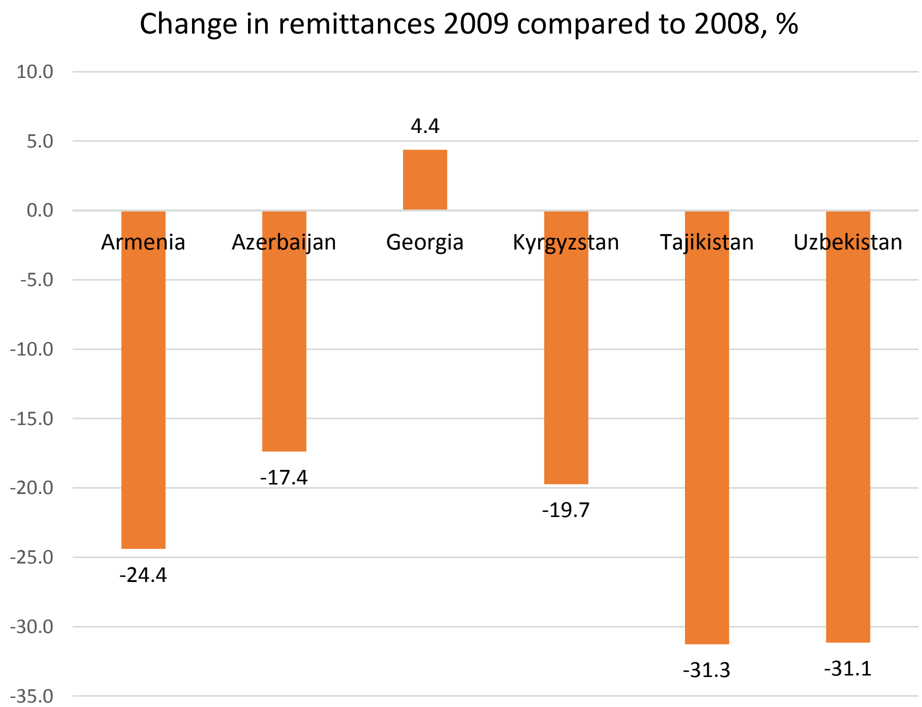
- Shock absorber at times of acute crisis
- A significant contribution to poverty reduction
- A boost to aggregate demand: remittances are overwhelmingly spent on daily consumption
- Emigration reduces pressure on domestic labour supply, which in its turn can push up domestic wages
- «social» remittances include know-how, networks, etc

While the immediate advantages are obvious, in the long term the costs to society may be larger than the benefits

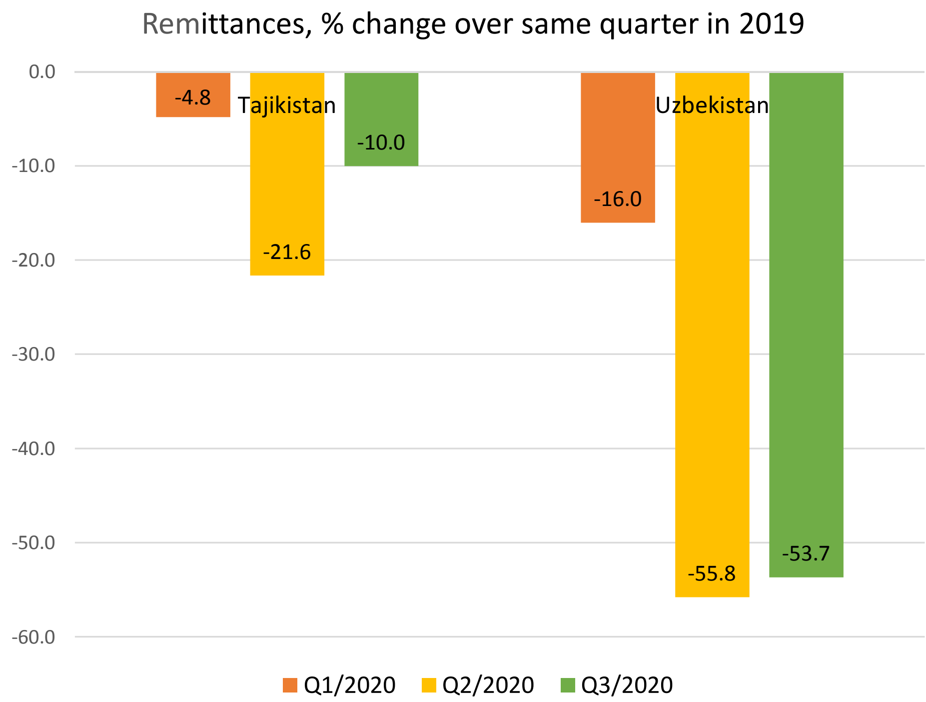
From shock absorber during acute crisis to permanent anaesthetic?

Remittances are vulnerable to external crises.

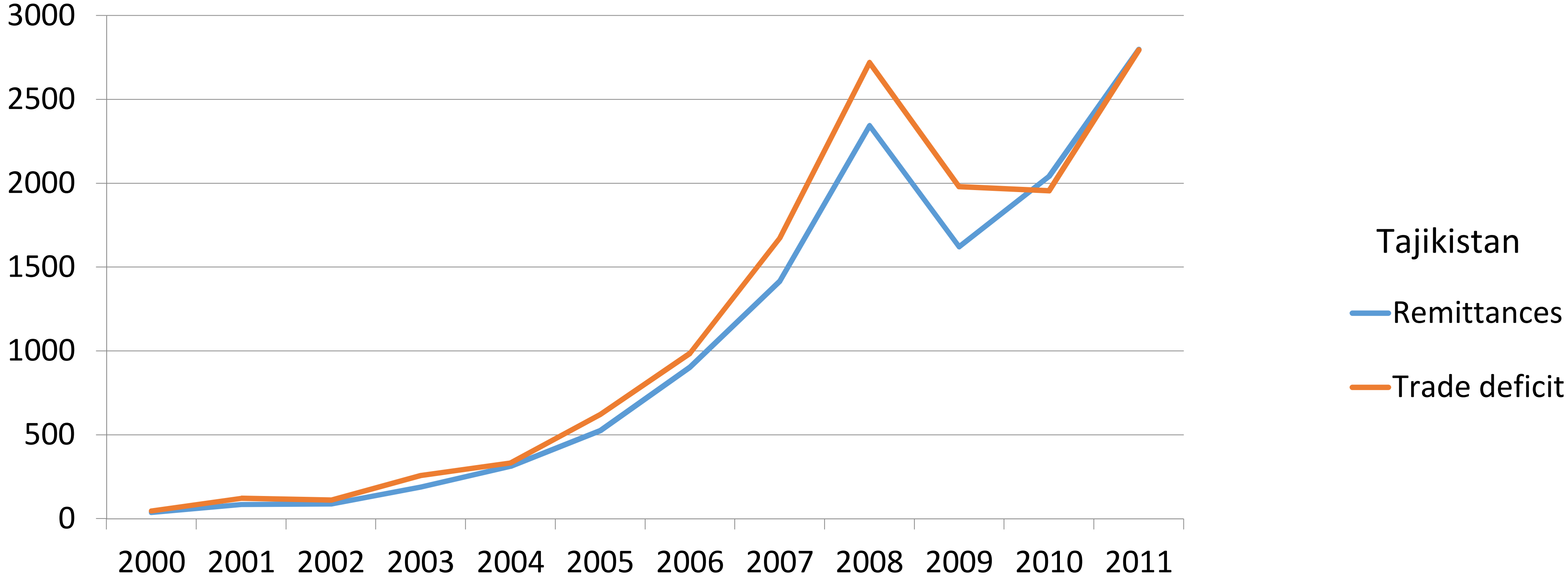
Remittances fell sharply during the 2019 financial crisis …



… as well as during the Covid-19 crisis



Unless the economy responds to the increase in household demand from remittances the growth impact will be lost as remittances are spent on imports



Other important costs and risks to sending countries

- Inflow of foreign exchange may put upward pressure on exchange rate
- Over-reliance may also slow economic diversification, reduce competitiveness and production of tradeable goods and services
- Over-reliance on remittances may result lull domestic policy determination

All of the above undermines long-term economic development.

Lasts, but not least:

- Humanitarian concerns – family separation, poor treatment of migrant workers in destination countries

Labour migration can take several forms: Statistics distinguish between two types of migrants

Temporary migrants; the stay abroad does not exceed one year

- Are included in the resident (*de jure)* population of the country of origin and therefore also in labour force surveys
- Are not included in the labour force, but registered as inactive.
- The remittances they send home are labelled *compensation of employees* and are registered as a factor income in the Balance of Payments and included in the Gross National Income, but not in the GDP.

Non-temporary migrants; the say abroad exceeds one year

- Are not included in the resident population of the country of origin and therefore also not in labour force surveys.
- The remittances they send home are labelled migrant remittances and are included under unrequited transfers in the Balance of Payment. They are not included in the Gross National Income.

Questions on youth employment and unemployment

Is participation in education rising?

Is more education leading to more employment?

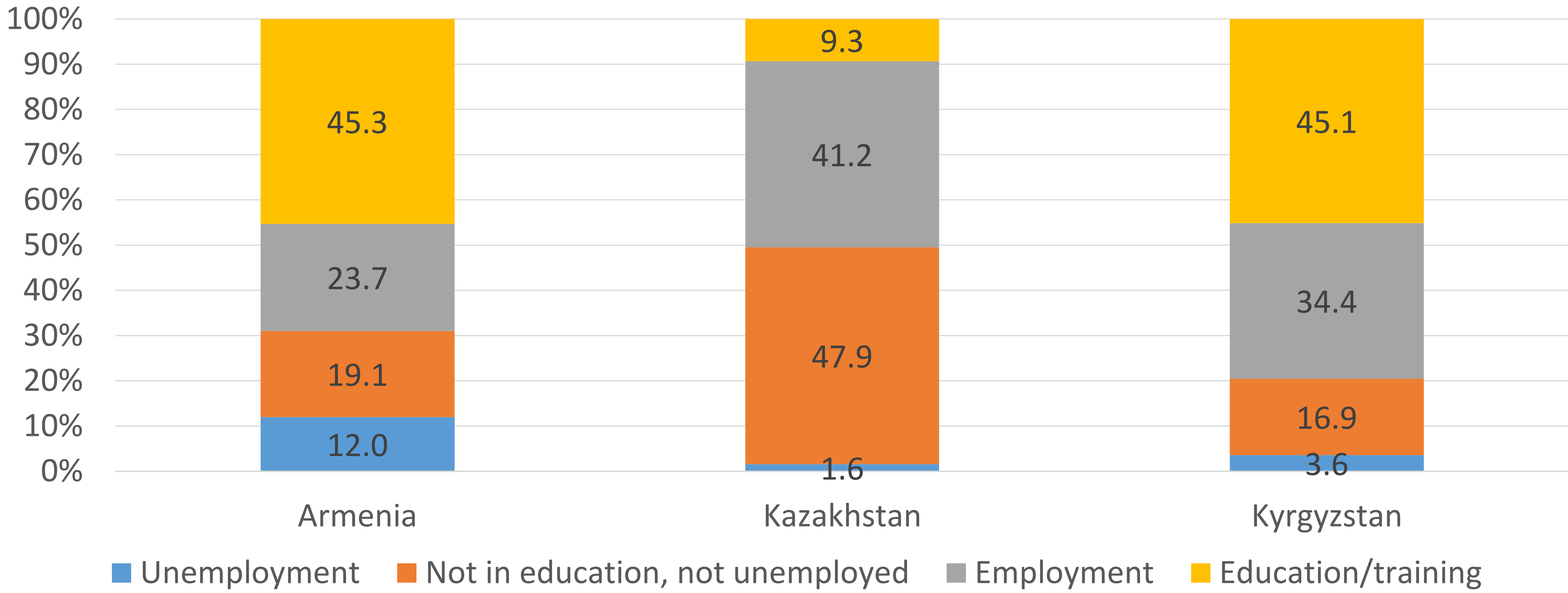
How deep are urban/rural differences ?

Is job quality for youth lower than for adults?

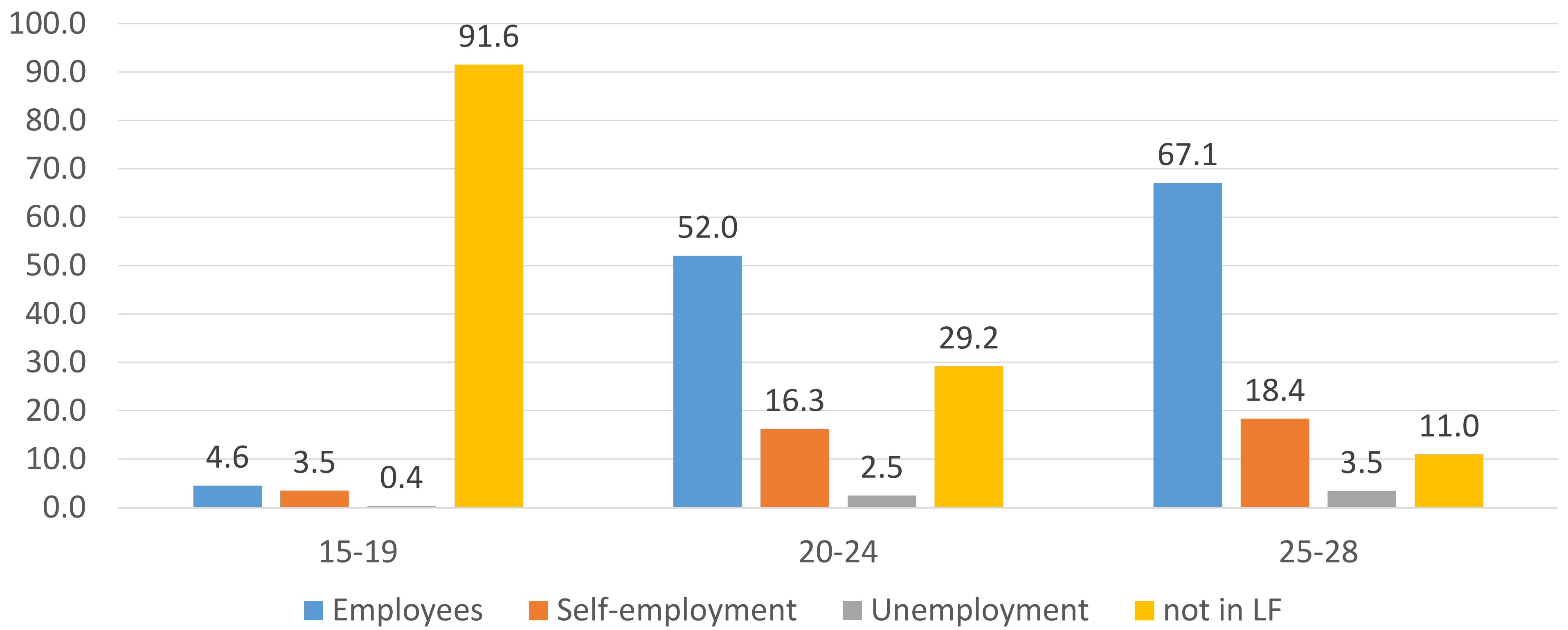
Is job search an issue when duration in unemployment is short?

After age 25 youth unemployment rates decline sharply, Why?

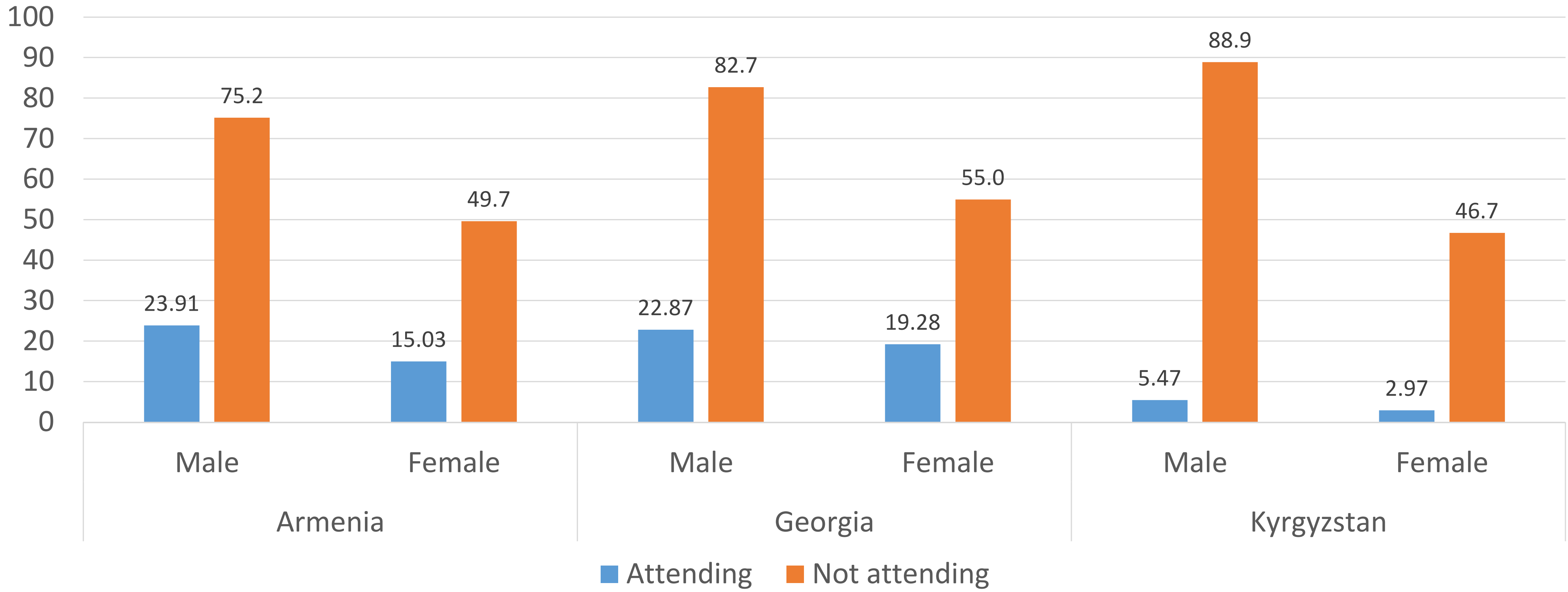
Youth (15-24 years) are mostly in education and employment; yet youth not in education and not unemployed can be significant



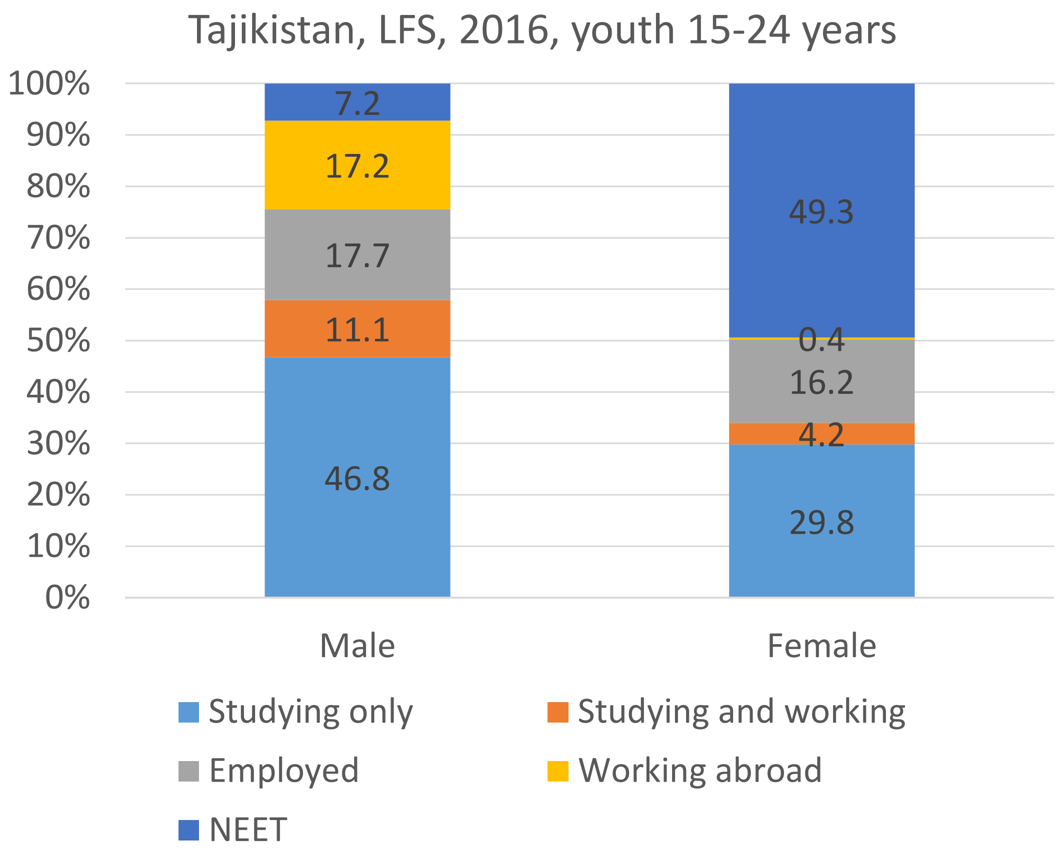
Kazakhstan
labour force status by age, 2019, in %

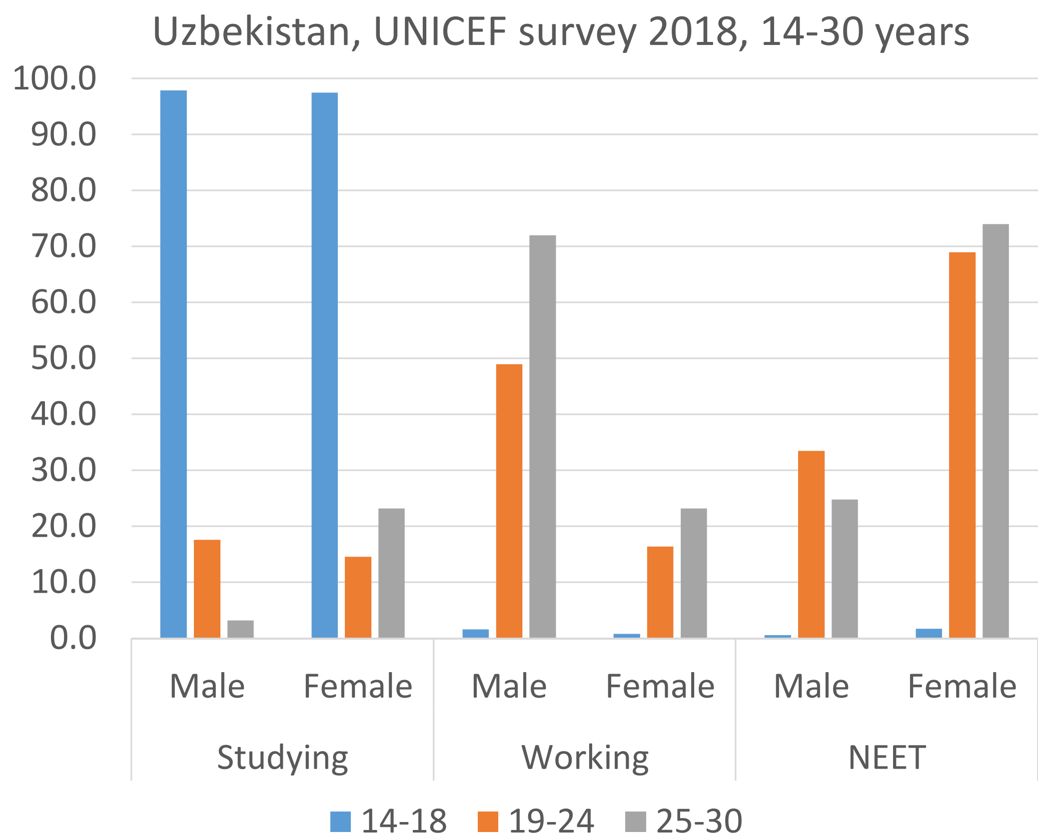


Labour force participation rates (in %) of young men (15-29 years) not attending education is higher (1.6 on average)than that of young women

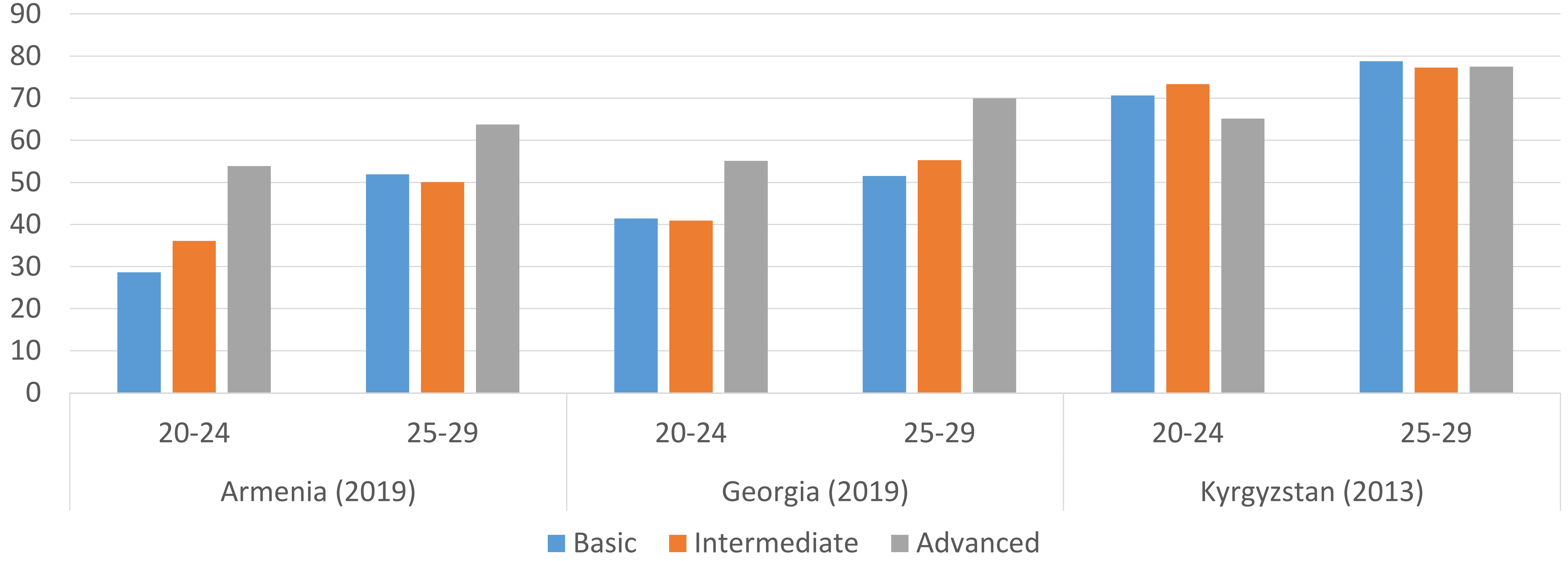


Significant male/female differences; High NEET rates for women; Low participation in education after 18 years

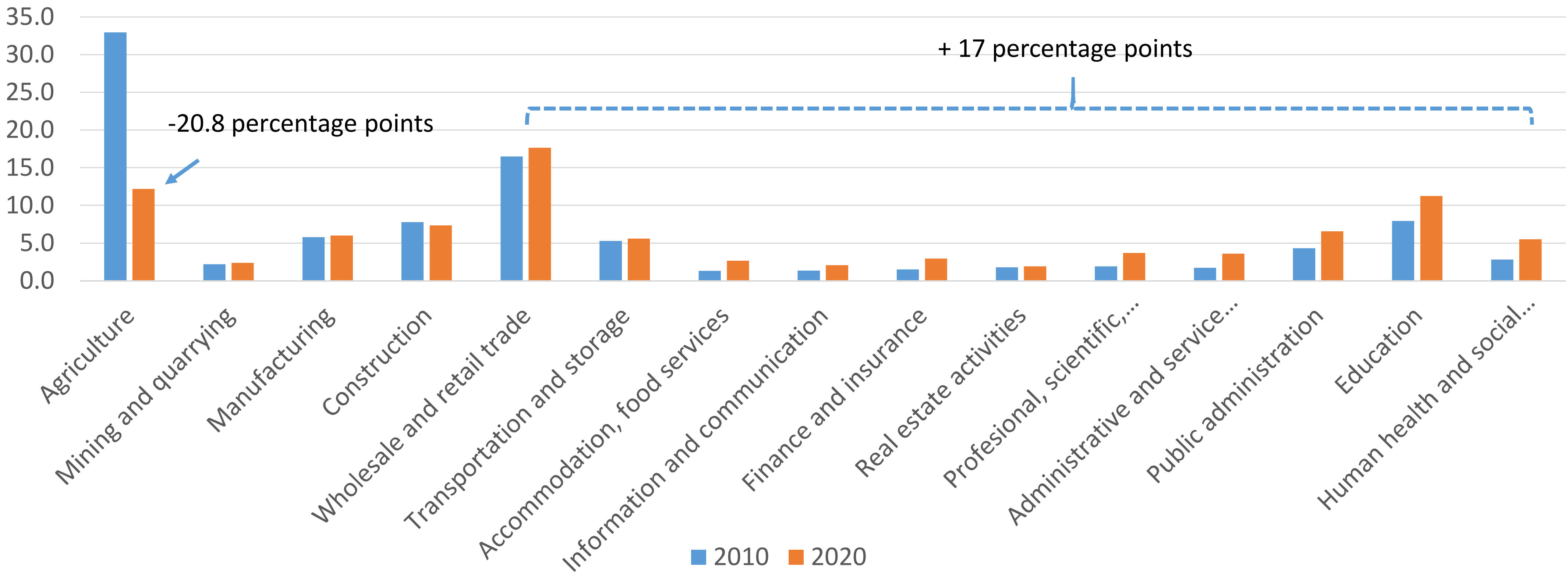




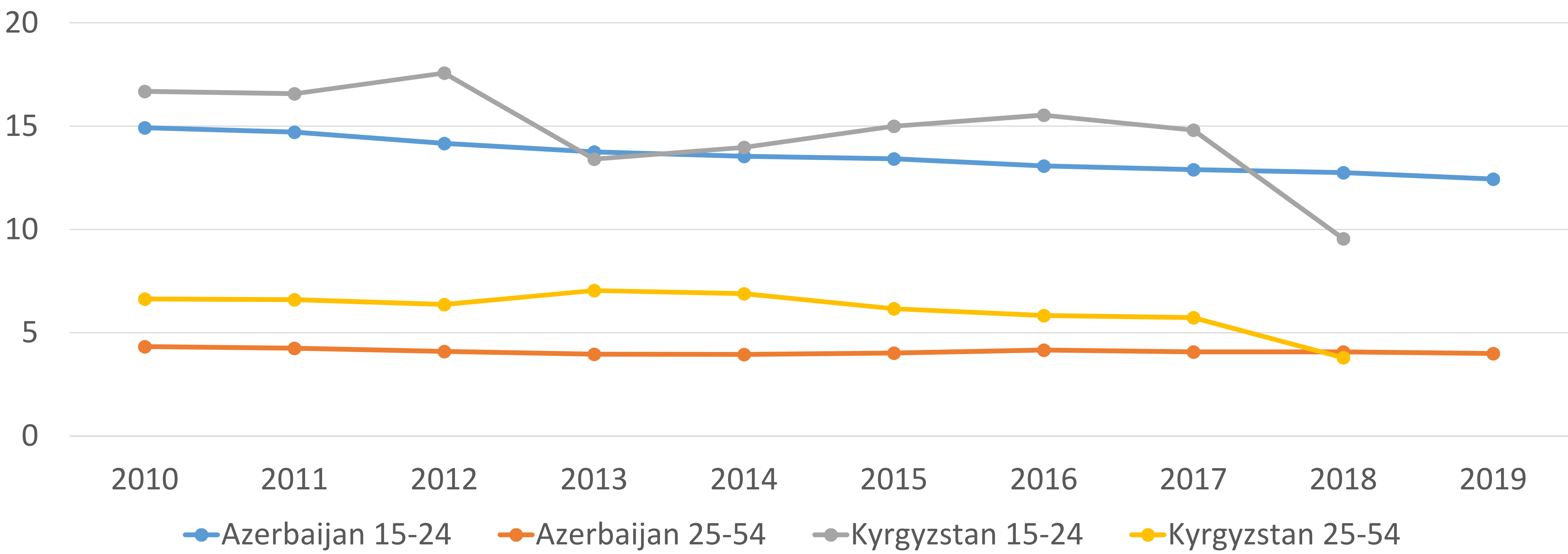
Youth employment-to-population ratios (in %) rise with education, but not always



More employment in services, less in agriculture Kazakhstan: youth employment (15-28 years) by economic activity, in %

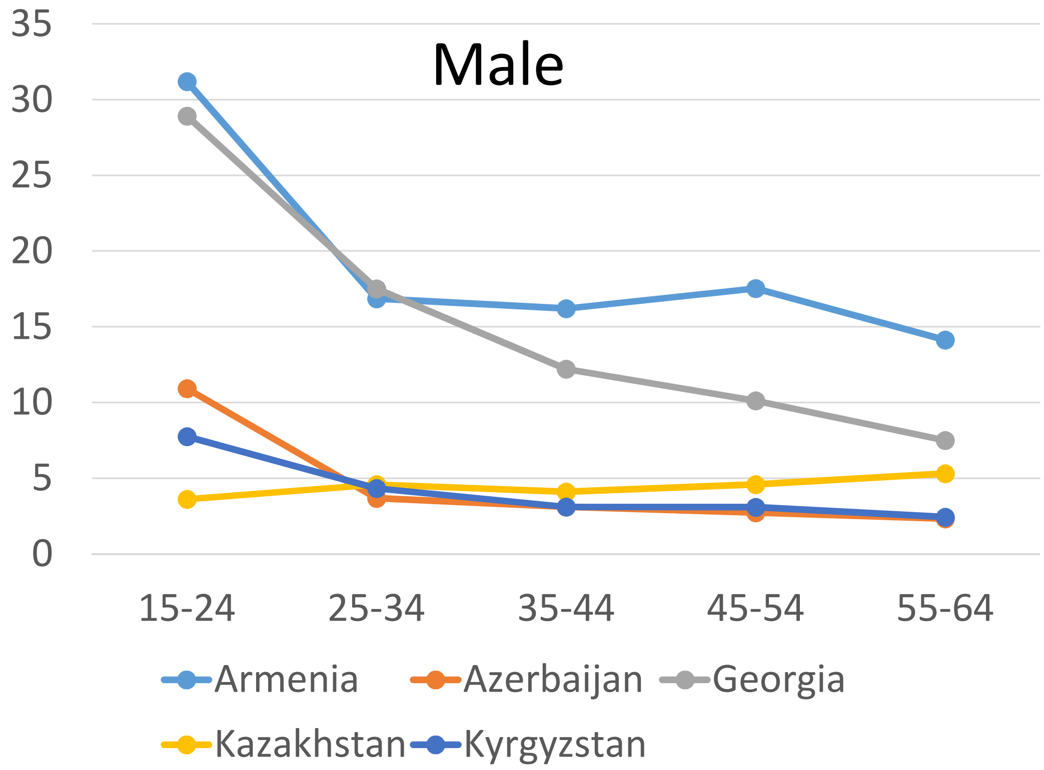


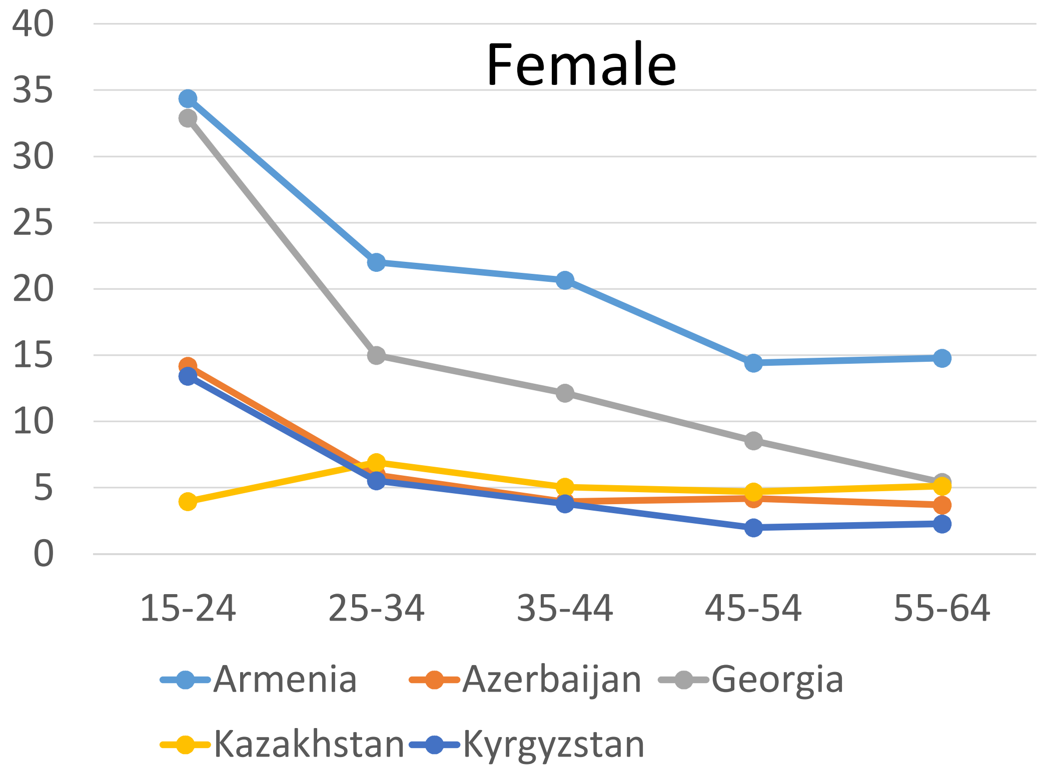
Youth unemployment (15-24 years) is persistently higher than for adults, yet follows same trend



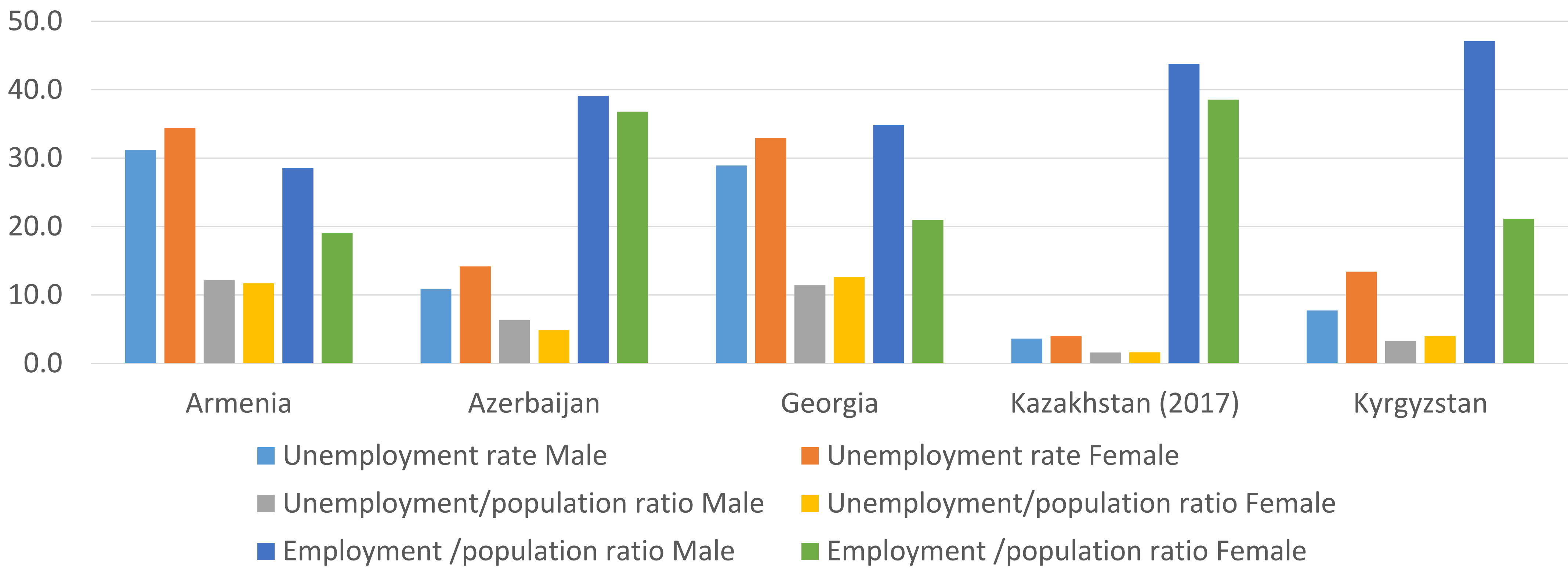
Unemployment of young women is higher than for young men;

Youth unemployment (15-24 years) is higher in some countries (2018)

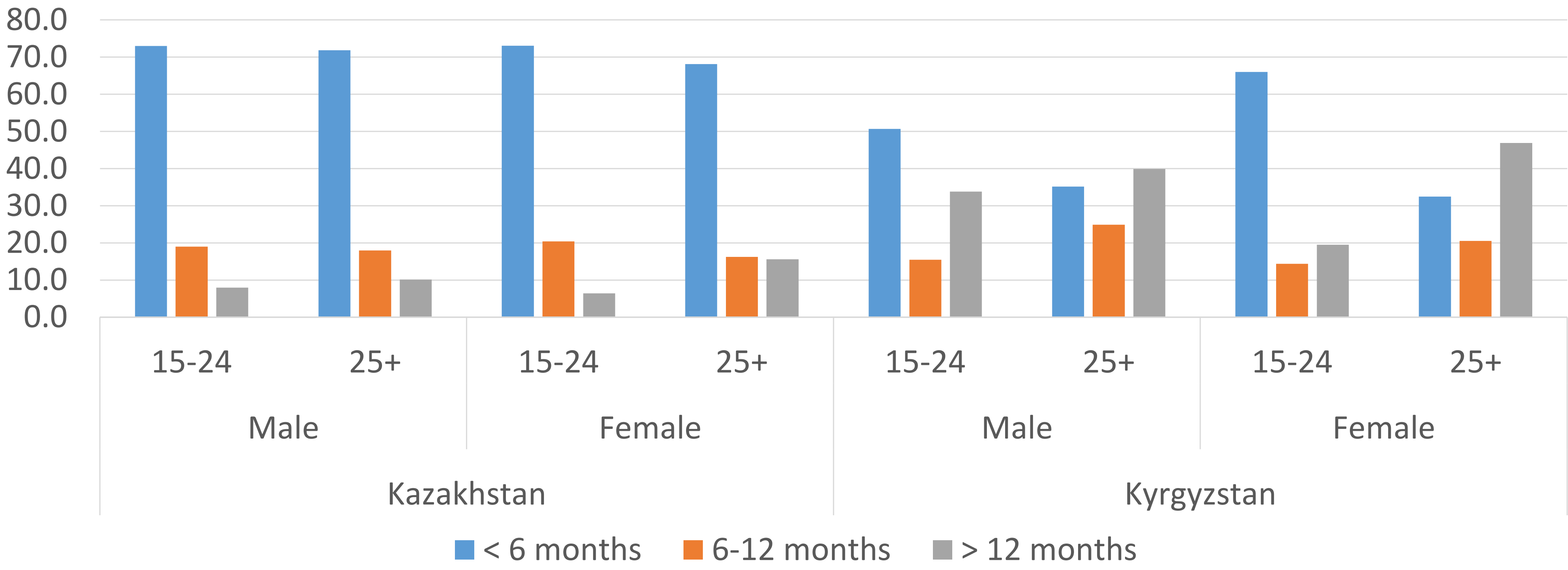




Youth (15-24 years) unemployment, relative to population, is low; Youth unemployment rates (% of labour force) vary across countries; Stark gender differences in youth employment-to-population ratios (2018)



Duration in unemployment (in %) is predominantly short (< 6 months) for youth and adults alike, with female/male differences sharper in Kyrgyzstan



A majority (>50%) of all unemployed were previously in occupations of middle-level skills, which corresponds to the distribution of employment by skills levels