

The global economic crisis and migration: temporary interruption or structural change?

STEPHEN CASTLES
SIMONA VEZZOLI

This article focuses on the consequences of the crisis for international migration. The media have reported extensively on the visible effects on new migration, migrant employment, remittance flows (the money migrants send home) and on attitudes of destination-country populations.



But these are short-term effects, and much of the evidence so far is fragmentary or anecdotal. What are the long-term effects likely to be: on migratory flows, on the migrants themselves, and on the communities of origin and destination? To some extent we can only speculate on these matters, but we can learn a lot by looking at the experience of past economic crises. The key question is whether the current situation is a mere interruption in global growth patterns or, on the contrary, may actually indicate major structural changes to come?¹

Immediate effects

What started as a credit crunch in reaction to years of uncontrolled lending and inflated prices in the US housing market very rapidly turned into a general economic crisis affecting the whole world – including the new industrial economies which many had thought insulated from the problems of North America and Western Europe. The crisis has vividly demonstrated the interdependence of the globalised economy. This applies especially to the emerging global markets for labour of all skill levels.

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Recruitment of migrant workers has proved highly sensitive to the recession. At the same time, control of borders by nation-states – long seen as a last vestige of sovereignty in a world dominated by cross-border markets and multinational corporations – has reasserted itself. It is one way in which governments can convince their voters that they are doing something to alleviate the crisis.

Some of the short-term effects of the crisis mentioned in media reports include:

- ▶ Return migration of some migrant workers to their homelands as a reaction to unemployment or lower earnings.
- ▶ Reduced levels of migration from origin countries to destination countries.
- ▶ Attempts by governments to persuade or force unemployed migrant workers to leave.
- ▶ Especially large declines in irregular migration, which appears to be very sensitive to availability of jobs.
- ▶ Reduced remittances from migrants to their home communities, leading to possible hardship in communities dependent on such transfers.
- ▶ Increased hostility to migrants among majority populations.

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One of the most pressing problems is growing unemployment. This has particularly affected the construction, manufacturing and services branches in which migrant workers are highly represented. In the USA the unemployment rate in construction jumped from 9.4 to 15.3 per cent in the year ending December 2008. In Spain, unemployment rose from 8 per cent in 2007 to almost 14 per cent by early 2009, but to over 20 per cent for non-European Union migrants. The United Arab Emirates are planning to lay off up to 4 per cent of the construction-related workforce in 2009, including highly-skilled employees such as managers and analysts. In China's manufacturing sector an estimated 10 million workers have lost their jobs – many of them rural-urban migrants. In financial and travel-related services, some high skilled migrants are finding it difficult to keep

their jobs and are opting to return home, while others feel that they must stay in order to send remittances to their families. Staff cuts are also happening in restaurants and hotels, although the effects may be less visible than elsewhere, due to the frequently short-term nature of catering employment.

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Higher unemployment and worker layoffs are generating resentment among some native workers, who blame migrant workers for taking jobs. The politically explosive nature of this issue was demonstrated by an unofficial strike of building workers at the Lindsey oil refinery site in Lincolnshire, England in January-February 2009. The workers picketed the site in protest at the granting of a building contract to an Italian firm, which brought its own workers from Italy and Portugal to do the job. By the third day of the strike, workers at many projects across England and Scotland had joined the protest. They demanded preferential treatment for British workers, echoing a promise by Prime Minister Gordon Brown of «British jobs for British workers». Under EU law, companies and workers from any member state have the right to compete for jobs. The trade unions and the Labour Government refused to support the strike, but felt very threatened by this spontaneous mobilisation, and helped to broker a behind-the-scenes compromise, to make sure more British builders got jobs on large projects.

Political responses

The Lincolnshire dispute brought together elements of protectionism and xenophobia, which are likely to increase as the crisis affects increasing segments of local populations. Social and educational government programmes are

essential to prevent migrants from becoming scapegoats for the crisis and to stop potential conflicts and violence. In times of crisis migrants need protection against exploitation, and undocumented migrants are in a particularly vulnerable position. Governments should ensure that welfare and social services are accessible to all workers and that skill training programmes are made available to migrant and native workers alike.

Yet governments in many destination countries do just the opposite: they use anti-immigration policies as a way of diverting popular anger about unemployment and falling incomes. During the **Great Depression** and the 1973 **Oil Crisis**, the US and European governments used migrants as «safety valves» to reduce unemployment and free up jobs for citizens. Many governments today are unveiling short-term return programmes to restrict entries and to persuade or even force migrants to return to their country of origin.

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Unable to prevent mobility within the EU, the British Government has tightened up the entry criteria under its Points System, to reduce the number of non-EU entrants – but above all to convince the public that it was acting to protect British workers. The Spanish government has offered financial incentives for migrants to return to their origin country, but so far this programme has largely failed to win migrant participation, because those who accept it have to turn in their work and residence cards to the authorities, and fear that they will not be able to return later on, when the economy recovers.

Enforced return and recruitment stops are not confined to Europe. Taiwan repatriated 2000 Filipino workers as soon as the crisis began.

The South Korean Ministry of Labour decided to reduce the number of work permits to 34,000 for the whole of 2009, about one third of last year's number. The Thai government announced in January 2009 that it would not renew migrants' registrations for the year, hoping that they would return to their origin country and make jobs available to Thais. The Malaysian government halted entries of migrant workers and ordered employers to lay off migrant workers first, hoping that they would return to their country of origin.

Yet history has shown the limitations of this approach: after the 1973 Oil Crisis, European governments found that local workers would not take «migrant jobs», even if the alternative was unemployment. Economies had become structurally dependent on migrant workers. Similarly, in the 1997-1999 Asian financial crisis, several governments introduced policies of national labour preference and sought to expel migrants – especially undocumented workers. However, employers (for instance in the Malaysian plantation industry or Thai fisheries) quickly discovered that many nationals were unwilling to take these jobs, even in a recession. Such employers demanded – and secured – a suspension of expulsion policies.

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Destination-country governments seem likely to persist with policies of return and expulsion, as well as stricter barriers to entry. These policies are politically popular, but their economic rationality and sustainability is dubious. One result of the neo-liberal economic policies of the last 30 years has been growing inequality, even within the richest countries, and the emergence of «unwanted» jobs and informal labour markets that requires cheap unskilled

labour – mainly provided by migrants. This need may well persist despite the crisis – as happened after 1973.

On the other hand, it is possible that the current economic crisis may be so deep and widespread that it will differ from the past. There are signs that the global decline in job opportunities is leading to a decline in irregular migration. For instance undocumented Mexico-US migration seems to have fallen in response to the sharp cuts in residential construction. In addition, there is evidence that illegal migration to the European Union as well as the internal EU flow is cyclical even without government interventions.

Migrants' dilemmas

Government migration policies often fail because they ignore social factors and forget that migrants are not just economic actors who follow income maximisation motives. Migrants will not necessarily return to their country of origin in a recession. If they have long residence and strong family ties, have invested in education and housing, and can benefit from welfare payments, then they will be likely to endure through the crisis rather than take the risk of returning to the origin country.

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Even for vulnerable undocumented migrants, leaving the country might not be a viable solution in light of the strengthening of security and border enforcement, which would prevent

return to the destination country at a later stage. Thus the building of a wall along the US-Mexican border seems to have turned temporary labour migration into permanent settlement, rather than stopping irregular migration.

Where migrants and their families have to scrape together money to pay high fees to people-smugglers or job-agents, it is extremely hard for them to go home during the crisis. The whole family may be in debt, and repayment is crucial, which leads migrants to find an alternative job – however exploitative – rather than return home.

It is also important to realise that many migrants come through family reunification – this is in fact the largest migration category in many countries. Such entries are not likely to be significantly affected by the crisis: migrants who have gone through a lengthy visa application process will not forego the opportunity to migrate, even if the visa comes through in a crisis period.

The ability to send home remittance to their families is crucial to many migrants. After years of significant growth, the World Bank now predicts that remittances will stagnate or even decline by up to 6 per cent in 2009. This could lead to significant hardship to origin communities. However, even here, migrants do not always follow the expectation of economic rationalism: South Korean overseas communities have increased their transfers and investments to the Korean economy through a «Buy Korean» campaign. This behaviour was also recorded also during the 1997-99 Asian financial crisis, when Korean communities overseas mobilised their capital, purchased Korean goods and deposited their capital in Korean banks.

This demonstrates the migrants' ability to mobilise in support of their country. Similarly, many migrants take emotional responsibility for their family's needs, and may go to great lengths to ensure that they can continue sending money home. For this reason, the World Bank predicts that many migrants will not return home, even if the situation continues to deteriorate.

Refugees and asylum

Effects on forced migration may be different from those on voluntary migration. The international protection regime created by the 1951 Geneva Refugee Convention is meant to lift them above the market forces that drive labour migration. It therefore seems likely that refugee flows will not be reduced as a result of the changing economic forces. However, the economic crisis may affect refugees through receiving states' restrictive policy and legal measures. In fact, since the 1990s, increasingly tight entry rules have made it extremely hard for asylum seekers to come to developed countries to make asylum claims. There has been a concerted attack on participants in «mixed flows», in which refugees and economic migrants are hard to distinguish, because their reasons for fleeing are tied simultaneously to conflict and persecution, and to lack of development and economic marginalisation. The trend towards greater restrictiveness seems likely to continue.

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At the same time the number of people in need of protection is likely to increase. The economic crisis is likely to mean reduced foreign investments and severe reductions in development aid. This could in turn create the conditions for increased conflicts in regions that already have weak governments and high poverty levels. The most vulnerable segments of the population are likely to suffer from the lack of support of peace-building and post-conflict reconstruction programmes, increasing even further their vulnerability.

Many experts think that countries of origin of refugees and migrants will not be spared by the economic crisis and the impact might be very severe, leading to widespread impoverishment

in vulnerable countries. South America, South Asia and China have already experienced increases in unemployment due to reduced exports. This situation is likely to exacerbate political and social tensions in many developing countries, as elites try to maintain their dominance, while marginal segments of the population seek to secure their livelihoods. The result may be greater conflict and greater numbers of forcibly displaced people. However, the effects of such displacements will be felt much more strongly within vulnerable countries and the regions around them, rather than in the North.

Historical lessons

It is too early to predict the long-term effects of the current crisis on migration. However, to understand the potential impacts, it is useful to look at history. The world economic crisis of the 1930s led to a massive decline in international labour migration, and to return (sometimes compulsory) of many migrants from countries like the USA and France. However, some of the decline was actually the result of restrictive policies adopted during and after WWI. For instance in the USA, the «nativist movement» campaigned against immigration, and major restrictions were introduced in the early 1920s. In any case, many migrants did not return home in the 1930s, but settled and became members of the permanent population of receiving countries.

The recession following the Oil Crisis of 1973 (when OPEC states rapidly increased oil prices) had enormous consequences for migration, but hardly anyone predicted them. «Guest-worker migration» ended in Europe, and processes of family reunion and permanent settlement started, leading to the formation of new ethnic minorities. Large corporations developed strategies of capital export and a «new international division of labour», which led to the emergence of new industrial centres especially in Asia and Latin America – and in the long run to new flows of labour migration.

The recycling of petro-dollars was the basis for an economic boom in oil states.

In some cases (such as Dubai and other Gulf states) this led to long-term economic development; in others – like Nigeria – the oil profits were dissipated in corruption and luxury consumption by the elite, with few long-term benefits. All in all, the 1973 crisis was a major turning point in global migration.

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The effects of the 1997-99 Asian financial crisis were more modest. Several governments introduced policies of national labour preference and sought to expel migrants – especially undocumented workers. In some cases, migrants were blamed for unemployment and other social ills – like epidemics and criminality. However, employers quickly discovered that many nationals were unwilling to take on «migrant jobs», even in a recession. In any case, the interruption to economic growth in Asia was only short-lived – after 1999 migration grew again and reached new heights.

A new global economy?

The lesson from these examples is that the effects of economic downturns on migration are complex and hard to predict. Is the current crisis more like that of the 1930s, post-1973 or 1997-99 in Asia? The answer is that it has its own unique features and cannot easily be compared with any of them. Just because the end of the Cold War opened the way to a single global economy, the 2008 Crash has affected the whole world in an almost unprecedented way. This time it is the very core of the market system that is questioned. But what does seem clear is that it will not simply be «business as

usual» in few years time: the neo-liberal globalisation model appears to have run its course.

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The current crisis is likely to have deep-reaching effects that we cannot foresee. It is mistaken to believe that migrants will serve as a safety valve for developed economies, by providing labour in times of expansion and going away in recession. When economic conditions get bad in rich countries they may be even worse in poorer origin countries. Moreover, migrants are social beings, who put down roots and form relationships in new countries. At times of recession, the motivation to migrate may be even higher than before, and remittances may prove

a resilient form of international transfer. Finally, global economic inequality and the demographic imbalances between the ageing populations of the North and the large cohorts of working age persons in the South will remain important factors in generating future migration.

In the long run, the fundamental causes of migration are not likely to change. The ageing societies of the North will require increasing numbers of domestic and care workers. Yet if the configuration of the new, post-crisis global economy is radically different from the past, we might see new patterns of migration, new sending and receiving countries and the rise of a new migration order. New systems of employment based on recruitment of cheap labour may emerge. Or – to take a more optimistic view – policy-makers might learn from the experience of the crisis to establish new forms of global migration governance, based on international cooperation and the rule of law.

STEPHEN CASTLES

DPhil in Sociology at the University of Sussex.

Professor of Migration and Refugee Studies and Director of the International Migration Institute (IMI) at the University of Oxford.

He taught Sociology and Political Economy at the Fachhochschule Frankfurt am Main from 1972-85. From 1986 to 2000 he was Professor of Sociology and Director of the Centre for Multicultural Studies (1986-96) and then Director of the Centre for Asia Pacific Social Transformation Studies, at the University of Wollongong, Australia.

He helped establish and coordinate the UNESCO-MOST Asia Pacific Migration Research Network. He has been an advisor to the Australian and British Governments, and has worked for the ILO, the IOM, the European Union and other international bodies.

He has a specific web page on migration: <http://www.age-of-migration.com/>



SIMONA VEZZOLI

Simona Vezzoli is a Research Assistant at IMI.

She has a BA in socio-cultural anthropology from the University of California, Berkeley, and an MA in international policy studies with a specialization in international development from the Monterey Institute of International Studies.

She has worked for the Migration for the Development in Africa (MIDA) project at the International Organization for Migration (IOM) in Rome.

Her research interests include migration policy and governance; African diaspora communities; and return and reintegration of migrants in their communities of origin.



Notes

1. This article is largely based on a range of media reports as well as articles contributed by a number of colleagues to a «virtual symposium» on migration and the global financial crisis. This material and references to relevant reports are to be found on the companion website of the book: *The Age of Migration: International Population Movements in the Modern World* by Stephen Castles and Mark J. Miller at: www.age-of-migration.com. Simona Vezzoli has been responsible for compiling the material.