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Migration and the remittance euphoria:
Development or dependency?

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nef (the new economics foundation) is a registered charity founded in 1986 by the leaders of The Other Economic Summit (TOES), which forced issues such as international debt onto the agenda of the G7/G* summit meetings. It has taken a lead in helping establish new coalitions and organisations such as the Jubilee 2000 debt campaign; the Ethical Trading Initiative; the UK Social Investment Forum; and new ways to measure social and economic well-being.

In 2005 there were almost 200 million international migrants. The money sent back home by those from poor countries reached US$167 billion in the same year. Not surprisingly, migration and remittances are now high on many agendas. But the typical approach is narrow, economic and short-term. Little attention is being paid to the effects on sustainable development, equity and long-term poverty reduction. This report takes a critical look at the migration and remittance euphoria and sets out a programme for reform that **nef** believes would begin to address the systemic global inequality that drives migratory flows.

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Acronyms and abbreviations

BWI	Bretton Woods institutions
CTT	currency transaction tax
ECA	export credit agency
EU	European Union
FDI	foreign direct investment
GATS	General Agreement on Trade and Services
GCIM	Global Commission on International Migration
GDP	gross domestic product
GMG	Geneva Migration Group
GNI	gross national income
ILO	International Labour Organisation
OFC	offshore financial centre
IOM	International Organisation for Migration_
KILM	Key Indicators of the Labour Market (ILO publication)
MDG	Millennium Development Goal
MFN	Most Favoured Nation
OECD	Organisation for Economic Co-operation and Development
PPP	purchasing power parity
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UN-DESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCHR	United Nations High Commissioner for Human Rights
UNHCR	United Nations High Commissioner for Refugees
UNODC	United Nations Office on Drugs and Crime
WHO	World Health Organisation
WTO	World Trade Organisation

Summary

In 2005 there were almost 200 million international migrants. The money sent back home by those from poor countries reached US$167 billion in the same year. Not surprisingly, migration and remittances are now high on many agendas. But the typical approach is narrow, economic and short-term. Little attention is being paid to the effects on sustainable development, equity and long-term poverty reduction.

This report takes a critical look at the migration and remittance euphoria and sets out a programme for reform that **nef** believes would begin to address the systemic global inequality that drives migratory flows.

Migration from poor to rich countries is increasing: There were an estimated 200 million international migrants in 2005. This figure has been rising steadily for decades, and by the 1990s the rich countries were absorbing all the net increase. In 2005, 60 per cent of migrants moved to high-income countries.

Poor countries are losing skilled workers: Skilled workers make up a large and rising share of the movement of people from poor to rich countries: the number of highly educated immigrants from developing countries doubled between 1990 and 2000.

Global inequality is driving migration: Much of this migratory flow is driven by the gross inequity in wealth, wages and opportunity between the developed and the developing world. The economic benefits for the rich industrialised countries are widely recognised – and these countries can encourage labour migration on terms and within limitations that best serve their interests.

Remittance euphoria carries dangers: Much has been made of the fact that the flow of funds (remittances) sent back by developing-country migrants to their countries of origin has been steadily increasing. Remittances reached US$167 billion in 2005 – more than twice the global aid figure. But remittances do not automatically generate development and there is a real danger that they may be seen as a substitute for policies that do.

The poverty reducing impact of remittances is limited: While remittances can relieve poverty selectively in the short-term, there is no evidence that they provide a solid foundation for sustainable development in the long-term. And they rarely go to the poorest countries, or to the poorest people within poor countries.

Migration has negative impacts on sending countries: The problem of the 'brain drain' is well known; up to 50 per cent of developing country scientists and engineers work in research and development in the industrialised world. In addition, the increasing reliance on remittances – often the largest source of external finance in poor countries – exposes these countries to sudden changes in the economic fortunes of other nations (as shown during the East Asian crisis).

Migration has negative impacts on migrants: 'Brain waste', when language and other barriers make it difficult for skilled immigrants to get jobs suited to their level of training and experience, is often a problem. Both high and lower skilled migrants often take jobs that are demeaning and even dangerous when they move to rich countries. The mental and physical wellbeing of migrants and their families can be undermined by the nature of the jobs that they do, as well as by other factors such as family disruption, loss of identity, anxiety and isolation.

nef believes that immediate action is needed to improve the situation of migrants and the countries they come from**:**

Measures are urgently required to protect migrant workers' rights, reduce the 'brain drain', provide compensation to developing countries for the loss of their skilled workers, and increase the efficiency of remittances. These measures, however, should be recognised as short-term remedies that address only the symptoms of an underlying problem.

Addressing the global inequality that drives migratory flows is essential: Migration will cease to be a 'problem' when immigration becomes a matter of choice, rather than one of necessity, for all the world's people. Achieving this would require wide ranging reforms to the global economy, with policies that prioritise poverty reduction and the fair distribution of global wealth (with growth treated as a by-product).

This paper offers a brief analysis of the migration issue in the broad context of our current global economic system. Despite the enormous literature on the subject, however, there are few reliable data and little accurate information on many aspects of the issue, with a particular lack of feedback on the relationship between emigration, remittances and development. **nef** plans to contribute to this field of research in the future.

Box 1. Migration in Context

Economic migration cannot be discussed as an isolated issue. Rather, it must be seen as part of the web of interlocking economic, environmental and psychological phenomena that make up the world in which we live. This report focuses on the link between migratory flows and gross global inequality, but migration is more than just a political and economic issue, and other factors must be considered.

Migration and the environment

Numbers of both migrants and refugees could be about to increase dramatically over coming years as a direct result of the way that the rich global elite lead their lives. Global warming, more than war or political upheaval, stands to displace many millions of people. And climate change is being driven by the fossil-fuel-intensive lifestyles that we enjoy so much.

Environmental refugees are already with us, yet they lack any explicit recognition and protection under international law. They are people who have been forced to flee their homes and cross borders primarily because of environmental push factors such as extreme weather events, drought, and desertification. One estimate suggests that by 2050, mostly due to the likely effects of global warming, there could be over 150 million people in this situation.

The effects of this scale of population movements will be highly destabilising to the global community unless they are carefully managed. Without action, the countries least responsible for creating the problem – poor developing nations who already are the major recipients of refugee flows – stand to carry the largest share of additional costs associated with environmental refugees.

For example, as a consequence of global warming, Bangladesh, one of the poorest countries in the world, expects to have around 20 million such environmental refugees in the coming years. Sea-level rise in the range expected by the IPCC would devastate the Maldives. Up to 10 million people could be displaced in the Philippines, millions more in Cambodia, Thailand, Egypt, China, and across Latin America. If the flow of the Nile reduces (and sea levels rise), the most densely populated part of Africa will be hugely disrupted – affecting an estimated 66 million people projected to rise to nearly 90 million by 2015, nearly all living along the banks of the Nile.

Without international legal status, environmental refugees will be condemned by a collective global problem to a national economic and geographical lottery, and to the patchwork availability of resources and the application of immigration policies. There is a wide acceptance that current national policies would not be remotely capable of handling the scale of the problem. Environmental refugees need recognition, and the problem needs managing before it manages us.

Migration and agriculture

Farming policies, volatile global markets and climate change all have an effect on patterns of human migration. Around the world, changes in farming, and the ownership and control of the food chain, can result in migration to and from rural and urban areas. Such migration patterns can be positive or negative. At best they contribute to prosperity and development. At worst, they can reduce productivity, worsen food security, increase rural poverty and lead to overcrowding and unemployment in towns and cities. The complex interaction of these different forces, and the huge impact migration can have on poverty, means that more analysis is urgently needed to understand what leads to good or bad outcomes.

Migration and wellbeing

Undoubtedly, many economic migrants succeed in carving-out productive livelihoods in their host countries, even if they are not always able to utilise their skills and education to the full. However, this is not the case for all, a fact that is partially reflected in the above-average rates of depression and suicide observed in immigrant populations. What could be responsible for these worrying statistics?

Just as physical well-being depends on the satisfaction of needs – e.g. for safety, security, food and shelter – so humans have psychological needs: for autonomy and control over their lives, for feelings of competence and efficacy, and for relatedness to each other. For most people, satisfaction of these needs comes from a variety of sources including family and community networks, a productive and challenging working life, and the freedom – economic, social and political – to make choices and live as one chooses.

For many economic migrants, however, the decision to migrate is not voluntary, but forced by the need to secure a decent livelihood for themselves and their families. Under these circumstances, their freedom of choice has already been compromised. Nor does low paid employment in the host country, often in poor working conditions and with no job security, offer the chance of regaining autonomy. Rather, earning enough to survive and to send money home can be a serious struggle, leading to overwork and stress, uncomfortable living arrangements and feelings of inadequacy and guilt. Moreover, cultural and social differences between countries can sometimes be large and disorientating, especially where it is exacerbated by language problems. It may be precisely as a means of insulation against these psychological difficulties that economic migrants can often be found clustered together in small communities.

Introduction

"The long-term manageability of international migration hinges on making the option to remain in one's country a viable one for all people.

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

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 all migrants, and migratory movements will inevitably continue to be integral to our development. The extent to which their impact is or is not beneficial and who precisely benefits, however, depends on 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 for Migration (IOM), there were 175 million international migrants in the world in 2000; that is, one out of every 35 people in the world was an international migrant. Between 1960 and 2000 the world population doubled from three billion to six billion while the total number of international migrants more than doubled (from 76 million). 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 (UN) now estimates that there were almost 200 million international migrants in 2005.[1] This figure shows an accelerating trend, with the percentage increase rising from 2.1 per cent per year between 1960 and 2000 to 2.7 per cent per year between 2000 and 2005.

Overall this percentage does not represent a dramatic increase in global 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 international migrants, by the 1990s they were absorbing all the net increase, while the number of migrants in developing countries remained virtually unchanged.[2] Developed countries gained nine million international migrants between 1970 and1980, nearly 15 million between 1980 and 1990 and over 21 million in 1990–2000.[3] According to the UN, high-income countries, which have less than 20 per cent of the global labour force, accommodated over 60 per cent of all migrants in 2005.[4] Skilled workers comprise a very large proportion of this migratory flow. In OECD countries, for example, the number of highly educated immigrants from developing countries doubled between 1990 and 2000 (compared to an approximate 50 per cent rise in the number of developing country immigrants 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 (GMG), 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 migration issue and report its recommendations to the Secretary General of the UN.

The outcome has been a proliferation of migration literature. During 2005, a large number of densely researched reports were published, among them the IOM's *World Migration 2005* and the GCIM's *Migration in an interconnected world*. The World Bank dedicated the recent *Global Economic Prospects* to the subject, and the Bank's Development Economics Research Group also published *International Migration, Remittances and the Brain Drain*. A number of studies, focusing on particular regions and aspects of the issue, have also been published, and the UN has held around 30 international events to discuss preparatory initiatives for a High Level Dialogue on International Migration and Development scheduled to take place in New York in September 2006.

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 touched on in the literature, is never seriously addressed. This paper draws attention to this critical aspect of the issue, and briefly re-examines 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

The conclusions emerging from the recent migration literature have been remarkably consistent. They 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.

It is believed that the immigrants themselves benefit, and that the growing stream of migrant remittances typically alleviates the poverty levels of recipient families. Remittances to developing countries rose from US$160 billion in 2004 to US$167 billion in 2005. This is more than twice the level of development aid from all sources, and remittance flows frequently outstrip foreign direct investment (FDI).[7]

There is also general agreement that problems that do exist are being addressed - for example, that remittance transaction costs are too high, 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 example, developing countries could introduce policies such as job placement, reintegration assistance, funded travel, medical insurance and so on, to provide incentives for 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[9] puts it – already exists. The demeaning nature of the '3-Ds' (dangerous, dirty and difficult) jobs undertaken by the majority of immigrants in industrialised countries is virtually ignored, and the social and psychological costs incurred by labour migrants and their families are 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 people 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 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 is assumed to be 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] The decision to migrate, however, is extremely complex and the costs and benefits involved vary from country to country, as well as 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 they 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 well-being.

In the European Union (EU), for instance, higher rates of suicide and attempted suicide, linked to depression, are typically present among immigrants, and the number of accidents – often caused by long hours of work in high risk occupations – is twice that for the 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 between three and 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; the interaction between the two factors accounts for 58 per cent of young people with psychotic symptoms, leading to a four times higher risk in childhood and adolescence where the combination is present.[16]

As the authors of *International Migration and Health,* a paper 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), characterised by relatively massive human wastage in terms of avoidable illness, injury, neglect and mortality".[17]

The fact that the overwhelming majority of people 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 clear that if people make the choice to emigrate and forfeit their 'insider' benefits, they must be acting on the assumption that the cost of their well-being 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 disparity in income per person 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 showing how much of the extra income migrants earn in host countries is required merely to off-set the negative effects of migration on their well-being.

At present, not only are we far from attaining these levels, but we are progressing fast in the opposite direction, with global inequality continuing to rise. Although the global annual average income per person was US$5,000 in 2000, disparities have already reached obscene proportions. High-income countries' gross domestic product (GDP) per person is now 66 times that of low-income countries, and 14 times that of middle-income countries, with levels ranging from an average US$100 per person per year in Ethiopia to US$38,000 in Switzerland, a ratio of 380:1.[19] 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). Yet very few low- and middle-income countries have become high-income over the last 25 years 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 per cent of the global labour force, receiving over 60 per cent of international migrants, and by the 1990s absorbing virtually all the increase in migration[20] – results from this increasingly skewed distribution of the world's resources. This maldistribution, which has left almost half the world's population living on less than US$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 positive redistribution policies above the present grant aid, which amounted, on average, to a mere US$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.[23] 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 fiscal and monetary '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 undertaken; to the contrary, they should be implemented without delay. But while the reduction of poverty and the improvement of living standards – whether through remittances or international aid – is certainly a worthy goal, it is crucially important to understand that in the context of present day migration such policies are palliative only. If the underlying problem is to be properly addressed, they must be seen as a small part of a much wider reform programme; one designed to enable the developing world to share more equally in the world's resources, and thereby 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.[24]

A broader programme of this kind would essentially be based on an understanding that the development of a country or region consists of 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. Policies that serve to perpetuate and profit from developing country dependency – although they may contribute to poverty reduction in the short-term – may even prove inimical to development in the long-term.

The present body of literature on migration, however, is written from within the present economic paradigm, and (with a few honourable exceptions) tends to overlook this fundamental issue. Deeply influenced by the growing need for migrant labour in high-income countries, it typically ignores the fact that migration has not been shown to lead to sustainable development in poor sending countries, but has simply increased their dependency on the rich industrialised economies of the developed world. If migration is truly to serve developing country needs, and help to reduce global poverty permanently, 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.

In order fully to appreciate the need for such radical change a review of the present situation is useful.

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 confirmed that global economic growth is increasingly failing to provide new and better jobs that lead to a reduction in poverty.[25] Instead, it showed that in recent years there has been a weakening relationship between economic growth and employment growth. 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. It shows that between 1999 and 2003, for every percentage point of additional GDP growth, total global employment grew by only 0.30 percentage points – 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 US$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 developing 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.

Table 1. Lower and upper wage limits by occupation in US$ per month (1996 US$ PPP[26]) 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

Overall, intra-occupational wage differentials remain staggeringly high. Table 1, 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.

There is a greater variation across countries (in absolute terms) for the higher paid technical occupations. This is because wages in less skilled jobs tend to be low in most parts of the world. With a few exceptions, however, the *relative* intra-occupational wage differences are greater in low-skilled than in high-skilled occupations, with the best paid garment cutter being paid nearly 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.

Rich countries rely on migrant labour 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,"*
>
> **World Bank, Global Economic Prospects 2006, page 29**

Unfortunately, the citizens of rich receiving countries are frequently suspicious of incomers, and historically we have been faced by what can loosely be termed the 'nationalist' attitude towards the 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 from international empirical studies indicates that adverse employment and wage effects of migration at current levels, if they exist at all, are very small. In the USA, 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 per cent 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 is at odds with that of the business world, particularly the multinational corporations, which 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. As is well known, this can only be done in two basic ways – either through an increase in consumption (now typically involving dire environmental consequences) 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 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 2004.

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. 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. The truth, however, is that migration 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.

Many rich nations now have fertility rates below the 2.1 required for the population to remain constant, and their dependency ratios (that is, the proportion of their population too old, or too young, to work) 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 between 1995 and 2000 had it not been for migrant inflows. As it is, the 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 people in the developing world ensures that these problems will be solved by migrant labour. Where workers are admitted on temporary visas only, a constant turnover may also be relied on to relieve the pensions crisis that is facing many Western welfare states. 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 Organisation statistics show that in 2004, around 185 million people were unemployed globally, while the World Bank indicates that the global labour force will increase by an average 40 million per year, with some 86 per cent of that labour force coming from developing countries. Yet 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 oriented 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 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.

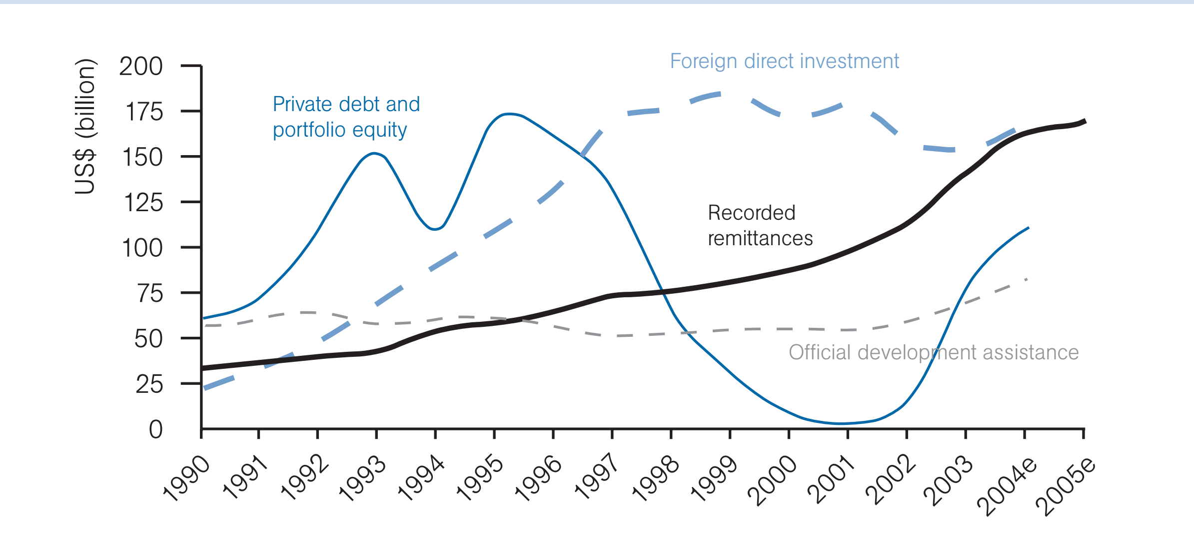
The effects of migration on the country of origin

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 US$232 billion for 2005, with US$167 billion (up from US$160 billion in 2004) going to developing countries.

The remittance euphoria[33]
This figure is equivalent to over twice the level of development aid from all sources, and the Report's authors suggest that if informal and unrecorded flows were included, at least 50 per cent could be added to the total, making remittances the largest source of external finance in many developing countries.

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. Despite this enthusiasm, however, there is so far no hard evidence that this is so. There are many aspects of migration that offset the narrowly focused benefits arising from remittance flows, and some of those 'benefits' are themselves questionable, while their long-term impact on structural poverty remains unproven. For instance, although there is little doubt that remittances can relieve transient poverty, whether at household or national level, the volatility and selectivity of such payments constitute an exceptionally vulnerable source of resources, even in the short-term. The amount of money sent home typically falls the longer the migrant is absent from his country of origin. Research has also shown that payments decline as the share of migrants with tertiary education increases.[34]

Figure 1: Remittances are an important source of external financing in developing countries



Source: Reproduced from the World Bank News Release No 2005/201, 16 November 2005 (page 4).

Even more worryingly, remittance dependent countries are susceptible to the economic crises and political machinations of host countries. To take just two of many cases, Indonesian labour was expelled from Malaysia and Thailand during the East Asian crisis, greatly exacerbating Indonesia's already calamitous situation, while Israel's decision to revoke the permits of workers from the West Bank and Gaza resulted in devastating unemployment, poverty and hardship.

A number of factors make the remittance euphoria appear over optimistic.

- Although the emphasis is on remittances from developed countries, flows between developing countries represent between 30 and 45 per cent of the total sum.[35]
- Outward remittances from developing countries amounted to US$24 billion in 2004.[36]
- Remittances are very unevenly spread between developing countries, and tend not to flow to the poorest.[37]
- 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 very poor people, especially the 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 'brain drain' (see below) must be offset against the benefits from remittances.
- The social and psychological costs of migration on sending families and communities must also be offset against remittance benefits.
- Remittances can cause currency appreciation, with adverse impacts 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.
- Remittances payments typically create a strong disincentive for domestic savings, leading to a depletion of the domestic resource base for investment.
- A reliance on remittances may create an illusion of sustainable prosperity that provides a disincentive for governments to address issues of poverty and inequality that originally led – and in all probability continue to lead – to the forced emigration of their remittance-sending citizens.
- A remittance-dependent culture is vulnerable to the fluctuations of industrialised country demand for labour and to contagion from economic crises (such as the East Asian crisis) in the richer developing countries. This exposes remittance receiving countries to unexpected economic disruptions which can have serious consequences for poverty.
- Remittance sending countries possess (and not infrequently exert) economic leverage over remittance dependent countries in order to further their own political and/or military agendas.
- 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.[38]

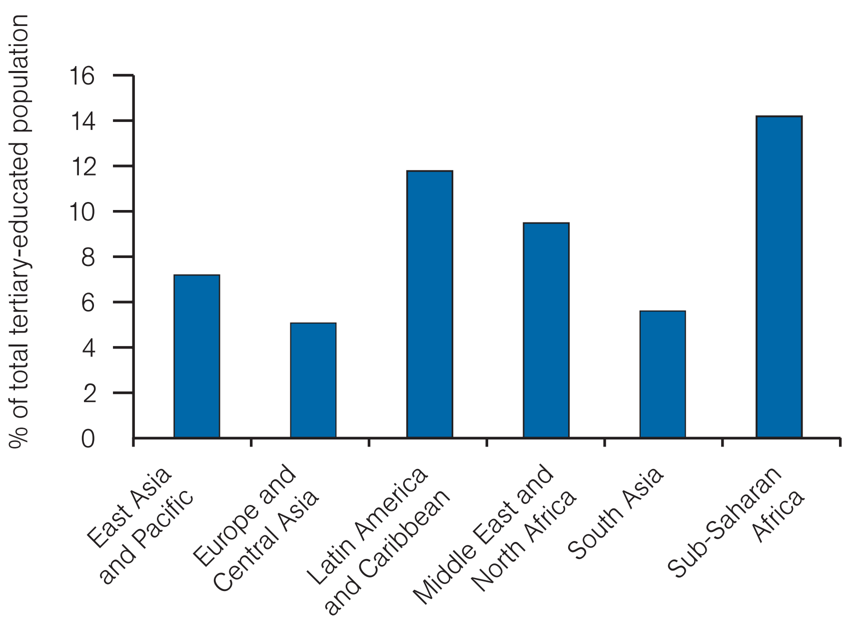
High-skilled labour and the 'brain drain'
Labour migration tends to be fairly evenly spread across a broad education spectrum, but since low- and high-skilled labour emigration affects developing countries rather differently, the two issues are best examined separately.

Looking at high-skilled labour emigration first, the proportion of the educated workforce migrating from parts of the developing world is staggering. Africa, the Caribbean and Central America lose the highest ratio of their skilled labour. According to the World Bank, the latter two regions had more than 50 per cent of their university educated citizens living abroad in 2000, while close to 20 per cent 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 per cent loss of the region's educated workforce.[39]

As noted earlier, in OECD countries overall, the number of highly educated immigrants from developing countries doubled between 1990 and 2000 (compared to an approximate 50 per cent rise in the number of developing country emigrants with only a primary education).[40] Figure 2 shows the relative importance of the flow from the sending regions, but it should be remembered that rates vary greatly between countries – from less than 1 per cent (Turkmenistan) to almost 90 per cent (Suriname) – and it is not always easy to assess the impact on a group of countries as a whole.

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.[41] 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, including 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."[42]

Figure 2. Emigration rates for those with a tertiary educaion, 2000



Source: Reproduced from the World Bank 2005 (page 67)

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. This almost inevitably creates 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 the case of Jamaica, for instance, there were nearly four times more Jamaicans with tertiary education working in the US alone than at home.[43]

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.[44] As two recent papers from Medact[45] point out, health worker migration has serious implications for the right to health of the populations in their countries of origin. These workers also have rights, however, both to freedom of movement and to decent living standards. 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,[46] ensuring adequate domestic labour supply, and redressing the financial harm caused to sending countries by international health worker migration through appropriate resource transfer.

The authors of the Medact reports suggest that such financial restitution should be based on the yearly value of the foreign health professionals' work in the host country. This represents the value of the services they provide in the host country and 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 at the very heart of the problem. 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 to the populations of the rich receiving countries. This subsidy needs to be reversed in order to rectify the situation.

Without such a measure 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.[47] Table 2 shows the number of nurses registering in the UK in 2003/2004, together with the total number of doctors registered at 1 January 2004, from a selection of developing countries. (Australia is also shown for comparison).

Table 2. New registrations of nurses in the UK, numbers of doctors on the UK register, and selected health indicators, for selected African and other countries.[48]

Country	*Nurses: No. joining register 2003/4*	*Doctors: No. joining register 2003/4*	*Life expectancy at birth 2002*	*Total health expenditure/head ($) 2002*
Sub-Saharan Africa				
South Africa	1,689	6,206	50.7	222
Nigeria	511	1,661	48.6	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	68.8	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	2,646	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

Table 2 shows that over one third of doctors registered in the UK were trained overseas.[49] A similar pattern is present in the USA, 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.[50] 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) (IOM 2005: 39).[51]

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, taxi 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 per cent between 2010 and 2030. The reluctance of rich economy inhabitants to undertake jobs that are difficult, dirty or dangerous – and sometimes all three – 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. Yet there is no evidence that this 'gain' leads to an increase in development within the present growth-oriented system. To the contrary, 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 per cent of developing countries' low-skilled working-age residents since about 1990),[52] but the level of migration is subject to large variations between sending and receiving countries. Among other factors, distance travelled remains an important aspect of migration decisions.[53] This is particularly the case 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 be exceptionally high.

A typical example of such a migrant relationship is that between the USA and Mexico. Mexican immigration to the USA has risen steadily since the early 1970s and has increased rapidly since the late 1990s. 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 USA, with most employed in unskilled occupations. A large share of Mexican immigrants have not completed high school; working-age Mexican immigrants are more than six times as likely as US citizens to lack a high school education. Mexico is increasingly reliant on the high level of money that migrants send home. According to Banco de México estimates, remittance payments between the two countries increased from around US$13 billion in 2003 to more than US$16 billion in 2004. This is equivalent to 2.3 per cent of the country's gross national income (GNI) of US$703 billion, and to 7.9 per cent of its exports of goods and services in 2004.[54]

At the same time wages in Mexico, which plummeted during the latter half of the 1990s (in part due to the disastrous currency crisis of 1993/94), have not risen in the lower paid sectors, and have barely moved overall.[55] In 2003, equivalent manufacturing workers in Mexico had a wage gap of 84 per cent PPP with the USA; that is, they were earning only 16 per cent (approximately one sixth) of the wage needed to bring them into line with their US counterparts in terms of purchasing power.[56] Nor does migration appear to be improving the educational levels of migrant families. A recent study has found that young people between the ages of 16 and 18 in migrant households have lower levels of schooling than those in non-migrant households.[57] This pattern no doubt reflects the availability of low-skilled employment in the USA. Meanwhile unemployment in Mexico, which had fallen from a calamitous high after the Peso crisis, to around 2 per cent in 2001, rose again to around four per cent by 2005.[58]

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. Remittances create dependency and act as a disincentive to the mobilisation of domestic resources. An availability of low-skilled jobs paying higher wages than those offered 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 USA from Mexico – despite various initiatives to combat the flow, including the US–Mexico Border Partnership Agreement signed in 2002 – highlights the difficulty of preventing unauthorised entry where the economic driving force is sufficiently strong; in other words, where inequality is rampant. Illegal immigration is beset with problems; illegal entrants feel they have no access to human rights protection, including the right to claim the receiving country's legal minimum wage, and this inevitably leaves them open to economic and social exploitation. '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. This has rightly been described as modern-day slavery.

Conclusions and policy recommendations

One of the great benefits of modern technology is its capacity to facilitate the movement of people, 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 well-being and mutual understanding, and diminishing conflict between nations. 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. The latter includes adequate remuneration, safe and healthy working conditions, equal opportunities to promotion, rest, leisure and reasonable limits on working hours.[59]

Aspirations and realities

Within the present economic system, however, this happy outcome is simply unattainable. Instead we find ourselves in a world where rising inequality is increasingly distorting the supply and demand equilibrium of the global labour market. Rich countries both need, and fear losing control of, the ever-rising tide of poor country economic migrants. This situation is not furthering true progress in the developing world. There is no evidence that the present heavily regulated level of labour migration fosters development, self-reliance or long-term prosperity in the countries the migrants come from.

To the contrary, current migrant flows essentially disempower migrant-sending poor countries, which lose many of their most skilled and enterprising citizens to the industrialised nations. Even where the short-term transfer of resources is positive (as with migrant remittances) remittance-receiving families and communities that come to rely on this form of support are left vulnerable to economic disruptions in the countries from where the remittances are sent. Only where remittances are spent on development projects that do not depend on further remittances for their success (either directly, or indirectly through local multiplier effects[60]), can their effect be considered sustainable in the long-term. 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. This reinforces 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 commodities for export. It also further demoralises many developing country governments that have tried and failed to control the 'brain drain', and that lack control over the way remittance payments are spent.

Migratory trends need to be looked at within the wider global economic context if policies that can contribute to human development are to be formulated. The liberalisation of international finance and trade has not been accompanied by a similar liberalisation of the labour market. So while capital, goods and services can move more or less freely around the world, labour cannot. As a result, the wages for similarly qualified people in industrialised and developing countries currently differ by a factor of 10 or more, as against a ratio for financial assets and commodities that seldom exceeds 1:2.[61] In these circumstances, the potential increase in growth resulting from the free movement of labour would be substantial: Rodrik estimates that the gains would be 25 times those arising from the liberalisation of the movement of goods and capital.[62] However, free labour mobility alone would result in a surge of migration, placing an unacceptable strain on rich countries and further depleting human resources in the developing world. At worst, it might leave large areas of the globe virtually unpopulated.

In order to avoid this outcome, a broad reform of global economic policies, designed to correct the current skewed distribution of the world's resources and equalise global wages, would have to be in place before any significant liberalisation of the labour market could be carried out. 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.[63]

At the moment this solution is not acceptable to developed country governments. As they require a rising level of migrant labour to maintain their economic hegemony, they prefer to retain the power to regulate the labour market in their own interests. 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, suits the rich countries' 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.

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 (2005) page 20**

The issue of migrant labour can be approached in two ways. The first involves immediate action within the current economic paradigm and the state of rising global income inequality that it inevitably entails. This requires making a number of changes in national and international migration laws to improve the situation of migrants and the developing countries from which they come. Suggestions made in the recent literature include:

- reducing the transaction costs associated with remittances;[64]
- 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[65], 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 encouraging 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; and
- taking more effective measures to prevent the trafficking of people.

Such policies are undoubtedly necessary and urgently required. Even if all these objectives were successfully pursued, however, the fundamental problem at the core of the migration issue would remain unaddressed. In order to stabilise migratory flows so that the interchange of people enhances global well-being, the international mobility of labour has to be seen as part of 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. The objective of such policies must be an increase in the incomes of the poor, not the achievement of growth *per se.* Despite the rhetoric about pro-poor growth on the part of 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 US$18,691 billion. Of this, only US$786 billion, or 4.2 per cent, contributed to poverty reduction as defined by the US$2 a day poverty line. Those living on less than US$1 a day (on whom the Millennium Development Goal of halving poverty by 2005 is focused) received even less, US$278 billion or just over 1.5 per cent of the increase. Moreover, growth was more anti-poor for both poverty line indicators in the 1990s than the 1980s. By the 1990s it took US$166 of global economic growth in per capita terms, with all its associated environmental costs, to achieve just US$1 of progress towards the poverty reduction MDG, nearly four times as much as in the 1980s.[66]

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. Forced labour migration and a range of other problems would also decrease. The argument that such policies would be unsustainable is unfounded at the global level and has highly varied validity within individual countries. The level of poverty reduction outlined above 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 reached the average level of inequality currently experienced in EU countries.[67]

The pattern of migratory flows is determined by a complex web of external circumstances. The exploitative nature of present day South–North labour migration is driven by an economic system that prioritises wealth over well-being, 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 is to become a matter of choice rather than necessity, it is essential that these priorities are reversed.

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.

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. New institutions, as outlined below, would help to calm currency market volatility, 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. They include:

- the replacement of the Bretton Woods Institutions (BWIs) by alternative impartial democratised international organisations[68];
- the establishment of an international currency transaction tax (CTT) to curb speculation on the foreign currency markets and reduce volatility;
- the setting up of a global intervention fund, to be used in combination with a system of crawling peg exchange rates, which would intervene automatically in support of currencies under speculative attack to smooth exchange rate adjustments;[69]
- the appropriate use of national capital controls in order to regulate both inflows (as in Chile in the early 1990s) and outflows (as in Malaysia in 1998);[70]
- mechanisms for the international coordination of national taxes to limit tax competition and the imposition of strict regulation and supervision of offshore financial centres (OFCs) in order to control tax avoidance;[71]
- 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;
- 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, such 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) being used 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 (such as the realistic pricing of transport to reflect pollution liabilities) to ensure that all users pay for the long-term cost of resources so that truly sustainable development is encouraged in the future.

Endnotes

1 Global Commission on International Migration (2005) *Migration in an interconnected world: New directions for action*, Report of the GCIM, October 2005.

2 International Organisation for Migration (2005) *World Migration: Costs and Benefits of International Migration* (Geneva: IOM).

3 IOM (2005) op. cit. Note that following the dissolution of the Soviet Union, 15 new states were created and many migrants previously categorised as 'internal' became classified as 'international'. These people are excluded from the figures given here.

4 GCIM (2005) op. cit.

5 Docquier and Marfouk (2004) quoted in World Bank (2005) *Global Economic Prospects 2006: Economic Implications of Remittances and Migration* (Washington DC: World Bank).

6 GMG members are: ILO, IOM, UNCTAD, UNDP, UN-DESA, UNFPA, UNHCHR, UNHCR, UNODC and World Bank. The Group examines how migration cross-cuts with trade, development, health, security, crime and so on.

7 These are officially recorded flows only. World Bank (2005), page 85, estimates that unrecorded flows may be much higher, possibly adding as much as 50 per cent to the official figure.

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

9 Ellerman D (2005) 'Labour migration: a developmental path or a low-level trap?', *Development in Practice* 15.5, page 627.

10 GCIM (2005) op. cit. page 4.

11 Ibid. page 181.

12 This paper does not deal with the separate issue of refugees and asylum seekers. For example, individuals under political threat, 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.

13 Carballo M and Mboup M (2005) *International Migration and Health,* a paper prepared for the Policy Analysis and Research Programme of the Global Commission on International Migration, September.

14 Cantor-Graae E and Selton J-P (2005) 'Schizophrenia and Migration: a meta-Analysis and Review', *American J Psychiatry* 162:12–24.

15 Bhui K and Bhugra D (2002) 'Mental Illness in Black and Asian ethnic minorities: pathways to care and outcomes', *Psychiatric Treatment* 8: 26–33.

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

17 Carballo and Mboup (2005) op. cit., page 13.

18 IOM (2005) op. cit., page 186. Following this pronouncement, the rest of the 450 page report remains silent on the issue.

19 Ibid.

20 Ibid. page 380.

21 World Bank (2004) World Development Indicators.

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

23 Since colonial days, the industrialised world has created dependency through a mixture of policies including inappropriate pressure to increase commodity exports (leading to global overproduction and price volatility); coerced liberalisation (resulting in excessive reliance on foreign capital and the privatisation and foreign ownership of public services); aggressive lending (creating debt dependency); and the undermining of self-sufficiency and government authority inherent in the assumed power of rich countries and their institutions to dictate developing world policy.

24 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 now the case. See Woodward and Simms (2006) op. cit. for more details. A fundamental reform of the global financial architecture would be necessary for this change to be implemented. Annex 1 has a brief list of some of the changes needed.

25 International Labour Organisation (2005) *Key Indicators of the Labour Market (KILM)* 4th Edition (Geneva: ILO).

26 Purchasing power parity (PPP) measures the relative purchasing power of different countries' currencies over the same types of goods and services. This gives a clearer picture of the varying standards of living across countries.

27 Simon J (1995) *Immigration: the Demographic and Economic Facts*, the Cato Institute and the National Immigration Forum. http://www.cato.org/pubs/policy_report/pr-imnative.html

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

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

30 IOM (2005) op. cit.

31 Ibid. page 383.

32 GCIM (2005) op. cit. page 11.

33 This phrase is taken from de Haas H (2005) 'International Migration, Remittances and Development: myths and facts', *Third World Quarterly* 26.8, page 1277. 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."

34 Faini R (2002) *Migration, remittances and Growth,* Paper presented at the Conference on Poverty, International Migration and Asylum, Helsinki, 27-28 September.

35 World Bank News Release No. 2005/201, 16 November 2005. Comparison with the figure in the next bullet suggests that remittances from high-income developing countries such as Saudi Arabia (which alone accounted for US$13.6bn of outward remittances in 2004) account for at least half of this.

36 World Bank (2005) op. cit.

37 IOM (2005), page 192, states: "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 (2005) states that the developing countries receiving the most recorded remittances are India ($21.7 billion), China ($21.3 billion), Mexico ($18.1 billion), and the Philippines ($11.6 billion).

38 The words of Manolo Abella, head of the ILO's Migration Programme, and quoted in Ellerman (2005) op. cit., 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 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?"

39 Schiff M and Ozden C eds. (2005) *International Migration, Remittances and the Brain Drain,* World Bank International Migration and Development Programme, October.

40 Docquier and Marfouk (2004) quoted in the World Bank (2005) op. cit.

41 See, for example, Mejia A and Pizurki H (1976) *'World Migration of Health Manpower',* WHO Chronicle 30:455–460.

42 See Schiff and Ozden (2005) op. cit. chapter 6.

43 IOM (2005) op. cit. page 173.

44 For a comprehensive overview of this problem see Woodward D (2003) Trading Health for Profit: the Implications of the GATS and Trade in Health Services for Health in Developing Countries, UK Partnership for Global Health, March 2003. http://www.ukglobalhealth.org/content/Text/GATS_Woodward.pdf

45 Mensah K Mackintosh M and Henry L (2005) *The 'Skills Drain' of Health Professionals from the Developing World: a Framework for Policy Formulation*, Medact, and Bueno de Mesquita J and Gordon M (2005) 'The International Migration of Health Workers: a human rights analysis', Medact.

46 The principle of non-discrimination between World Trade Organisation (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 Woodward (2003) op. cit.

47 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 Woodward (2003) op. cit., page 23.

48 This table is reproduced from Mensah, Mackintosh and Henry (2005) op. cit., page 8.

49 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 I, Goldar B, and Mitra A (1998) 'The Case of India', in UNCTAD/WHO, *International Trade in Health Services: a Development Perspective* (Geneva: UN/WHO).

50 World Bank (2005) op. cit. page 69.

51 IOM (2005) op. cit. page 39.

52 World Bank (2005) op. cit., page 64.

53 Schiff and Ozden (2005) op. cit. 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.

54 World Bank *World Development Indicators*.

55 ILO's KILM 3rd Edition Occupational Wage and Earning Indices.

56 Jus Semper Global Alliance (2006) International Comparisons of Hourly Compensation Costs for Production Workers in Manufacturing in G7 and Selected Developing Countries, http://www.jussemper.org/TLWNSI/tlwnsi.html, Table 1. US manufacturing workers were earning US$21.97 an hour, while equivalent Mexican workers were earning only US$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 US$15.24 per hour to enjoy equal purchasing power compensation.

57 McKenzie D (2005) 'Beyond Remittances: the effects of migration on Mexican households', in World Bank International Migration and Development Programme, International Migration, Remittances and the Brain Drain, October.

58 Latin Focus Economic Forecasts 2006.

59 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).

60 Multiplier effects arise when money is spent locally, increasing incomes, which are then also spent, and so on, magnifying the effect of the initial spending.

61 Rodrik D (2001) Comments at the Conference on *'Immigration Policy and the Welfare State',* Trieste.

62 Rodrik D (2002) *Feasible Globalizations,* Kennedy School of Government Working Paper Series RWP02029, July.

63 IOM (2005) op. cit. page 186.

64 World Bank (2005) op. cit., chapter 6, 'Reducing Remittance Fees' cites a number of ways in which this could be achieved.

65 Kapoor M and Kapoor S (2005) *Financing development towards the MDGs: What needs to be done?,* Heinrich Böll Foundation, North America, July.

66 Woodward and Simms (2006) op. cit.

67 Ibid.

68 Woodward D (2005) The IMF and World Bank in the 21st Century: the Need for Change, written submission to the European Parliament, **nef**. http://www.jubileeresearch.org/analysis/articles/imf201005.htm

69 Woodward D (1999) Time to Change the Prescription: a Policy Response to the Asian Financial Crisis, Special Briefing paper (London: Catholic Institute for International Relations).

70 The need for capital controls is well documented. For instance UNCTAD's (1998) *Trade and Development Report* showed that developing countries needed capital controls, which are a proven technique for dealing with volatile capital flows, to protect themselves against international financial instability.

71 The recent work of the Tax Justice Network is at the forefront of this reform. See Christensen J and Murphy R (2004) 'The Social Irresponsibility of Corporate Tax Avoidance: Taking CSR to the bottom line', *Development* 47.3: 37–44.

One of the other things we do

environment
lifestyles must
become sustainable

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