

Migration and development: Opportunity or exploitation?

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'The long-term manageability of international migration hinges on making the option to remain in one's country a viable one for all people. Sustainable economic growth with equity and development strategies consistent with this aim are a necessary means to that end.'

The Cairo Declaration and Programme of Action, adopted by States at the International Conference on Population and Development (1994)

Abstract

Labour migration from low income to high-wage economies confers overall economic benefits on the developed world, and is becoming increasingly important to the functioning of developed country economies. It is therefore overwhelmingly in the interests of high-wage countries to encourage immigration on terms and within limitations set by themselves. The numerous reports that have emerged this year indicating that the present rising trend not only benefits rich countries and migrants, but can also contribute to sending-country development, especially through remittances and returning skills, should be interpreted within the context of this rich country interest.

This paper points out that despite the huge benefits that could arguably accrue to the world economy if the present imbalance between the liberalisation of the global financial and trading sectors, and the regulation of the international labour market, were to be redressed, the current economic paradigm is not designed to move towards such a benign scenario. To the contrary it is an inherently exploitative system, fashioned to ensure economic control of the transfer of resources and wealth from South to North, and reliant on maintaining a culture of 'dependency' to further this objective. It is suggested that unless this system is radically reformed, there is a real danger that increasing migration will simply become another factor in this malign process, and that the net benefits to developing countries could actually be negative, or at best restricted to a very limited, transitory and vulnerable means of poverty reduction, instead of contributing to self-sufficient development and sustainable long term prosperity.

Introduction

Migration – the geographical movement of individuals or groups of people across the world – is as old as history. War, famine, political repression, lack of opportunity and employment, and severe economic distress have always driven large numbers of people from one specific area of the globe to another, and the intermingling of their genes, skills and cultures has played a crucial part in human evolution. Indeed, in the sense that our species originated in Africa, we are literally all migrants, and migratory movements will inevitably continue to be integral to our development. However, the extent to which their impact is or is not beneficial, and precisely whom it benefits, depends upon the cause, size and pattern of specific migratory flows.

Over recent decades, the proportion of migrants within the world's rapidly increasing population has risen slightly. According to the International Organisation of Migrants (IOM), there were 175 million international migrants in the world in 2000; that is, one out of every 35 persons in the world was an international migrant. This total represents more than a twofold increase from 76 million in 1960; by comparison, the world population only just doubled from 3 billion in 1960 to 6 billion in 2000. As a result, international migrants represented 2.5 per cent of the world population in 1960 and 2.9 per cent in 2000. The United Nations now estimates that there were almost 200 million international migrants in 2005,¹ a figure that shows an accelerating trend, with the percentage increase rising from 2.1 per cent per annum between 1960 and 2000, to 2.7 per cent per annum between 2000 and 2005.

Overall this percentage does not represent a dramatic global increase in migratory movement. However, although it is estimated that between 30 and 40 per cent of this migration takes place between developing countries and there is a small amount of North South migration, there has been a particularly marked increase in the number of international migrants from developing to developed countries where the demand for migrant labour is strong. Whereas in the 1970s, the developed countries absorbed only half the increase in the stock of international migrants, by the 1990s they were absorbing all the net increase, while the stock of migrants in developing countries remained virtually unchanged.² Over this period, developed countries gained 9 million international migrants in 1970-1980, nearly 15 million in 1980-1990 and over 21 million in 1990-2000.³ According to the UN, high income countries, which have less than 20% of the global labour force, accommodated over 60% of all migrants in 2005.⁴ Skilled workers comprise a very large proportion of this migratory flow; in OECD countries overall, for example, the number of highly educated immigrants from developing countries doubled from 1990 to 2000 (compared to an approximate 50 per cent rise in the number of developing-country emigrants with only a primary education.)⁵

As a result, an increasing amount of attention has been paid to the subject, with international dialogues aimed at formulating strategic migration policy frameworks on a global scale taking place in Asia, Africa, and Europe. The Geneva Migration Group, comprising heads of international bodies,⁶ has established regular discussion sessions, and the Global Commission on International Migration (GCIM) was set up to examine the whole migration issue, and report its recommendations to the Secretary General of the UN.

The outcome has been a proliferation of migration literature. This year alone has seen the publication of a huge number of densely researched reports, among them the International Organisation for Migration's (IOM's) '*World Migration 2005*' and the

¹ Report of the Global Commission on International Migration (GCIM) '*Migration in an interconnected world: New directions for action*'

² International Organisation of Migration (IOM) Report, '*World Migration 2005*' p 380

³ Ibid. Note that following the dissolution of the Soviet Union, 15 new states were created, so that many migrants, hitherto seen as 'internal' became classified as 'international'. The 'extra' migrants arising from these reclassified movements are excluded from the figures given here.

⁴ Op Cit. GCIM Report

⁵ Docquier and Marfouk 2004, as quoted in the World Bank's Global Economic Prospects 2006

⁶ The Geneva Migration Group comprises the heads of ILO, OM, OHCHR, UNCTAD, UNHCR and UNODC. It examines how migration cross-cuts with trade, development, health, security, crime etc.

GCIM's *Migration in an interconnected world*. The World Bank has also concentrated on the subject with its *Global Economic Prospects: Economic Implications of Remittances and Migration 2006*, and a new book by its Development Economics Research Group *International Migration, Remittances and the Brain Drain*, while numerous studies, focused on particular regions and aspects of the issue, have continued to roll off the press.

All this research, and the discourse arising from it, takes place entirely within a prevailing economic paradigm that prioritises global economic growth, rather than equity and poverty reduction. The cause of the systemic inequality that drives the present migratory flows, although briefly alluded to in the literature, is therefore never seriously addressed. This paper attempts to draw attention to this critical aspect of the issue, and briefly to re-examine the question of migration as part of a call for a more radical and overarching reform of the global economy.

Current approaches to international labour migration

Overall, the conclusions emerging from the recent migration literature have been remarkably consistent. All of them hold that migration is economically beneficial to the receiving countries in the developed world, and this welcome discovery appears to incline their authors towards a favourable interpretation of all aspects of the migration issue. All agree that the immigrants themselves benefit, and point out that the growing stream of migrant remittances typically alleviates the poverty levels of recipient families (remittances to developing countries rose from \$160bn in 2004 to \$167 bn in 2005; this is more than twice the level of development aid from all sources, and frequently outstrips FDI).⁷

There is also a general concurrence that measures are being taken to improve some matters that need attention – that remittance transaction costs are too high, for example, but that these can and are being reduced. Similarly, although the reports acknowledge that ‘brain-drain’ is a problem for many migrant-sending developing countries, it is frequently suggested that this loss could be converted into ‘brain-gain’ – for instance, by instituting pro-active developing country policies, such as job placement, reintegration assistance, funded travel, medical insurance and so on, designed to attract high skilled migrants to return.⁸

In sum, although all the studies deplore the low level of information regarding the precise effects of migration on ‘development’ in the sending countries, they conclude that substantial welfare gains can be generated for both sending and receiving countries and for the migrants themselves; in other words that a win-win-win situation – a Pollyanna scenario, as David Ellerman puts it⁹ – is already in operation. The demeaning nature of the ‘3-Ds’ (dangerous, dirty and difficult) jobs undertaken by the majority of immigrants in industrialised countries is rapidly skated over, and the

⁷ World Bank *Global Economic Prospects 2006: Economic Implications of Remittances and Migration*, p 85. It should be noted that these are officially recorded flows only. The Bank estimates that unrecorded flows may be much higher, possibly adding as much as 50% to the official figure.

⁸ Since the 1960s, many states suffering from severe skilled labour loss, among them Ghana, India, Pakistan, and the Philippines, have tried to introduce some of these measures, but the results have on the whole been disappointing. Not unnaturally, they have been more successful in countries such as South Korea or Taiwan, where the economy is already strong.

⁹ David Ellerman, ‘*Labour Migration: a developmental path or a low-level trap?*’ in *Development in Practice*, Volume 15, Number 5, August 2005, p 627

social and psychological costs incurred by labour migrants and their families is barely mentioned.

Above all, none of the reports seriously questions the circumstances that are driving the current increase in migration. Although a hope is sometimes expressed that persons should ‘migrate out of choice, rather than necessity’,¹⁰ the gross systemic inequality that propels people to leave their homes and affective ties, though briefly acknowledged, is not examined or criticised in any of the literature. For example, the IOM Report, having acknowledged that greater economic convergence between countries would reduce pressure to emigrate, and would also be ‘a welcome objective on ethical and other grounds’, immediately comments that the prospects for such convergence should not be overstated, because ‘the income disparity, in dollar terms, between rich and poor countries has been increasing rather than decreasing, and the prospect of closing the gap in the near to medium term is slim.’¹¹ The global status quo, it seems, is either beyond criticism or past redemption.

The nature of migration

Most present day migration can broadly be described as economic migration, that is, it is propelled by the prospect of economic advantage to the migrant and his/her nuclear or wider family.¹² However, the decision to migrate is extremely complex and the costs and benefits involved vary from country to country, and indeed from individual to individual. Some of the costs, such as travel and other expenses incurred in moving, or the immediate replacement of domestic labour to sustain families left behind, can usually be assessed, but others are very difficult to measure. These include the loss of location specific assets that cannot be transferred to alternative areas of residence or new occupations. Despite the emphasis recently put on the ability of migrants to live ‘transnationally’ in a globalised world, family and other human relationships, affectional ties to place, culture and custom, certain region or lifestyle dependent skills, and the sense of community-based identity that typically arises from long term residence, are frequently irreplaceable, or at best can only be rebuilt over long periods of time.

These so called ‘insider advantages’ and affectional ties are virtually impossible to quantify, not least because their loss frequently carries middle or long term psychological and physical costs for migrants and their families, including their children, whether or not these are left behind. However, the considerable body of medical research and literature available shows that since psychosocial and physical flourishing are closely related, family disruption, loss of identity, anxiety and isolation exact a heavy price, and that migration has profound implications both for mental and physical wellbeing.

In the EU, for instance, higher rates of suicide and attempted suicide, linked to depression, are typically present among immigrants, and the incidence of accidents – often caused by long hours of work in high risk occupations – is twice that for the

¹⁰ Op cit. GCIM Report p 4

¹¹ Op Cit. IOM Report 2005, p 181

¹² This paper does not deal with the separate issue of refugees and asylum seekers – for example, individuals under political threat, or the victims of ethnic cleansing policies, or those whose homes are destroyed by sudden natural disasters such as the earthquake in Pakistan. The GCIM estimates that there are currently 9.2 million refugees, 6.2 million of whom live in developing countries.

resident population.¹³ Furthermore (although incidence varies according to country of origin and destination) migration is an important risk factor in schizophrenia and affective psychosis;¹⁴ to take one example, a number of studies show that the rates of admission for these illnesses are 3-13 times higher for African and Caribbean than for white patients in London.¹⁵ Research in the Netherlands has also recorded a clear link between family dysfunction and migration, with the interaction between the two factors accounting for 58% of young people with psychotic symptoms, leading to a four-fold higher risk in childhood and adolescence where the combination is present.¹⁶

As the authors of the paper *International Migration and Health*, prepared for the Policy Analysis and Research Programme of the GCIM, put it ‘surrounding the phenomenon of migration is the myth that all immigration is ultimately successful and that in the final analysis everyone stands to benefit. While this may be true from a structural-functionalist perspective, the reality is that migration is (and probably always has been), characterized by relatively massive human wastage in terms of avoidable illness, injury, neglect and mortality.’¹⁷

The fact that the overwhelming majority of persons lucky enough to be living reasonably comfortable and satisfying lives choose to remain domiciled in their own countries makes it clear that these factors *do* weigh very heavily in the decision making process. This makes it all the more important that we should pursue the livelihoods approach to migration issues (as opposed to the economic approach) and recognise that non-monetary factors must be put into the migration equation. Poverty can mean more than straightforward income poverty, and it is plain that if people make the choice to emigrate and forfeit their ‘insider’ benefits, they must be acting upon the assumption that the cost of their wellbeing loss will be more than offset by the economic gain arising from the migration. Indeed, in order for this point to be reached the income differentials between sending and receiving countries must be considerable; evidence shows that once per capita income disparity is reduced to about 4:1 or 5:1, combined with a higher economic and job growth rate, migration flows tend to stop ‘naturally’, and most potential economic migrants opt to stay at home.¹⁸ This ratio can be seen as representing a measurement of the expected costs of migration to migrants in terms of non-financial wellbeing.

At present, however, we are not only far from attaining these levels, but progressing fast in the opposite direction, with global inequality continuing to rise. Although the global annual average per capita income was \$5,000 in 2000, actual disparities have already reached obscene proportions; high-income countries’ per capita GDP is now 66 times that of low-income countries, and 14 times that of middle income countries, with levels ranging from an average \$100 per person per annum in Ethiopia to

¹³ Manuel Carballo and Mourtala Mboup, *International Migration and Health*, 2005

¹⁴ Elizabeth Cantor-Graae and Jean-Paul Selton, *Schizophrenia & Migration: a meta-Analysis and Review*, *American J Psychiatry*.2005; 162: 12-24.

¹⁵ Quoted in Kamaldeep Bhui and Dinesh Bhugra, *Mental Illness in Black and Asian ethnic minorities: pathways to care and outcomes* in *Psychiatric Treatment* (2002) 8: 26-33

¹⁶ Patino et al. *Migration, family dysfunction and psychotic symptoms in children and adolescents* *British Journal of Psychiatry* 2005, 186: 442-443

¹⁷ *Op Cit* Carballo and Mboup p 13. This paper was prepared for the policy analysis and research programme of the GCIM by the International Centre of Migration and Health

¹⁸ *Op cit* IOM Report 2005 p 186 It should be noted that, having made this pronouncement, the rest of the 450 page report remains silent on the issue, but this paper holds that it requires rather more attention.

\$38,000 in Switzerland, a ratio of 380:1¹⁹ Moreover, although it is generally accepted that emigration increases in the early stages of a country's development, and then falls again as the process advances (the 'migration hump' theory), in fact very few low and middle-income countries have been able to climb into the high-income ranks over the past quarter of a century, and except in a very few cases – for example Malaysia or South Korea – the critical tipping point has yet to be reached.

The present pattern of migration – with the high income countries, which have less than 20% of the global labour force, receiving over 60% of international migrants, and by the 1990s absorbing virtually all the increase in migration²⁰ – results from this increasingly skewed distribution of the world's resources. This mal-distribution, which has left almost half the world's population living on less than \$2 a day, and around 1,100 million people (more than the total population of the developed world) struggling to exist on half this amount, is a systemic problem arising from a global economic model that pursues the mantra of incessantly rising growth at the expense of ignoring the necessity for positive redistribution policies above the present grant aid, which amounted, on average, to a mere \$9 per person in 2004.²¹

Almost all the income generated by this model since the beginning of the 1980s has gone to the rich,²² increasing global inequality to the outrageous levels quoted above, and the system's very existence is predicated on maintaining the condition of economic 'dependency' it has created in the developing world. This imbalance of power has ensured a steady flow of commodities, wealth and human resources from the developing to the industrialised nations, and the continuing pressure on poor country governments to institute liberalisation, privatisation and deflationary 'stabilisation' policies is precisely designed to perpetuate the status quo. Within such a system, a bottomless reservoir of migratory labour power is virtually guaranteed; but while the liberalisation of the financial sector, and of trade in goods and services, is aggressively dictated by the rich countries which stand to benefit from such freedom of movement, there has never been a suggestion that labour should be similarly mobile. Nor can such a suggestion realistically be made, given the existing levels of global inequality. Rather it is plain that under these deeply regrettable circumstances, a fully liberalised labour market would result in a mass movement of workers that would totally destabilise the economies and social fabric of sending and receiving countries alike.

It must therefore be concluded that a radical and wide ranging reform of the present system, with the objective of achieving greater global economic equality, is a necessary prerequisite to reaching a sustainable and desirable level of unforced and universally beneficial migration. This is not to suggest that many short-term measures designed to protect the human rights and improve the conditions of migrants, and to foster any beneficial effects experienced by sending countries, should not be

¹⁹ Ibid p186

²⁰ Ibid p 380

²¹ World Bank's World Development Indicators 2004

²² Of every \$100 of growth in income per person in the world as a whole between 1981 and 2001, just \$1.30 contributed to reducing poverty as measured by the "\$1-a-day" line, and a further \$2.80 to reducing poverty between the \$1-a-day and \$2-a-day" line. The remaining \$95.90 went to the rest of the world population above the "\$2-a-day" line. (David Woodward and Andrew Simms, *Growth Isn't Working: The unbalanced distribution of benefits and costs from economic growth*, New Economics Foundation 2006)

undertaken; to the contrary, they should be implemented without delay. But it is crucially important to understand that such policies are purely palliative, and can only be a small part of a much wider reform programme, designed to enable the developing world to share more equably in the world's resources, and *ipso facto* to reduce the present intolerable pressure on its inhabitants to migrate in search of economic security, a decent standard of living, and the opportunity to fulfil their talents and abilities.²³

The present voluminous body of literature on migration, however, is written from within the present economic paradigm, and (with a few honourable exceptions) tends to overlook this absolutely fundamental objective. Deeply influenced by the growing need for migrant labour in high-income countries, it typically casts a rosy light on the whole issue, **glossing over the fact that migration has not been shown to lead to development in poor sending countries**, but has increased their dependency on the rich industrialised economies of the developed world.²⁴

If migration is truly to serve the needs of developing countries, and help permanently to reduce global poverty, this narrowly self-interested perspective must first be recognised and then rejected as part of a status quo in which inequality and exploitation are inherent; and in order fully to appreciate the need for such radical change a number of salient facts about the present situation should be borne in mind.

1. The global wage disparity

'The key message is that up to now better jobs and income for the world's workers has not been a priority in policy-making'
ILO Director-General Juan Somavia, December 2005

The 4th Edition of the International Labour Organisation's Key Indicators of the Labour Market (KILM) published in December 2005 conclusively confirmed that global economic growth is increasingly failing to provide new and better jobs that lead to a reduction in poverty. Instead, it showed that in recent years there has been a weakening relationship between economic growth and employment growth. Using an 'employment elasticities' indicator, the report looked at the relationship between economic growth – measured in GDP – and two of growth's contributory variables, the positive or negative change in employment and productivity. Their biennial study showed that for every percentage point of additional GDP growth, total global

²³ Such a programme would be inherently redistributive, and its policies would be designed explicitly to reduce poverty and promote greater equality both between and within nations, rather than the promotion of growth per se, as is at present the case (op cit. Woodward, *Growth isn't working* for more details). A fundamental reform of the global financial architecture would be necessary for this change of focus to be implemented, and many of the components of such a radically altered structure have already been proposed and developed. A very brief list of some of the changes needed is given in Annex 1 below.

²⁴ As is well known, there is a long-standing debate about the definition of the concept of 'development'. The definition assumed here is that the development of a country or region consists in improving the skills and capabilities of its people, and the quality of its infrastructure and institutions, so that it can fully mobilise its own domestic resources, and enhance the well-being of its population in a robust, autonomous and sustainable way. While it is a worthy goal to reduce poverty and improve living standards - whether through remittances, or international aid - this should not be confused with development so defined, and in some cases can even be seen as inimical to the process.

employment grew by only 0.30 percentage points between 1999 and 2003, a drop from 0.38 percentage points between 1995 and 1999.

This means that a total of 1.38 billion working men and women are unable to earn enough to lift themselves and their families above the \$2-a-day poverty line – a number that has not fallen during the past decade. Moreover, the report stressed that in many developing economies the problem is mainly a lack of decent and productive work opportunities, rather than outright unemployment, with workers accepting long hours and poor conditions as the only alternative to total destitution. Apart from revealing the appalling disparity in wages between the developed and undeveloped economies, cross country comparisons also show that global wages have increased faster in high-skilled than in low-skilled occupations, and that there has been no direct benefit to the poor and unskilled.

Overall, intra-occupational wage differentials remain staggeringly high. Table 1 below, which is based on data from the ILO's KILM, gives some idea of the extent of the global wage disparity between the lower and upper wage limits for a number of selected occupations between 1990 and 2000.

Table 1: Lower and upper wage limits by occupation in US\$ per month (1996 US\$ PPP²⁵), 1990 -2000

Occupation	Lower Wage Limit	Upper Wage Limit	Absolute Difference	Ratio
Garment cutter	37	1816	1779	49.0
Office Clerk	55	2273	2218	41.3
Welder	48	1961	1913	40.8
Sewing-machine operator	37	1469	1432	39.7
Field crop farm worker	39	1520	1481	38.9
Accountant	155	6010	5855	38.7
Stenographer-typist	57	2138	2081	37.5
Labourer	46	1687	1641	36.6
Hotel Receptionist	60	2092	2032	34.8
First-level education teacher	108	3526	3418	32.6
Salesperson (retail)	55	1670	1615	30.3
Room attendant/chambermaid	54	1597	1543	29.5
Motor bus driver	63	1832	1769	29.0
Professional nurse	138	3969	3831	28.7
Urban motor truck driver	70	1843	1773	26.3
Salesperson (wholesale)	134	3119	2985	23.2
Power engineer	267	5823	5556	21.8
Refuse collector	151	1915	1764	12.6
Computer programmer	470	4871	4401	10.3

It will be noted that there is a greater variation across countries (in absolute terms) for the higher paid technical occupations; this is because, in most parts of the world, the wages in less skilled jobs tend to be low. With a few exceptions, however, the *relative* intra-occupational wage differences are greater in low-skilled than in high-skilled

²⁵ Purchasing Power Parity, which equates money values according to relative purchasing power rather than nominal exchange rates

occupations, with the best paid garment cutter being paid almost 50 times more than the worst paid, while the best paid computer programmer earned ‘only’ ten times more than the worst paid.

The effect of these grotesque disparities on the volume and pattern of international labour migration can hardly be overestimated, and any policies that ignore such gross inequalities cannot hope to provide a long term solution to unmanageable flows.

2. The industrialised world’s increasing reliance upon regulated labour migration from poor countries

‘A key driver in the demand for international migrants over the next 20 years will be slowing growth, and then decline, of the labour force in high-income countries,’²⁶

The citizens of most rich receiving countries are typically suspicious of incomers, and historically we have been faced by what can loosely be termed the ‘nationalist’ attitude towards the whole issue of migration. This view embodies the political/populist conviction that immigrants reduce wages and increase unemployment among resident citizens; are destructive of the native community and its culture; push up the crime rate; and exploit the social services provided by the host community.

These assumptions have not only given rise to hostility and racism, but are also highly questionable. In fact, almost all the evidence emerging from international empirical studies clearly indicates that adverse employment and wage effects of migration, if they exist at all, are very small indeed at current levels of migration. In the US, for example, the impact of migration on wages is modest by any appraisal, while the effect on unemployment is apparently zero.²⁷ This has been found true in the UK as well,²⁸ where it is also estimated that the foreign-born population contribute around 10% more to government revenues than they receive in expenditure, thus considerably reducing the taxation burden for the community at large.²⁹

The ill-founded ‘nationalist’ attitude exists in considerable tension with that of the business world, and particularly that of the multinational corporations, who have long been pushing for far less stringent regulations on employing migrant labour. The driving objective of private enterprise within a global market economy is the unrelenting escalation of profit, and, as is well known, this can only be done in two basic ways – either by effecting an increase in consumption (now typically involving dire environmental consequences which cannot be addressed within the constraints of this paper) or by achieving a reduction in production costs, or a combination of both. Clearly, from this viewpoint, if the pool of migrant labour were rendered *sufficiently* large, it might well depress the wage level demanded and thus reduce production costs. Moreover the poorer and more desperate the job-seekers, the more likely they

²⁶ Op cit. *World Bank Global Economic Prospects 2006*, p. 29

²⁷ See the Cato Institute National Immigration Forum’s summing up of existing literature on US immigration

²⁸ Dustmann C. et al. *The local labour market effects of immigration in the UK*, UK Home Office Online Report 2003

²⁹ Glover et al *Migration: and economic and social analysis*. UK Home Office Research Development and Statistics Directorate, RDS Occasional paper No 67, 2001

are to accept appalling working conditions and pay, sometimes with lethal consequences; take for example the UK case of the death of the Chinese cockle pickers in Morecambe Bay in 2005.

Recently, there has been a concerted attempt in politico-economic circles and on the part of the international financial institutions to promote the second of these two almost equally deplorable attitudes, and great efforts have been made to advance the idea that immigration, strictly controlled by the receiving country, is indeed a wholly desirable phenomenon. An assertion that migration is beneficial both to migrants and their sending countries helps to justify this enterprise, but in fact it is driven by the changing circumstances and requirements of the wealthy industrialised world, which is facing a growing labour shortage in certain sectors of the economy.

Demographically, many rich nations now have fertility rates that are below the population replacement rate of 2.12 per woman, and their dependency ratios are set to rise alarmingly through population aging. In these cases, migration has become crucial to prevent population reduction. Europe, for example, would have experienced a population decline of 4.4 million during 1995-2000 had it not been for migrant inflows, and as it is, its net migration rate of 1.4 per thousand has barely offset the negative rate of natural increase of -1.2 per thousand over the same period.³⁰ Such economies are already experiencing serious gaps in many high-skill sectors (especially the health sector), and at the other end of the scale, their low-skilled workers are becoming increasingly reluctant to undertake unpleasant and poorly paid employment. The vast stock of disadvantaged, unemployed or destitute persons in the developing world ensures that these problems will be solved by migrant labour, and where workers are admitted on temporary visas only, a constant turnover may also be relied upon to relieve the pensions crisis that is facing many Western welfare states.

All this is quite overtly admitted; as the IOM Report puts it, 'international migration is particularly important for western countries, because they attract more international migrants than the rest of the world and migration contributes significantly to raising their low or negative natural population growth rates.'³¹ The literature also stresses that the developing world is facing the reverse problem, a rapidly expanding work force and few employment opportunities. International Labour office (ILO) statistics show that in 2004, around 185 million persons were unemployed globally, while the World Bank indicates that the global labour force will increase on average by 40 million per year, with some 86 per cent of that labour force coming from developing countries; but only industrialised nations experienced falling unemployment, while in every other region it remained stable or increased. In the words of the ILO's Director-General, "the global [*sic*] jobs crisis is putting security, development, open economies and open societies all at risk. This is not a sustainable course."³²

But while labour migration is hailed as a part-solution to this unsustainable global employment crisis, the cause of the imbalance in the employment statistics is seldom examined. Nor is there any criticism of the growth orientated neo-liberal policies that have contributed to a situation where men and women are virtually compelled to leave their homes and countries in search of a decent standard of living for themselves and

³⁰ Op cit IOM Report

³¹ Op cit. IOM Report p383

³² Op cit. As cited in the GCIM report p.11

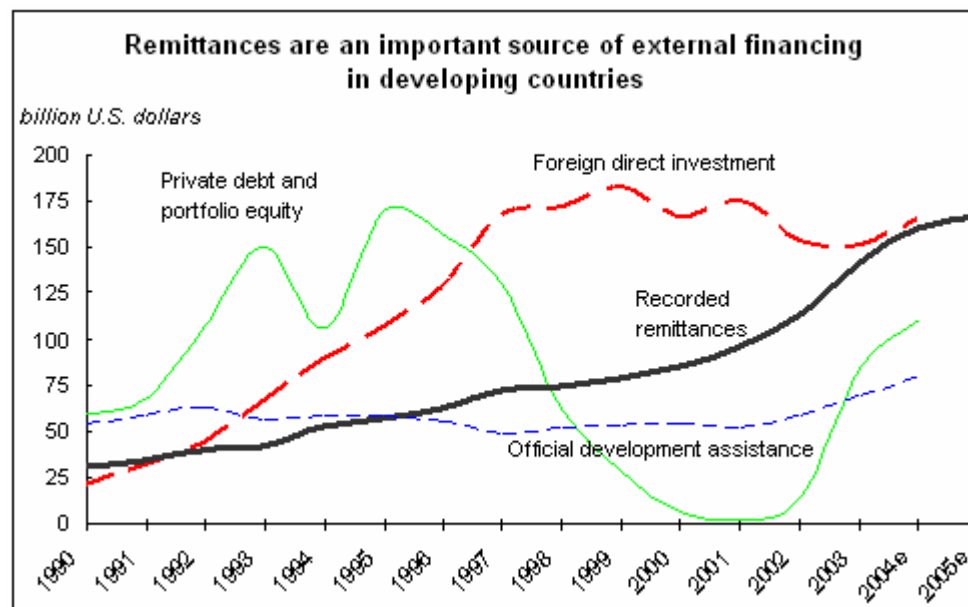
their children. Yet it is here, in the inequity and dependency fostered by these policies, that the roots of the problem lie. Until these are rectified, any benefits that migration brings to the migrant sending developing countries can at best only hope to relieve the symptoms of a fundamental malaise, and at worst will serve to increase the vulnerability and fragility of developing country economies (see below).

3. The effects of migration on country of origin

The remittance euphoria ³³

The flow of funds sent back by migrants to their countries of origin has been steadily increasing. The World Bank's *Global Economic Prospects Report* for 2006, which is largely devoted to the subject of international migrants' remittances, estimates that the officially recorded flows stood at \$232 billion for 2005, with \$167 billion, up from \$160 billion in 2004, going to developing countries. This figure is equivalent to over twice the level of development aid from all sources, and the Bank's authors suggest that if informal and unrecorded flows were added, at least 50 per cent could be added to the total, making remittances the largest source of external finance in many developing countries.

Table 2.



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The size of these remittance flows, and the fact that they typically represent an improvement in the living conditions of the particular families or communities receiving them, has encouraged a general assumption that migration is proving highly beneficial to the migrants' countries of origin, and to the developing world as a whole. Unfortunately, however, a number of factors make this perception appear over optimistic.

³³ This phrase is taken from Hein de Haas *International Migration, Remittances and Development: myths and facts*, Third World Quarterly, Vol. 26, No 8, 2005, p.1277, where he writes 'The surge in remittances has recently given rise to a kind of euphoria, with migrant remittances being proclaimed as the newest 'development mantra' among institutions like the World Bank, governments and development NGOs..... such euphoria may be overly optimistic.'

- Although the emphasis is on remittances from developed countries, flows between developing countries represent 30-45 per cent of the total sum.³⁴
- Outward remittances from developing countries amounted to \$24 billion in the same year (2004).³⁵
- Remittances are geographically very unevenly spread between developing countries, and tend not to flow to the poorest.³⁶
- Within countries, self-reinforcing emigration patterns (including the establishment of social networks in industrialised countries) habitually form in certain regions, and among certain sectors of the population – and these same regions and sectors are the recipients of the resulting remittances. Since the very poor, especially the chronically long-term poor, typically cannot afford the considerable financial costs of migration, they tend not to benefit from these flows, and the initial disparity of income is thus amplified.
- The detrimental effects of skilled labour emigration, especially the effects of the so-called ‘brain-drain’ (see below) must be off-set against the benefits from remittances.
- The social and psychological costs of migration on sending families and communities must also be off-set against remittance benefits.
- Remittances can cause currency appreciation, with adverse impact on the export sector. It is interesting to note that this side-effect is barely touched upon in most of the literature, whereas it has recently been much evoked as a criticism of development aid.
- A remittance-dependent culture is vulnerable to the fluctuations of industrialised country demand for labour, and to contagion from economic crises (such as the Asian crisis) in the richer developing countries, thus laying the economy open to potentially severe exogenous shock.
- Above all, although remittances can selectively relieve the poverty of recipients, and enable household (and sometimes wider community) consumption and saving, **they do not automatically generate development, and should not be regarded as a substitute for policies that do so.**³⁷

³⁴ World Bank News Release No. 2005/201

³⁵ World Bank *Global Economic Prospects 2006*. It should be noted that Saudi Arabia (now classified as a high-income country because of the recent increase in oil revenues) accounted for \$13.6 billion of this sum.

³⁶ The IOM Report 2005 p. 192 states that ‘a handful of developing countries receive most of the remittances. The three largest recipients, India, Mexico and the Philippines received a third of the remittances to developing countries in recent years, and the top six recipients, these three plus Morocco, Egypt and Turkey, received half of all remittances to developing countries.’ The World Bank *Global Economic Prospects 2006* puts the developing countries receiving the most recorded remittances as India (\$21.7 billion), China (\$21.3 billion), Mexico (\$18.1 billion), and the Philippines (\$11.6 billion).

³⁷ The words of Manolo Abella, head of the ILO’s Migration Programme, and quoted in Ellerman 2005, can be regarded as summing up the development/migration and remittances situation. ‘There is general agreement among observers that by itself labour migration is unlikely to significantly improve

High skilled labour and the ‘brain-drain’

Labour migration tends to be fall along a fairly broad education spectrum, but since low and high skilled labour emigration affects developing countries rather differently, the two issues are best examined separately.

Looking at high-skilled labour emigration first, the proportion of the educated work force migrating from parts of the developing world can only be described as staggering, with Africa, the Caribbean and Central America losing the highest ratio of their skilled labour. According to the World Bank, the latter two regions had more than 50% of their university-educated citizens living abroad in 2000, while close to 20% of *all skilled workers* have emigrated out of Sub-Saharan African countries, excluding South Africa. Nearly half Asia’s migrants are also skilled, although this represents only a 6% loss of the region’s educated workforce.³⁸

As noted earlier, in OECD countries overall, the number of highly educated immigrants from developing countries doubled from 1990 to 2000 (compared to an approximate 50 per cent rise in the number of developing-country emigrants with only a primary education.)³⁹ A table illustrating the relative importance of the flow from the sending regions is given below, but it should be remembered that rates vary greatly between countries – from less than 1 percent (Turkmenistan) to almost 90 percent (Suriname) for example – and it is not always easy to assess the impact on a group of countries as a whole.

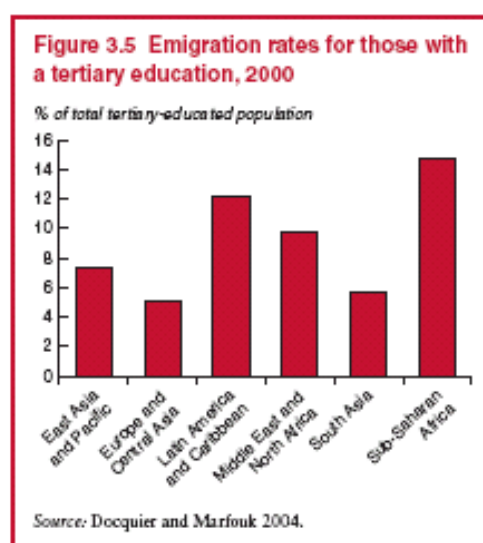


Table 3. Reproduced from the World Bank Global Economic Prospects 2006 p. 67

the development potential of a sending country. While individual migrants and their families tend to gain from migration (in terms of greater economic security), the same cannot be claimed for the countries, as a whole. There is little evidence to indicate that labour migration and flows of remittances have generated sustained growth . . . Take a look at the variation in recent development performance of major labour-sending countries—Mexico, Turkey, the Philippines, Pakistan, Yemen, Egypt, Morocco, Lesotho, Burkina Faso, Jamaica, etc. Which countries have managed to sustain high rates of economic growth?’ (Abella 2002)

³⁸ Schiff M. and Ozden C. eds. *International Migration, Remittances and the Brain Drain*, World Bank International Migration and Development Programme, October 2005. Overview p.11

³⁹ Docquier and Marfouk 2004, as quoted in the World Bank’s Global Economic Prospects 2006

The huge loss of human skills and resources experienced by poor countries as a result of this movement of educated workers from the developing to the developed world – the so-called ‘brain drain’ – has been widely acknowledged from the 1970s onwards, especially in relation to health services,⁴⁰ although this view has more recently been challenged by a new body of literature claiming that ‘brain gain’ can turn the ‘drain’ into a beneficial process, mostly through the repatriation of skills and knowledge-intensive services to developing countries. These new claims, however, have been dismissed even by Maurice Schiff, editor of and contributor to the World Bank’s recent book on migration, who concludes that ‘contributors to the early brain drain literature viewed the brain drain as entailing a loss for the developing source countries These early views were probably close to the mark’⁴¹

In fact, it seems clear that the employment by wealthy countries of health professionals, scientists, teachers, and highly trained technicians, typically trained at considerable public expense in the developing world, imposes severe social and economic costs on the emigrants’ countries of origin, almost inevitably creating a vicious spiral within which migration induced resource depletion leads to greater levels of migration induced by poverty, poor working conditions and welfare provision, lack of opportunity, and so on.

The percentage of these emigrants is disturbingly high: according to the IOM, it is estimated that between 30 and 50 per cent of the total stock of scientists and engineers from developing countries are working in research and development in the industrialised world, while in extreme cases the proportion is much higher. In Jamaica, for instance, there were nearly four times more Jamaicans with tertiary education working in the US alone than at home.⁴²

Various other losses are created by, and feed into this spiral. For example, because people possess heterogeneous talents and abilities, and since migration tends to claim the most ambitious and able, the loss of human capital among the highly trained sectors is typically greater than sheer numbers would indicate. This seriously reduces the quality of the services provided and also results in a shortage of training capacity and a consequent reduction in the returns to education. Where extra resources are found to redress the shortfall, they must be taken from other public expenditure budgets, a transfer which in turn has a negative impact on social welfare, and causes further human capital depletion.

This self-reinforcing pattern applies across virtually all the high skilled sectors of poor country economies, but is nowhere more apparent than in the health services, where professionals in poorly staffed low income countries emigrate in very large numbers, increasing an already existing deep inequality in the level of health care.⁴³ As two recent papers from Medact⁴⁴ point out, health worker migration has serious

⁴⁰ See, for example, Mejia, A. and Pizurki, H. ‘*World Migration of Health Manpower*’ (1976) WHO Chronicle Vo. 30, pp 455-460.

⁴¹ Op Cit. *International Migration, Remittances and the Brain Drain*, Chapter 6, Maurice Schiff *Brain Gain: Claims about its size and impact on welfare and growth are greatly exaggerated*,

⁴² Op Cit. IOM Report p.173

⁴³ For a comprehensive overview of this problem see *Trading Health for Profit: the Implications of the GATS and Trade in Health Services for Health in Developing Countries*. David Woodward 2003.

⁴⁴ Mensah, Mackintosh and Henry *The ‘Skills Drain’ of Health Professionals from the Developing World: a Framework for Policy Formulation* Medact, February 2005, and Bueno de Mesquita and

implications for the right to health of the populations in their countries of origin – but these workers also have rights, both to freedom of movement and to decent living standards, and this makes the salary of health workers both a labour rights issue and an issue of the right to health.

These are global human rights considerations, and the international community has an obligation to address them. In the case of recruiting countries, measures should include avoiding proactive public and private recruitment policies,⁴⁵ ensuring adequate domestic labour supply, and **redressing the financial harm caused to sending countries by international health worker migration by appropriate resource transfer.**

Medact's authors suggest that such financial restitution should be based on the per annum valuation of the foreign health professionals' work in the host country, since that is the value of the services they provide there, and is also representative of the benefit lost to the sending country. The fact that the workers' salaries would be lower over the same period if they were still in their countries of origin, **is the very heart of the problem**, and if the human right to health is to be respected, it is this inequality that must be redressed. At the moment there is a perverse flow of implicit subsidy from poor country health care users – who have lost services – to the populations of the rich receiving countries – who have gained; and if the situation is to be rectified, this subsidy must be reversed.

Unless the last measure is put in place, there seems little hope of reducing the flow of health care professionals from the poor countries to the rich, even where the problem is to some extent recognised by rich country governments. For example, although the UK's Code of Practice for the International Recruitment of Healthcare Professionals pledges that no active recruitment will be undertaken in developing countries in the absence of a government-to-government agreement permitting such targeting, the flow has accelerated rather than diminished.⁴⁶ Table 4 below takes examples from the top 25 countries of origin of overseas nurses registering in the UK in 2003/2004, and these figures are shown alongside the total doctors on the UK register from these countries. A number of African and Asian countries, and one rich commonwealth country of origin (Australia) are shown for comparison.⁴⁷

Gordon *The International Migration of Health Workers: a human rights analysis*, Medact, February 2005.

⁴⁵ Unfortunately, the principle of non-discrimination between WTO Members in trade policies – the Most Favoured Nation (MFN) principle – enshrined in the WTO's General Agreement on Trade and Services (GATS), is particularly unhelpful in this respect. As it relates to trade in health services, Mode 4 of this framework, which deals with the cross-border movement of providers, applies to the temporary migration of health professionals, and commitment to this mode by destination countries would at least limit their ability to make their policies less welcoming. For a full explanation of the implications of the GATS Agreement on health services in developing countries, see op. cit. David Woodward, *Trading Health for Profit*, 2003.

⁴⁶ According to the GATS Agreement, this code of practice on recruitment would appear to be GATS-illegal, and its operation dependent on non-enforcement of the GATS provisions. See op. cit. David Woodward *Trading Health for Profit*, 2003, p 23.

⁴⁷ This table is reproduced from Mensah, Mackintosh and Henry *The 'Skills Drain' of Health Professionals from the Developing World: a Framework for Policy Formulation* Medact, February 2005, p 8.

TABLE 4
New registrations of nurses in the UK, numbers of doctors on the UK register, and selected health indicators, for selected African and other countries.

Country	Nurses: no. joining register 2003/4	Doctors: no. on register 1.1.04	Life expectancy at birth 2002	Total health expenditure /head (\$) 2002
Sub-Saharan Africa				
South Africa	1,689	6,208	50.7	222
Nigeria	511	1,661	48.8	15
Zimbabwe	391	117	37.9	45
Ghana	354	293	57.6	12
Zambia	169	76	39.7	19
Kenya	146	60	50.9	29
Botswana	90	0	40.4	190
Malawi	64	18	40.2	13
South and SE Asia				
Philippines	4,338	14	68.3	30
India	3,073	18,006	61.0	24
Pakistan	140	3,807	61.4	16
Sri Lanka	36	1,903	70.3	30
High income commonwealth				
Australia	1,326	2,648	80.4	1,182
Total overseas (non-EU)	14,122			
Total overseas (non-UK)	15,162	61,551		
UK	19,465	150,805	78.2	1,508
Total registrants	34,627			
Total on register	660,480	212,356		

Sources: NMC 2004, GMC 2004, WHO (www.who.int/countries) accessed 3.2.05.

As is clear from this table, over one third of doctors registered in the UK were trained overseas.⁴⁸ A similar pattern is present in the US, where 23 per cent of practising non-federal doctors also qualified overseas, of whom nearly two-thirds trained in low or lower middle income countries. This represents a huge percentage loss of medical staff to the developing world: Pakistan and South Africa, for example, lose half their medical school graduates every year, and Ghana loses approximately two-thirds.⁴⁹ Industrialised country destinations vary: at least 12 per cent of doctors trained in India live in the UK, for instance, while more Ethiopian doctors are practicing in Chicago than in Ethiopia. In the case of Zimbabwe, where nurses are desperately needed, more nurses registered in the UK in 2001 (382) than graduated in Zimbabwe between 1998 and 2000 (340).⁵⁰

⁴⁸ It should be noted that this figure excludes overseas students from developing countries who are trained in the UK. Evidence indicates that such professionals seldom return home at the end of their training, and consequently also represent a loss of human capital to their countries of origin. See, for example, Gupta et al, *'The Case of India'* (1998) in UNCTAD/WHO, *International Trade in Health Services: a Development Perspective*, Geneva: UN/WHO.

⁴⁹ Op Cit. World Bank *Global Economic Prospects 2006* p. 69

⁵⁰ Op Cit. IOM Report 2005 p. 39

Given the present misallocation of global wealth, Medact's proposal for compensation to poor country health services outlined above, should be broadly welcomed. Indeed, in the short term, this human rights approach to restitution could arguably be extended to other areas. There are many sectors of the economy where the emigration of high-skilled professionals from the developing world depletes human capacity to the point where the human rights of poor country populations cannot be provided, and where recompense should be made by the rich receiving countries benefiting from their services. **However, it should be stressed that such measures should not be used to legitimise or justify an entire economic system that continues to give rise to increasing inequality.** Rather, they should be seen as immediate 'damage limitation' exercises, a necessary initial stage of a much wider programme of policies designed to redistribute resources and promote development, eventually reducing wage inequality to the level at which migration becomes both manageable and beneficial to all concerned.

'Brain waste' is another, perhaps more frequently overlooked, aspect of high-skilled migration. Where language, non-recognition of qualifications, and other problems make it difficult or impossible for high skilled immigrants to obtain suitable employment, the disparity of wages between the developed and developing world makes it more profitable for them to take low skilled jobs in industrialised countries (typically in services, construction or manufacturing) rather than use their training appropriately in their countries of origin. In London, for example, it is now commonplace to encounter highly educated immigrants from developing countries working as domestic cleaners, cab-drivers and shop assistants. This kind of brain waste adversely affects *global* human capital, and again can only be properly addressed within a programme of wide redistributive reform.

Low-skilled labour – the '3-D' employment sector

As noted above, the wage gap is at its highest in the unskilled and semi-skilled sectors of the labour market. In addition, unemployment is high and rising in many developing countries, where populations are continuing to increase. This stands in marked contrast to the situation in the industrialised world, where the labour force is already declining, and is expected to fall by around 5% from 2010 to 2030 in the developed countries as a whole. The reluctance of rich economy inhabitants to undertake jobs that are difficult, dirty or dangerous – and sometimes all three simultaneously – for comparatively low wages, creates a particular shortage in this area.

The current view is that in these circumstances, a controlled liberalisation of the labour market would lead to considerable welfare gain. However, as we have seen, there is no evidence that this 'gain' leads to an increase in development within the present growth-orientated system, but rather that it frequently results in a self-perpetuating cycle of inequality between countries.

The stock of low-skilled emigrants from the developing countries to the industrialised world has not increased to the same extent as that of high-skilled emigrants (remaining at an average of about 0.8 percent of developing countries' low-skilled working-age residents since about 1990)⁵¹, but the level of migration is subject to large variations between sending and receiving countries. Among other factors,

⁵¹ Op. cit. World Bank Global Economic Prospects 2006, p. 64

distance travelled remains an important aspect of migration decisions,⁵² particularly for low-skilled migrants, who tend to face financial constraints that make it more difficult to travel long distances. Where rich industrialised countries actually share borders with poor, low wage economies, low-skilled migration can therefore be exceptionally high.

A typical example of such a migrant relationship is that between the US and Mexico. Mexican immigration to the US has risen steadily since the early 1970s and has increased rapidly since the late 1990s, although many of the migrants (estimated at up to 80 per cent) enter the country illegally. It is currently estimated that there are over 11 million Mexican immigrants in the US, with most employed in unskilled occupations, and a very large share of Mexican immigrants have not completed high school. Indeed, working-age Mexican immigrants are more than six times as likely as US citizens to lack a high school education. Remittances are enormous, and the country is increasingly reliant on them; according to Banco de México estimates, remittance payments between the two countries increased from around \$13 billion in 2003 to more than \$16 billion in 2004, equivalent to 2.3% of the country's GNI of \$703 billion, and to 7.9% of its exports of goods and services in 2004.⁵³

On the other hand, wages in Mexico (which plummeted during the latter half of the 90s, in part due to the disastrous currency crisis of 1993/94) have not risen in the lower paid sectors, and have barely moved overall.⁵⁴ In 2003, equivalent manufacturing workers in Mexico had a wage gap of 84% PPP with the US; that is, they were earning only 16% (approximately one sixth) of the wage needed to bring them into line with their US counterparts in terms of purchasing power.⁵⁵ Nor does migration appear to be improving the educational levels of migrant families; to the contrary, a recent study has found that young persons between 16 and 18 in migrant households have lower levels of schooling than those in non-migrant households,⁵⁶ a pattern no doubt reflecting the availability of low skilled employment in the US. Meanwhile internal unemployment in Mexico, which had fallen from a calamitous high after the 1993/94 financial crisis, to around 2% in 2001, rose again to around 4% by 2005.⁵⁷

While in some respects a special case, many features in the Mexican pattern can be generalised. Although a large exodus of emigrants can temporarily reduce an unemployment problem at home, a reliance on emigration may prevent more effective policy reform to relieve systemic unemployment, while remittances create dependency, and act as a disincentive to the mobilisation of domestic resources. Moreover an availability of low-skilled jobs paying higher wages than those offered

⁵² The World Bank's *International Migration and Remittances and the Brain Drain* states that based on a sample of 71 countries, Adams and Page (forthcoming) find that migration and remittances decline with the distance between source and destination countries.

⁵³ World Bank Development Indicators

⁵⁴ ILO's KILM 3rd Edition Occupational Wage and earning indices

⁵⁵ The Jus Semper Global Alliance, November 2005. US manufacturing workers were earning \$21.37 an hour, whilst equivalent Mexican workers were earning only \$2.48 an hour. Since the cost of living in PPP terms in Mexico is 69 cents for each US dollar, Mexican workers would have to earn \$15.24 per hour to enjoy equal purchasing power compensation.

⁵⁶ McKenzie D. Beyond Remittances: the effects of migration on Mexican households Chapter 4 in *International Migration, Remittances and the Brain Drain*, World Bank International Migration and Development Programme, October 2005

⁵⁷ Latin Focus Economic Forecasts 2006

for skilled occupations in the migrants' country of origin, may discourage migrants from acquiring higher educational qualifications.

The high level of illegal entry to the US from Mexico – despite various initiatives to combat the flow, including the US-Mexico Border Partnership Agreement signed in 2002 – also highlights the virtual impossibility of preventing unauthorised entry where the economic driving force is sufficiently strong; in other words, where inequality is rampant. As is well documented, illegal immigration is beset with specific problems; the fact that illegal entrants feel they have no access to human rights protection, including the right to claim the receiving country's legal minimum wage, inevitably leaves them open to economic and social exploitation, while 'people trafficking' – the trade in human beings, now estimated to affect 800,000 people – typically involves the smuggling, abuse and prostitution of victims, many of them women and children, and has rightly been described as modern-day slavery.

Aspirations and realities

One of the great benefits of modern technology is its capacity to facilitate the movement of persons, the intermingling of cultures, the sharing of aspirations, knowledge, skills and aptitudes around the globe. Nor is it utopian to conceive of a world in which such a beneficial interchange is economically feasible. Rather, if wage inequality were to be reduced to a reasonable level, the migration 'problem' could become more than 'manageable'; it could be transformed into an enriching exchange of human capital, immeasurably increasing human wellbeing and mutual understanding, and diminishing conflict between the nations involved. Already, the basis for such mobility has been enshrined in human rights laws, which include freedom of movement (the right of everyone to leave any country), and the right to work – including adequate remuneration, safe and healthy working conditions, equal opportunities to promotion, rest, leisure and reasonable limitation of working hours.⁵⁸

Within the present economic system, however, this happy outcome is simply unattainable. Instead we find ourselves in a world where gross and escalating inequality is increasingly distorting the supply and demand equilibrium of the global labour market – a world in which the rich countries both need, and fear losing control of, the ever-rising tide of poor country economic migrants. Moreover, as is clear from the relevant available literature, this scenario is not furthering true progress in the developing world. Rather, there is no evidence that the present heavily regulated level of labour migration (although it clearly benefits industrialised countries) is serving to increase development, self-reliance or long term prosperity in the developing countries from which the migrants come.

To the contrary, current migrant flows essentially disempower migrant-sending poor countries, who lose many of their most skilled and enterprising citizens to the industrialised nations. Even in instances where the short-term transfer of resources is positive (as is particularly the case with migrant remittances), remittance-receiving families and communities who come to rely on this form of support are left vulnerable to a variety of exogenous shocks, and especially to a downturn in the economic fortunes of the rich country from which the remittances are sent. Only where remittances are spent on development projects that do not depend on further

⁵⁸ Freedom of movement is enshrined in Article 12 of the International Covenant on Civil and Political Rights (ICCPR:1966); and the right to work and the range of rights *in* work in Articles 6 and 7 of the International Covenant on Economic, Social and Cultural Rights (ICESCR:1966).

remittances (either directly, or indirectly through the multiplier) for their success, can their effect be considered sustainable in the long-term – and there is little indication that this form of investment is occurring at present.

As a result, and despite highly selective poverty reduction in certain areas, the migratory process essentially serves to increase developing country dependence, reinforcing an already appallingly skewed balance of power and an inequitable global economic structure that has imposed a long sequence of damaging policies on the developing world – policies that have led to 25 years of indebtedness, numerous foreign exchange crises, disadvantageous ‘free trade’ agreements, and the overproduction of commodity exports. It also further demoralises developing country governments, many of whom have tried and failed to control the ‘brain drain’ that is impoverishing their countries and diminishing their human and social capital, and who have no control over the manner in which remittance payments are spent.

However, if the aim of the current body of literature is to examine present day migratory trends with a view to generating policies that contribute to human development, it is in fact wholly irrational to abstract the issue from the wider context in which it takes place. As things stand, liberalisation of the global financial and trading sectors has not been accompanied by a similar liberalisation of the labour market; in other words, while capital, goods and services can move more or less freely around the world, labour cannot do so. As a result, the wages for similarly qualified persons in the industrialised and developing countries presently differ by a factor of 10 or more, as against a ratio for financial assets and commodities that seldom exceeds a ratio of 1:2⁵⁹ Under these circumstances, (and although it is arguable that the potential increase in growth from the free movement of labour would be enormous – roughly 25 times the gains from the liberalisation of the movement of goods and capital)⁶⁰ there would be a huge surge of labour migration to the industrialised nations if the barriers to mobility of labour were removed. This would place an unacceptable strain on rich countries, and further deplete human resources in the developing world. At worst, it might leave large areas of the globe virtually unpopulated.

In order to avoid this problem, broad global economic policies designed to correct the current skewed distribution of the world’s resources and equalise global wages would need to be operative prior to any significant liberalisation of the labour market. (As previously noted, once per capita income differentials are reduced to about 4:1 or 5:1, combined with a higher economic and job growth rate, most economic migrants opt to stay at home.)⁶¹

At the moment, this solution is not acceptable to developed country governments, who prefer to retain the power to regulate the labour market in their own interests, and require a rising level of migrant labour to maintain their economic hegemony. As a result, the current migration discourse takes place entirely within the prevailing economic paradigm, where the maintenance of a pool of migrants prepared both to fill gaps in high-skilled professions, and to undertake ‘3D’ type employment, is perfectly

⁵⁹ Dani Rodrik *Comments at the Conference on ‘immigration Policy and the Welfare State’* Trieste, 2001

⁶⁰ Dani Rodrik 2002. See *Feasible Globalizations*, Kennedy School of Government Working Paper Series RWP02029, July 2002. CHECK

⁶¹ Op Cit. IOM Report 2005, p 186

suited to meet rich country objectives. Although the systemic inequality that drives the present migratory flows is briefly alluded to in the literature, it is never allowed to affect the tenor of the debate. This issue is nonetheless an absolutely central element of the situation, and most urgently needs to be addressed.

Policy approaches: short term palliatives or long-term solutions?

‘Effective policies are urgently required to provide jobs, education, training and investment opportunities for women and men in developing countries. Migration policies alone will not be able to address the pressures that will lead people to look for work beyond the borders of their own country.’

GCIM Report 2005, p.20

To sum up, the ‘problem’ of migrant labour can be tackled in two ways. The first involves **immediate action within our current growth-fixated economic paradigm and the scenario of rising global income inequality that it inevitably entails**, and requires making a number of changes in national and international migration laws to improve the lot of migrants and the developing countries from which they come. Many such suggestions have been made in the recent literature, and these include

- reducing the transaction costs on remittances;⁶²
- compensating sending developing country governments for the loss of their skilled workers by refunding them the equivalent of those workers’ high-income country wages, and/or refunding their training costs;
- instituting a government to government repayment of tax already paid on remittances in the migrant-receiving country,⁶³ or offering gift aid incentives where the tax on remittances is devoted to development projects chosen by the tax-paying migrant (thus effecting another small reduction in the perverse flow of benefits arising from the migrants’ labour);
- attempting to reduce brain-drain by promoting the return of skills through the promotion of ‘circular migration’ (short term, repeatable contracts for migrant workers);
- ensuring adequate protection for migrant workers’ rights;
- reducing immigration regulations for unskilled labour, where possible, in order to encourage a more mobile labour market;
- taking more effective measures to prevent the trafficking of people.

Such policies are undoubtedly necessary and urgently required. However, even if all these objectives were successfully pursued, the fundamental core of the whole migration issue would remain unaddressed. If we are ultimately to stabilise migratory

⁶² Op Cit. The World Bank’s Global Economic Prospects 2006, Chapter 6 ‘Reducing Remittance Fees’ cites a number of ways in which this could be achieved.

⁶³ See Sony and Meenoo Kapoor, *Financing development towards the MDGs: What needs to be done?* Heinrich Böll Foundation, North America. July 2005

flows so that the interchange of persons enhances global wellbeing (rather than simply contributing to the maintenance of the current deeply inequitable economic *status quo*) then the international mobility of labour has to be seen as part of far bigger picture, and migration policies must take their place within a much broader programme of reform.

Policies designed to achieve a significant redistribution of the world's wealth lie at the heart of such a reform programme – that is, the objective of such policies must be an increase in the incomes of the poor, not the achievement of growth *per se*. As things stand, and despite the emphasis put on 'pro-poor growth' by the International Financial Institutions, the growth-led policies of the past decades have adversely affected the distribution of wealth. Between 1981 and 2001, world GDP increased by \$18,691 billion. Of this, only \$786 billion, or 4.2 per cent, went to poverty reduction as defined by the \$2-a-day poverty line, even though the poor represented the majority of the world population at the beginning of the period, while those below the \$1-a-day line (on whom the Millennium Development Goal to halve poverty by 2015 is focused) received an even smaller reduction of \$278 billion – just over 1.5 per cent of the increase in GDP. Moreover, growth was more anti-poor for both poverty line indicators in the 1990s than the 1980's; indeed, by the 1990s it took \$166 of global economic growth in per capita terms, with all its associated environmental costs, to achieve just \$1 of progress towards the poverty reduction MDG, nearly four times as much as in the 1980s, while growth itself also slowed down.⁶⁴

If global economic policies were refocused on poverty reduction through redistribution (with growth, or the lack of it, treated as a by-product) they could rapidly reduce inequality and its attendant problems, including those of forced economic labour migration. The orthodox opinion that such policies are unsustainable will no doubt be advanced against such a reorientation, but this view has a highly varied validity within individual countries, and on a global level is unambiguously incorrect. For example, the level of poverty reduction quoted in the previous paragraph could have been achieved through the annual redistribution of just 0.12 per cent of the income of the richest 10 per cent of the world's population – a rate of transfer that could be sustained for 300 years before the world as a whole reached the average level of inequality currently experienced in EU countries. (This argument is put forward and expanded in the New Economics Foundation's (**nef's**) report *Growth isn't working: the unbalanced distribution of benefits and costs from economic growth* by David Woodward and Andrew Simms, which should be read in conjunction with this paper.)

In conclusion, it can only be emphasised again that the nature of migratory flows is always determined by a complex web of external circumstances, and that the exploitative quality of present day South/North labour migration is driven by an economic system that inherently prioritises wealth over wellbeing, and the property rights of the rich over the human rights of the poor. If the international labour market is to be substantially deregulated, and labour migration to become a matter of choice rather than necessity, it is essential that these priorities are reversed without delay.

⁶⁴ Op cit. Woodward D. and Simms A. *Growth isn't Working*

Annex 1

New global economic policies that embrace a longer-term time horizon and are designed to achieve environmental and social objectives (with growth, or the lack of it, treated as a by-product) are most urgently needed, and the establishment of a new financial architecture, incorporating principles that allow national governments to control their policy decisions according to their development needs, would be an essential part of such a change of focus. In particular, developing countries should be enabled to safeguard their currencies by resisting inappropriate liberalisation policies, especially capital account liberalisation. By calming currency volatility, the new institutions would function automatically to reduce the likelihood of balance of payments crises, strengthen public sector finances and limit cases of sovereign debt distress.

Many of the components of this new architecture have already been proposed and developed. Among them are:

- the replacement of the Bretton Woods Institutions (BWIs) by alternative impartial democratised international organisations;⁶⁵
- the establishment of an international currency transaction tax (CTT) to curb speculation on the foreign currency markets and reduce volatility;⁶⁶
- the setting up of a global intervention fund to be used in combination with a system of crawling peg exchange rates and intervene automatically in support of currencies under speculative attack, to smooth exchange rate adjustments;⁶⁷
- the appropriate use of national capital controls in order to regulate both inflows (as in Chile in the early 1990s) and/or outflows (as in Malaysia in 1998);⁶⁸
- mechanisms for the international coordination of national taxes to limit tax competition, and the imposition of strict regulation and supervision of Off Shore Financial Centres (OFCs) in order to control tax avoidance;⁶⁹
- adequate measures to limit the accumulation of liabilities and discourage speculative bubbles in asset markets, including the collection of reliable data on the net resource flows arising from equity investments and FDI;

⁶⁵ David Woodward, New Economics Foundation, London. *Alternative Structures to the IMF and World Bank*, December 2004

⁶⁶ Advanced plans for a 2-tier version of the Tobin Tax is already on the table

⁶⁷ David Woodward, *Time to Change the Prescription: a Policy Response to the Asian Financial Crisis*, Special Briefing paper, Catholic Institute for International Relations, London, 1999.

⁶⁸ The necessity for capital controls is well documented. For instance UNCTAD's *Trade and Development Report 1998* makes a central point that to protect themselves against international financial instability, developing countries need to have capital controls, since these constitute a proven technique for dealing with volatile capital flows.

⁶⁹ The recent work of the Tax Justice Network is at the forefront of this reform. See John Christensen and Richard Murphy, *the Social Irresponsibility of Corporate Tax Avoidance: Taking CSR to the bottom line* Development (2004) 47(3) 37-44. doi:10.1057/palgrave.development.1100066

- policies to expand and promote domestic and local resources, including the redistribution of land where appropriate;
- measures to promote developing countries' access to appropriate forms of external finance on favourable terms for priority uses. (International taxes, not limited to CTT, but including such taxes as those on international flights, could be a source of finance designed to reduce global inequalities);
- international regulations to prevent loans, guarantees and insurance by national export credit agencies (ECAs) for projects that detract from sustainable development;
- the replacement of the present global payments system by a new institution such as an International Clearing Agency and/or measures to institute a new global currency for international transactions;
- the introduction of a fair international trading system that recognises the need of developing countries to protect their economies, and does not discourage the expansion of their internal domestic markets or promote unsuitable export production;
- recognition of ecological debt and the use of measures to share fairly the use of the global commons, particularly the absorptive capacity of the atmosphere, but including other global resources such as deep-sea fish stocks; and
- measures to ensure that all users pay for the long-term cost of resources so that truly sustainable development is encouraged in the future.

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