

Enhancing the Development
Impact of Migration:
*Issues and Policy Options at a
Time of Crisis*

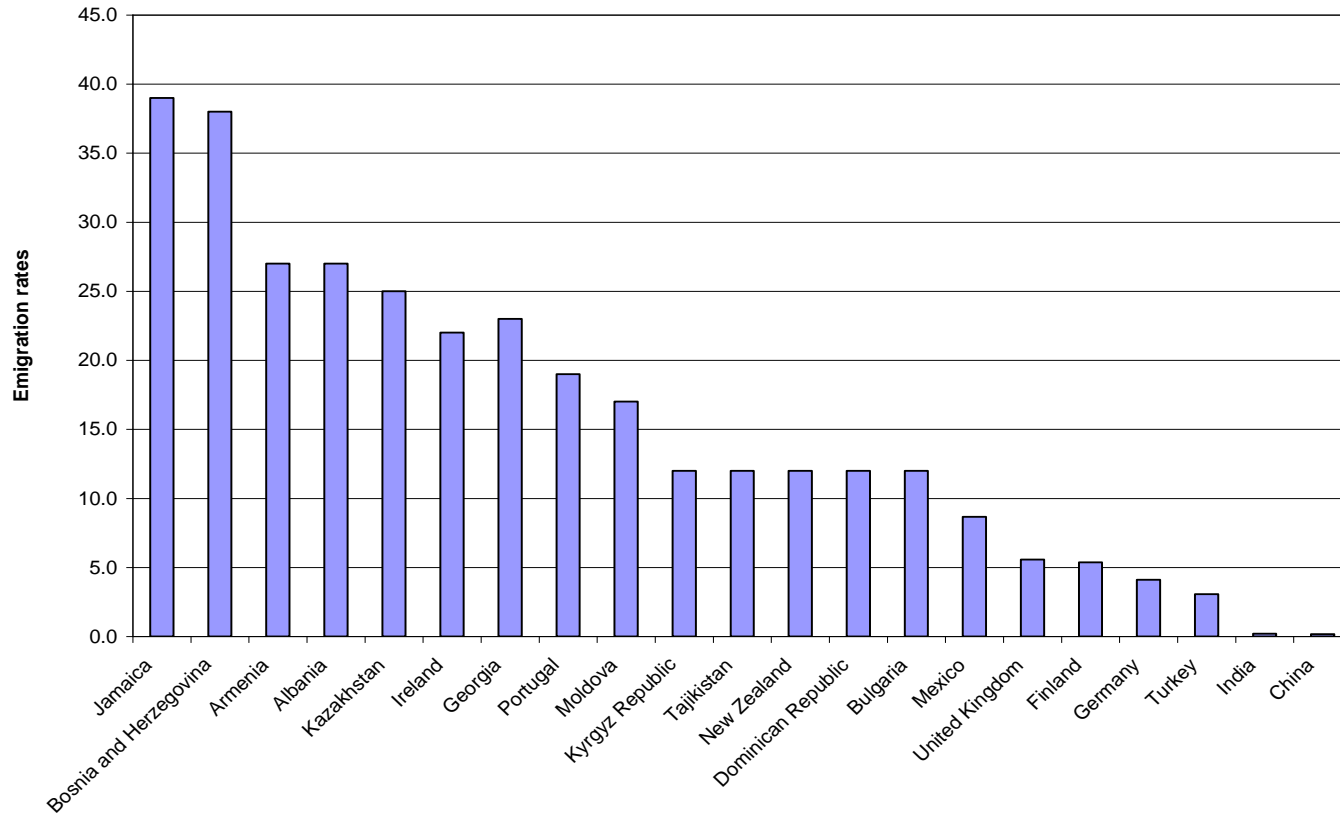
Mr. Luca Barbone
World Bank

17th OSCE Economic and Environmental Forum
Tirana, March 16-17, 2009

The Development Impact of Migration and the Current Crisis

- A quick snapshot of migration in ECA
- How and through which channels is migration important for development?
- How is the current crisis likely to affect migrants and countries?
- What can be done in the short run, without losing track of the medium term?

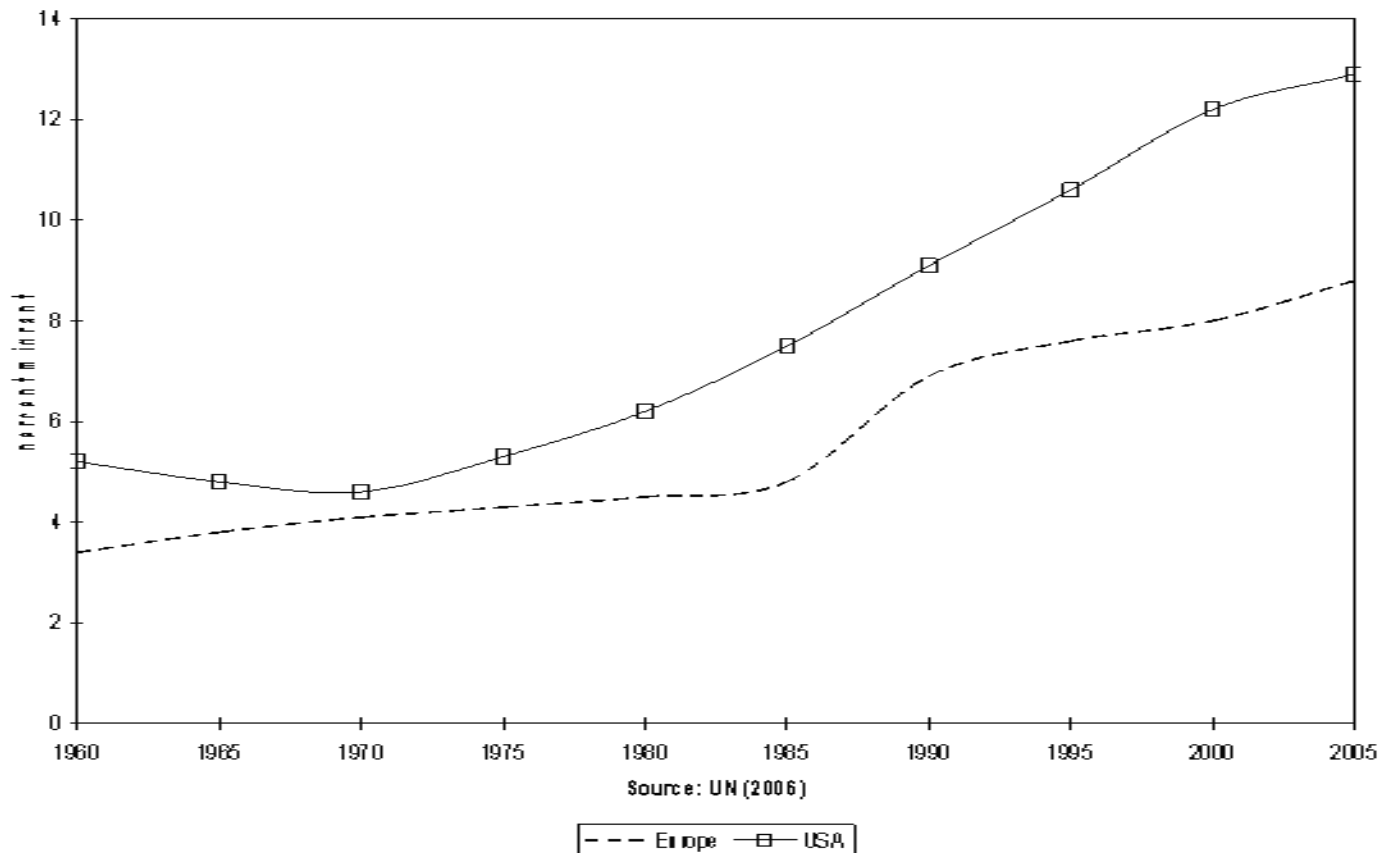
Out-migration represents a significant portion of the population of many countries. . .



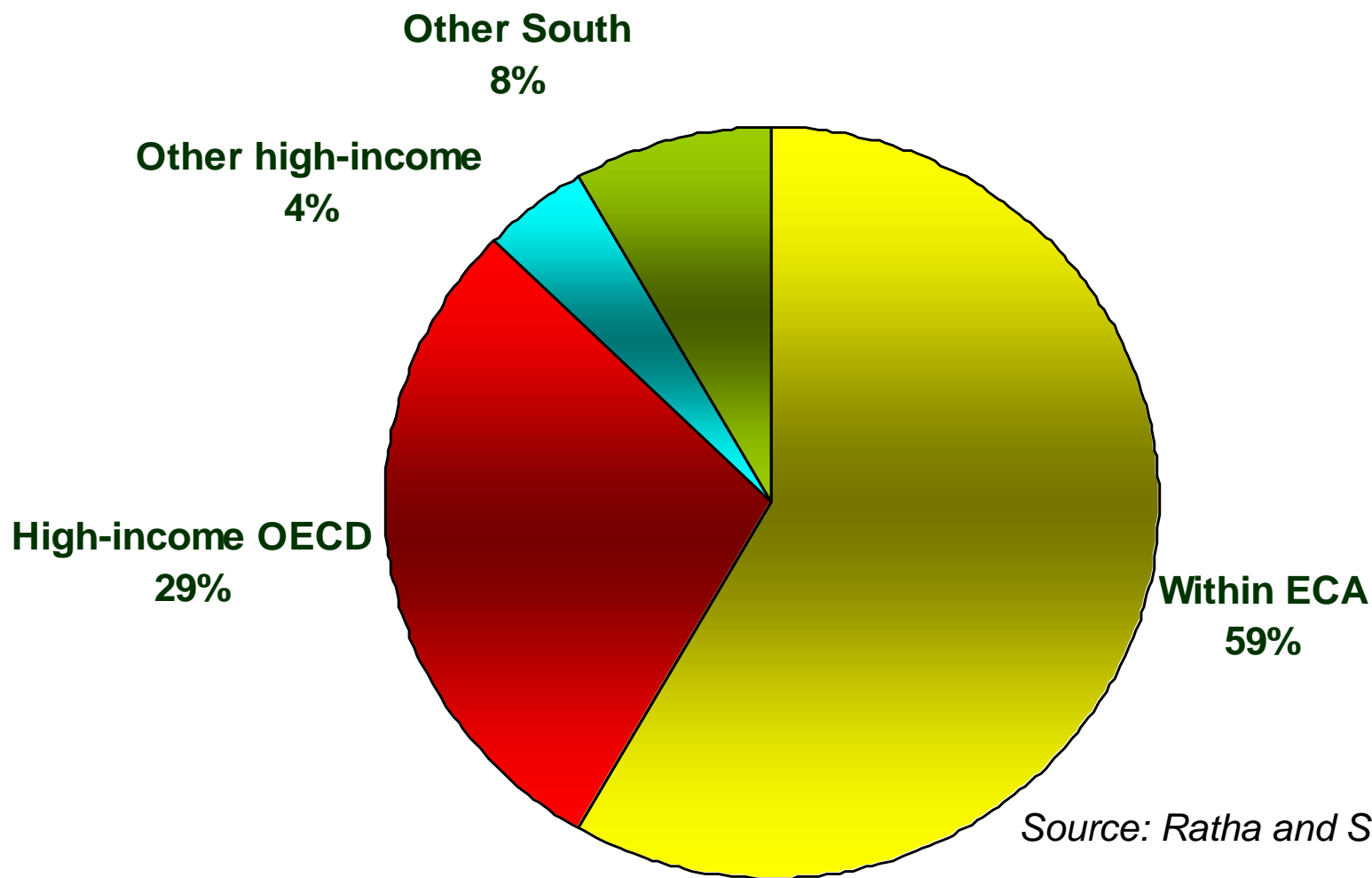
Source: World Bank (2008) and OECD (2008)

Percentage migrants in population – U.S. and Europe attract a large portion of migrants . . .

Figure 2: Percent migrant in population - US and Europe



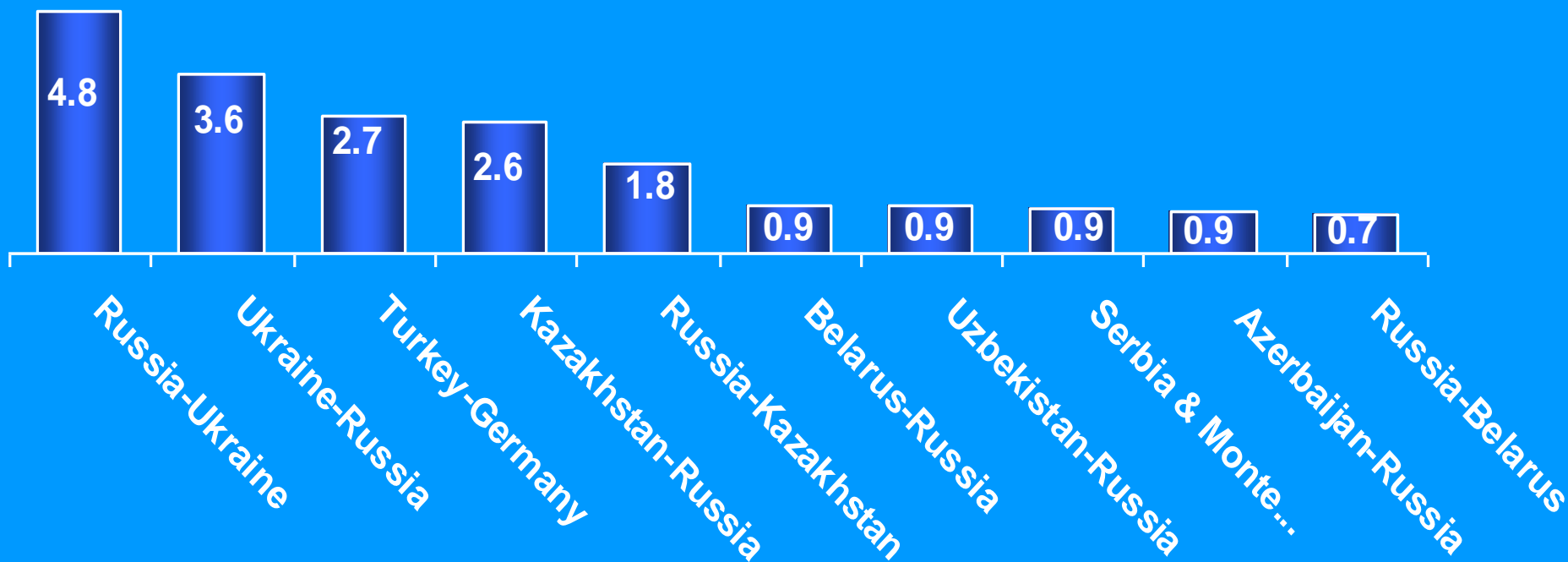
Destination of migrants from ECA



Stock of emigrants: 47.6 million or 10% of population

Europe and Central Asia top migration corridors

Millions

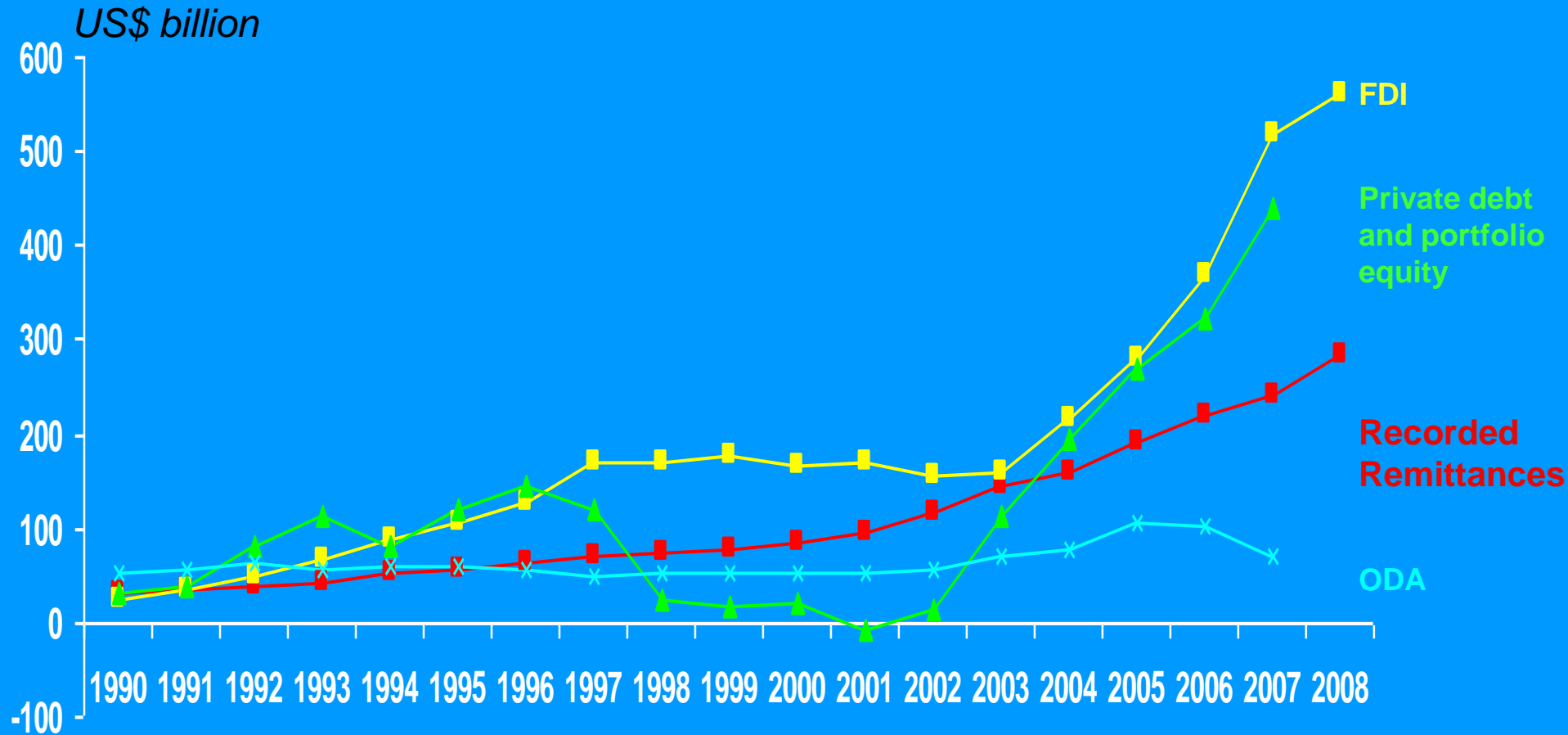


Source: Ratha and Shaw (2007)

Development Channels of Migration: In Normal Times (sending countries)

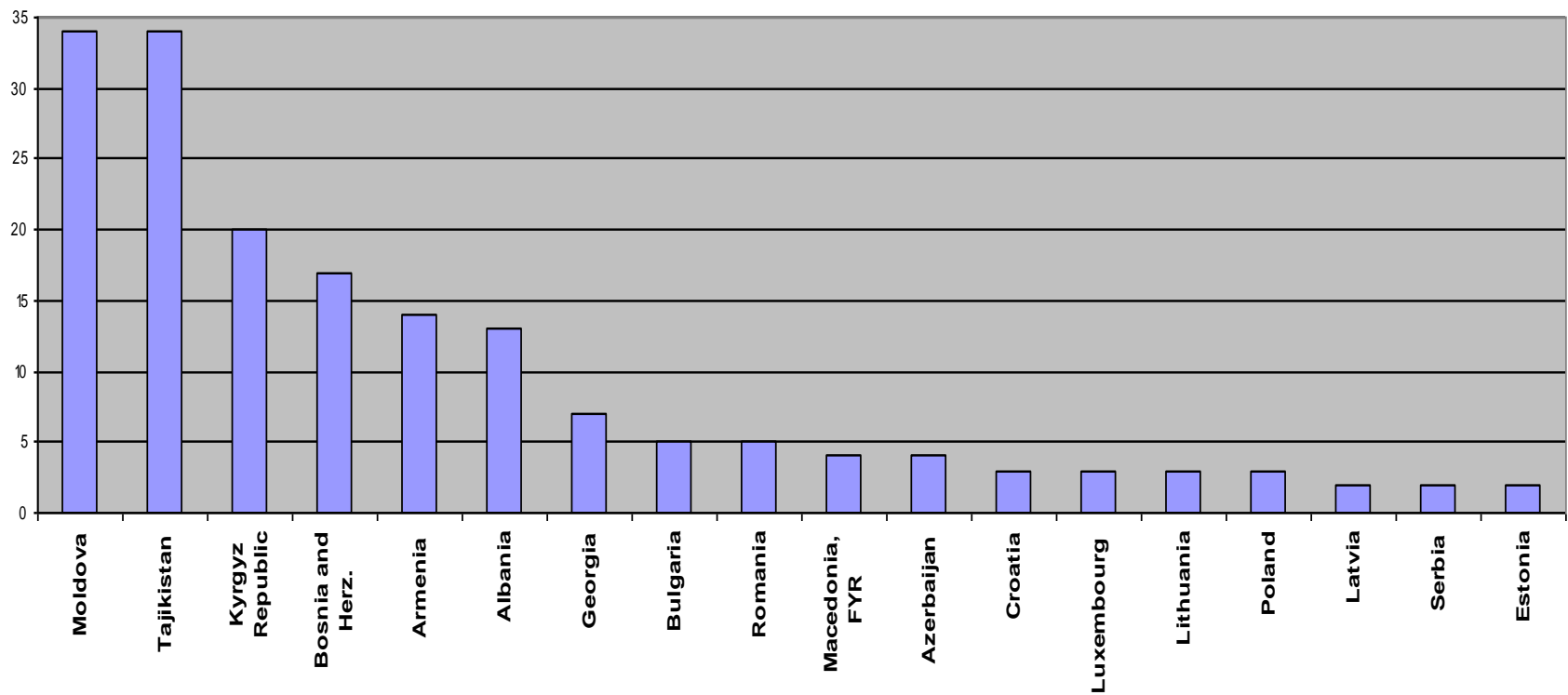
- Economic growth through increased foreign exchange
- Income gains to migrants and reduction in household poverty
- Investment in human capital (better education and health for those left behind)

Remittances to developing countries are large, have continued to increase



Migrant remittances represent a large portion of GDP in several ECA countries

Remittances Received (% GDP) in ECA, 2007



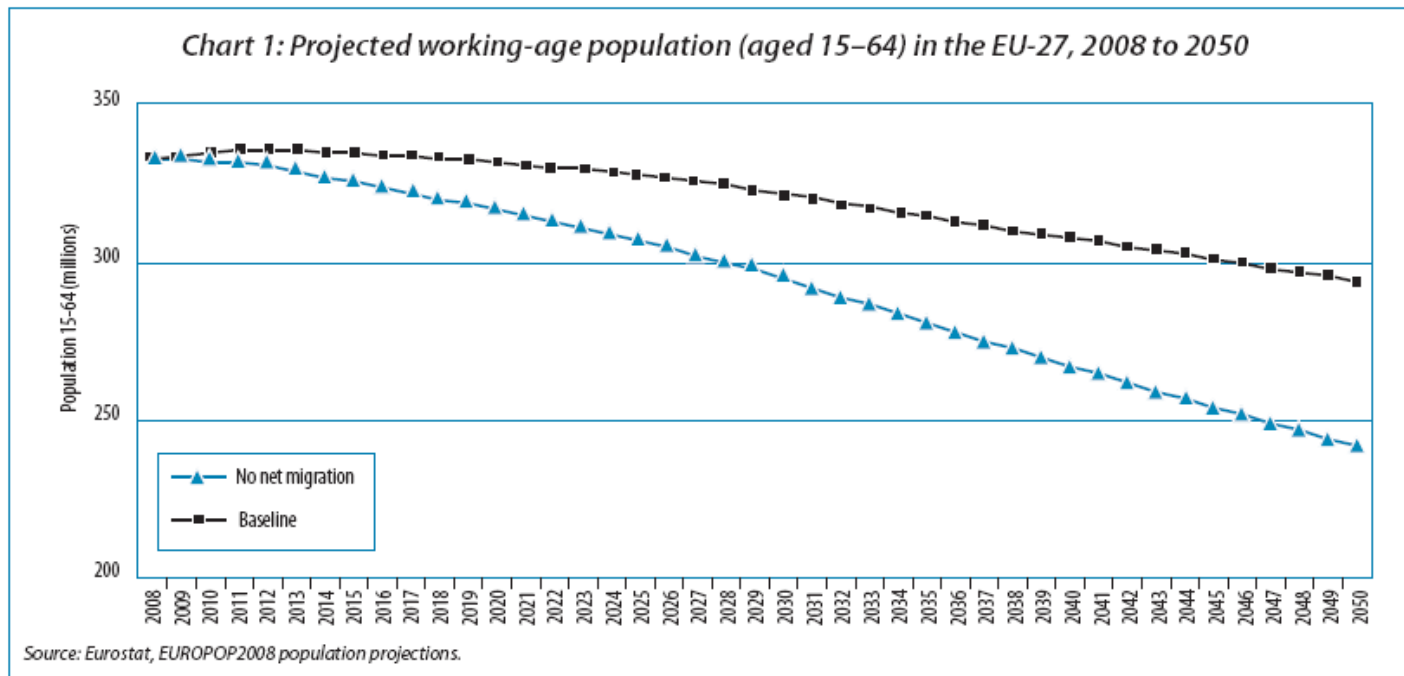
Note: Remittances comprised of workers' remittances and compensation of employees.

Source: IMF Balance of Payments Statistics.

Economic Benefits of Migration Extend to receiving countries

- Improved economic efficiency and growth
- Increased labor supply (as populations in developing countries decline)
- Job-creation through migrant entrepreneurship

Working-age populations in developed countries decline . . .



Key Costs Related to Migration – In Normal Times

- Macroeconomic costs: potential for Dutch disease
- Relocation and other costs to individuals
- Social exclusion and effects on the family
- Deterioration of key social services

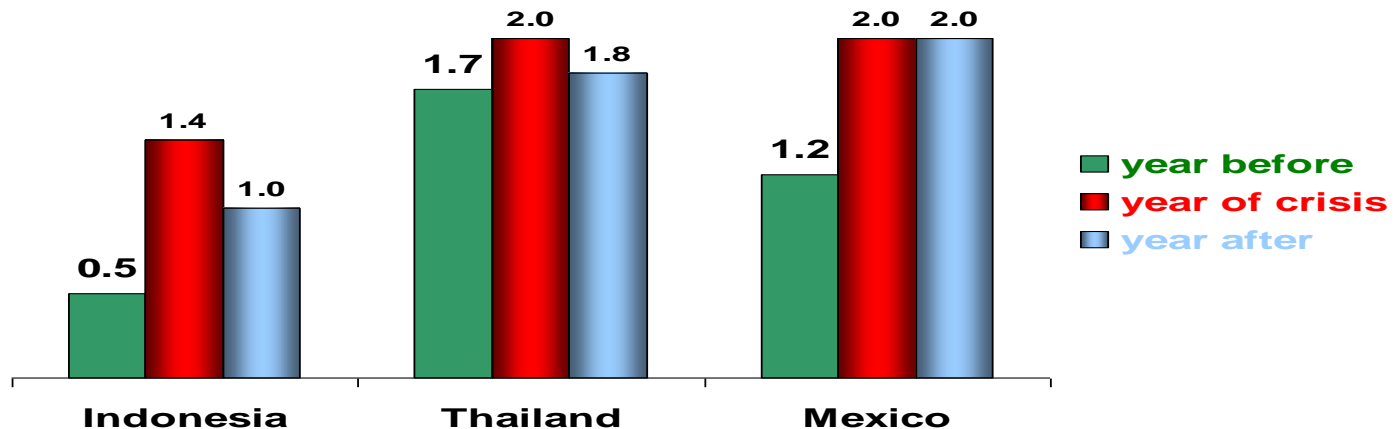
The New Environment: The Financial Crisis

- Events of past six months have dramatically altered the terms of the debate
- Old relationships between remittances and crisis appear at risk
- A coordinated approach at reducing the costs of the crisis is necessary

Migration and Remittances during Historical Crises

- Remittances tend to rise following crisis, natural disaster, or conflict

Remittances as % of private consumption



The current global financial crisis and migration: what is different

- First time in decades that decline is global and simultaneous.
- Unprecedented recession in industries with highest concentration of migrant workers (particularly construction)
- Strong push to return (migrants fired first)
- Loss of purchasing power of currencies v-a-v the US\$
- Early data point to a dramatic reduction of remittance in real terms

Migration and current financial crisis

- Estimated remittance flows (early 2009) are projected to decline substantially, especially in ECA;
 - Flows to Russia, expected to decline by 17%
 - Flows to Tajikistan – expected to decline by 32%

How to Respond in the Short Term?

- **Protecting the most vulnerable:**
 - Focus on social protection, at home and abroad (scope of Stimulus Packages)
 - Prevent migrant-specific discrimination in host countries, provide resources if re-entry is necessary (Spain)
 - Use cooperative arrangements to prepare for re-insertion of returning immigrants (IOM, IFIs, bi-lateral and multilateral institutions)

Looking Beyond the Crisis: Migration will Return to the Agenda

- Increasing globalization → greater awareness of gaps in living conditions → clearer incentives for migration;
- Improved access to transportation and communications → facilitates mobility of individuals
- Enhanced information flows → reduce uncertainty over migration prospects;
- With a large share of population under 30, developing country workers are more responsive to migration incentives;
- Consolidation of diasporas in higher income countries → facilitates information and social networks required to migrate.

Long run: Possible migration strategies

- Focus on the role of the sending country as an exporter of people, by:
 - Specializing in the exporting labor and remaining competitive in the market for migrant work
 - Financing its external accounts through remittances
 - Training workers to match demand from abroad

- OR -

- Focus on making the sending country more attractive to its citizens, by
 - Implementing policy and institutional reforms to make the economy more competitive.
 - Improving the domestic business environment
 - Strengthening basic and higher skills training

Conclusions

- Seriousness of present crisis calls for joint action to prevent even greater fall-outs
- Also calls for agreements between hosting and sending countries to ensure the fair treatment of migrants
- Safeguard the present, think about the future