

# **Migration without Borders. The economic perspective**

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## **Introduction**

The development of modern industrial capitalism always involved large scale migration at various times. Where the population was historically settled – especially in the great river basins of Asia – was not where the modern economy, including its agricultural dependencies, developed. At least 10 million slave workers were moved from Africa to the Americas between the seventeenth and nineteenth centuries<sup>1</sup>, and when that transfer was ended, indentured labour systems moved Indians and Chinese to Africa, to Malaya, Ceylon, Australia, North America and the Caribbean. Much of this movement was developed to initiate and expand the supply of the raw materials, mining and plantation output (or to build the means to transport this output) required to feed the voracious appetites of the new industrial machines of the developed countries. In the same way, workers were moved within colonial territories for the same purpose – from central to south Africa for the mines, from eastern India to the tea estates of the north-east, the coal and iron mines of Bihar and Orissa – as within North America they moved relentlessly westwards to open the prairies to cattle and grain.

Meanwhile, masses of Europeans were freely moving to the Americas, to Australia, South Africa, Rhodesia and Kenya. And late nineteenth European expansion could not be sustained without people moving from the periphery – Poland, Italy, Spain, Ireland – to the heartlands, Germany, France, Belgium and Britain.

It was not a smooth process. The fluctuations in the demand for workers followed the surges of growth and contraction in the new world economy. But if any one had suggested in, say, 1910, that migration was an unusual phenomenon, they would have been regarded by any knowledgeable person with astonishment.

What interrupted the process of long term growth which required insistently that a margin of the world's labour force move was the Great Depression, the years of stagnation between the two World Wars, and the bitter wars fought between the Great Powers, disciplining each national population to a loyalty that could only embed an institutionalised and popular xenophobia. There were still movements in the rest of

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<sup>1</sup> There have been debates surrounding the exact figures. The number of slave workers is often estimated to have been somewhere between 10 and 15 million, although other sources speak of 25 million.

the world, local booms, but the overall picture in the heartlands of the system was stagnation. The Mexican flow to the north dried up as unemployment rose – labour demand accomplished far more effectively what xenophobic legislation by Congress to ban immigration was supposed to do.

However, after the second World War, growth resumed on an unprecedented scale and with an unprecedented geographical spread. Large scale worker movements became inevitable. Part of this continued the former process of opening up sources of raw materials, as with the expansion of oil centres from the 1970s in migration to the Gulf and Iran, to Libya, Nigeria and Venezuela, as well as the continued migration to South Africa and to Malaya/Malaysia with its rubber and palm oil estates. But there was also another movement with a much wider recruitment area to the old industrial centres of the world in Europe and North America, allowing the native-born to upgrade out of, for example, agricultural labour, construction, transport, and then manufacturing. Later, with the onset of the first major post-war recession (1973/5), when governments in Europe endeavoured to close this supply, rapid industrialisation in the 1980s and 1990s in a number of Asian developing countries stimulated new supporting movements – of Javanese to Malaysia, of Burmese to Thailand and Thais to Singapore and Taiwan (and, for other reasons, to Israel), of Korean Chinese to South Korea, of Filipinos to Taiwan and elsewhere. Japan which, during the days of its most rapid post-war growth could rely on substantial reserves of native-born workers in agriculture, as the economy restructured towards services, attracted increasing flows of low skilled Chinese (and many others) as well as highly skilled Taiwanese and others – at the same time as Japanese companies spread their manufacturing plants through south east Asia in part in order to export to the Japanese market. South Koreans were doing something similar – importing workers and exporting manufacturing plants. So ingenious are the labour brokers handling this business, like termites boring channels through migration control barriers, and so unpredictable are the patterns of growth, the observer is always out-of-date.

However, demography's picture of migration – even if the data were reliable, which it cannot be – conceals the immense and all-important changes in the composition of flows by skill, age, gender etc. The Middle East is interesting here because in a quite limited time span we can see the shift from the immigration of relatively low-skilled (but literate) males in construction, agriculture and basic industry to higher level skills (with families) in processing industries, management (including government) and maintenance, and to service workers, particularly maids (so the labour flow is feminised). It seems clear that the specific nature of labour demand, as managed by labour brokers and facilitated or obstructed by governments, determines who is selected to migrate; it is not at all a blind process. It follows that the scale and composition of migration will continue to change as the world economy continues to restructure (since innovation is now built into the very core of the system) and the location of its key points of activity changes.

As one would expect in a world economy characterised by local specialisation, the emergence of a world labour market is encouraging some countries to specialise in providing the world economy with particular types of worker (as well as particular types of goods and services). The Philippines is an advanced example, supplying the world with maids (facilitated by the competence of Filipinas in English), nurses and merchant navy personnel. Perhaps India and a number of other countries are coming

to specialise in the supply of medical doctors, engineers and information technologists. Of course, this is not new – 150 years ago, many of the engineers working the steamships and ports round the world were Scotsmen (as US laundries were run by Chinese, ice cream making and selling, by Italians etc.).

However, the present resumption of migration flows to the developed countries is not simply a recurrence of past surges in the redistribution of the world's workforce (and in any case, relative to the world's population, the margin redistributed is still very small – under 3 per cent or 150-200 million). Today, the surface of the world has been cut up into national territories, each part fenced to include some and exclude others, all in the name of the defence or affirmation of sovereignty and its psychic reflection, national identity. Thus, migration – of foreigners – becomes a major *political* issue: it affects the pretensions of sovereignty and national identity. Yet it does so when we are already well set on the process of globalisation - the opening of national economies to flows of trade, capital and people, and the results of this in the restructuring of national economies to accord with new global patterns of economic specialisation. In migration, we are in the midst of a process of transition from closed or semi-closed labour markets to a world labour market, with continual contradictions between the changing nature of domestic labour demand (itself reshaped by new specialisations) and a world supply of workers, facilitated by the growth of a literate labour force in developing countries, a radical decline in transport costs and no less radical reforms in developing countries releasing large numbers of workers for domestic migration (Martin *et al.* 2000: 149-152). China offers a vivid illustration of this.

In the old order of national economies, the political boundary was assumed to coincide with the economic, and the economy was, as we have noted, relatively self-sufficient – neither imports, foreign capital nor immigrants were, supposedly, of decisive importance. However, in the newly emerging order, national output is the product of world interactions and no government can aspire to self-sufficiency in either the production of goods and services or capital; rather each government is concerned with managing flows that start and end beyond its authority and often its knowledge. Such a system requires growing mobility – of business people, students, tourists, consultants – within which it is almost impossible to identify those who wish – or might come to wish - to work without permission. In the field of labour, the instincts of the old national manpower planning and self-sufficiency in local supply collide with the imperative for economic growth.

Immigration policy has historically dealt with actual or potential settlers, rather than transient workers. In important senses, it forced transients into exile from their home country if they wish to protect their access to work. Today, insofar as policy deals with migrant workers (and for many countries, family reunification still provides the bulk of immigration although this is changing), it is a form of manpower planning – estimating future demand by skill level and setting quotas, numbers of workers to be admitted in a given period for a set time. Such a policy approach has all the negative aspects of central planning. The unexpected fluctuations of a dynamic economy cannot be accommodated (as was shown so painfully in the mis-estimation of required information technology specialists just before the collapse of the 'dot.com' boom), the delays and costs of bureaucratic processing are notorious etc.

The demand to rely on a self-sufficient national economy is constantly being revived, most recently for an educational and training policy which will make unnecessary skilled immigration. It is a significant aspect of this argument that it poses the options as alternatives – either educate the native-born or encourage immigration – instead of the two being complementary. To make such an approach effective, Californian software companies were required to pay a significant fee to employ an immigrant worker, the proceeds, it was said, to be used to finance US-born students to train in the same fields. In fact, as the employers noted, there was no evidence that labour shortages here were the result of the lack of funds to finance US-born students; their preferences for particular disciplines was not to be determined by available finance. Thus, the fee was better regarded as an economically unjustified tax on employing foreigners. In fact, the preparation for large scale immigration of highly skilled workers in the US proved quite unnecessary – the collapse of the dot.com boom showed that had American students been successfully induced to study software programming, there would now be a much higher rate of unemployment. Two lessons seem appropriate here. Employers should be allowed to recruit directly, bearing the costs and risks of their activity. Second, education and training policies cannot be governed by short term fluctuations in the employment market without grave errors of policy. The reason for doing so is simply the desire not to use the world labour supply to ease the flexibility of the domestic labour market which, in current circumstances, must lead to negative effects on domestic employment.

Manpower planning requires a closed or semi-closed economy. In an open economy, compensatory movements across borders are constantly nullifying domestic policy changes or leading to perverse outcomes. Thus, the attempt to make planning a margin of the labour force effective requires the control of irregular movement. On the one hand, this should entail considerably greater internal police controls to check those who work while on a visa that does not allow this or has expired (in fact, it seems, governments are unwilling to risk popular hostility to enforce this). On the other, borders become militarised, brutalised and criminalized, and the asylum system is effectively wrecked in pursuit of ‘economic migrants’. In Europe and North America, we are within sight of restoring the border fortifications – backed by State terrorism - that divided East and West Germany in the Cold War, now between Poland and the Ukraine, Hungary and the Ukraine, Spain and Morocco (and, on occasions, between France and Britain), between Mexico and the US. The fortified borders represent a permanent war against the compensatory imperatives of the labour market and its attempt to meet the demand for low skilled workers - with the same discouraging results as the US war on the narcotics that Americans so insistently demand to consume.

Temporary migration – already a major force in irregular movement – might seem to be some remedy here if there were not such a prejudice against it. The negative model is seen as the German guest-worker programme of the 1950s and 60s where large numbers of supposedly temporary workers were invited but proved impossible to remove at the end of their contracts – their human rights prevented expulsion. Yet this is far from what happened. The majority of workers, in fact, did leave Germany (emigration data does not allow us to say how many returned to their homes). Of those that did not, they stayed not simply because of their preferences or the moral constraints of the German authorities, but because of the wish of employers to retain workers (particularly experienced ones) when it was clear no more immigrants were

to be available, and the agreement of the government to this. Thus, immigration controls were themselves crucial in forcing immobility – exile – on guest-workers. Of course, moral constraints exercised a role – and the negative political appearance of enforcing expulsion – but these were of lesser significance than the economic interests of the participants.

In the 1990s, there was a rapid growth in immigration through the family reunification and asylum seeking. In policy terms, however, the crucial factor in the late 1990s, was that the developed countries decided they could not compete in information technology without expanding their skilled workforce – they entered a competition to persuade IT workers to come to them. It was a startling reversal of the policy that had been entrenched in Europe for two and a half decades: a ban on new primary immigration; and a change in the US emphasis on family reunification as the primary criterion for immigration (Canada and Australia, however, had long sought recruits by skill). However, the partial relaxation here only underscored the inequality of the migration regime. As in South Africa's apartheid system, the skilled 'whites' have the right to migrate, while the low-skilled remain, supposedly, tied to the soil of their birth, denied the opportunity to escape poverty.

### **A little theory**

The theory of international trade turns upon the proposition that where there are differences of factor endowment (raw materials, labour, capital, entrepreneurship etc) between countries or localities, disproportionate economic gains will result from exchanging factors. This is well known in trade and is the rationale for the liberalisation of the world trading economy, as well as allowing us to understand the high growth rates in off shore activity, Special Economic Zones, border regions (as with Mexico) etc. Is the same proposition true of migration?

It would seem intuitively that it is and that, accordingly – to turn the proposition round – great losses are incurred by the world by sustaining barriers to labour mobility. A number of studies have endeavoured to put some figures on these losses – or, the other side of the coin – the gains from decontrol. Hamilton and Whalley (1984) in a pioneering study, using 1977 data suggested, on set assumptions, that gains to the gross world product (then US\$7.8 trillion) from lifting migration controls could range from \$4.7 trillion to \$16 trillion. Recent reworking of more up-to-date figures confirms these outcomes (Iregui 2002, Moses and Letnes 2002). UNDP (1992: 57-58) presents a different calculation of more limited changes. Walmsley and Winters (2002) offer a model in which worker migration to employment in services in developed countries equal to 3 per cent of the developed countries' labour force would yield benefits of \$156 billion, shared between developed and developing countries, compared to the estimated \$104 billion generated by a successful outcome to the Doha trade round (and the roughly \$55 billion granted in aid to developing countries by the OECD group).

The direction of change – and its size – is important, even if the precise figures turn upon the assumptions made. But workers are not commodities in a very important sense. They may be abstract "labour" within an economy, but they are also part of society (a citizen) and of a polity (an elector, the embodiment of a national

sovereignty), apart from the detail of being a human being as well! Economics gives us a valuable perspective on some matters from one restricted angle, but it does not tell us how people will behave in general. The migration of foreigners can provoke astonishing fears. It may be demonstrable that the economic dislocation caused by immigration is far smaller than that caused by changes in trade patterns or capital movements, or by domestic changes in the supply of labour (for example, the entry of the post-war “baby boom” generation to work, or the large numbers of women who entered employment in the post-war period), but the fact that migrants are foreigners, speak strangely, are of different physical appearance etc may prompt people to oppose them regardless of any losses to their welfare.

The social issues are well-known and are not the subject of this paper. However, the problems of adjustment to higher levels of mobility need to be acknowledged – in particular, the definition of the rights attached to citizenship (rights of voting, of participation in the exercise of sovereignty etc) and the different degrees of temporariness of temporary workers and the rights attached, as well as the transition between. Issues of accommodation and services raise similar questions. In the past, migrant workers have often been housed by employers – and often in very bad conditions (for example, the hostels for single men in apartheid South Africa) that undermine the standards of housing of the poor in general. In principle, the problems are no different from maintaining minimum standards for the native-born (given, in some cases, different cultural practices), but the *foreignness* of workers can complicate any resolution. In an open housing market, poor immigrants tend to concentrate in areas of deprivation and then, quite unreasonably, become blamed for the deprivation. Again, in principle, the issues are no different for the native born poor, but xenophobia – and the quality of political leadership – can turn such issues into intractable political issues, rather than questions of the quality of housing,

However, xenophobia or not, the emerging problems of labour supply are going to force some confrontation between the different dimensions of perception and discussion. Take Europe as an example.

### **Europe’s labour market: the supply of workers.**

There are a number of self-reinforcing factors of relevance here:

- a) The size of the European labour force over the next half century is set to decline - by 2005, over a third of Europe’s regions will face a declining size of workforce. The process of contraction will be exaggerated as the generation of the post-war “baby boom” enters retirement.
- b) However, within this projection there are other indications that show a more dramatic contraction in the available working time on offer:
  - (i) An increasing proportion of working life (defined as those between the ages of 15 to 60/65) is becoming devoted to education and training – thus simultaneously reducing the

available work time and radically cutting those available for jobs requiring less than university education.

- (ii) An important part of the existing labour force is not engaged in paid or recorded work, but retires early, lives on disability pensions, or in other ways has withdrawn from work. The size of this under-utilised workforce ranges from between 18 and 22 per cent of the labour force in Sweden to 40 per cent in Italy. This is not necessarily unemployment. The mark of an increasingly wealthy society is that people can afford to work less. On the other hand, such workers may be working in the black economy or other statistically unrecorded sectors, may work unpaid in caring for the elderly, for the young, for the disabled etc.
- (iii) A changing mismatch between the output of domestic training systems and the demands of a rapidly restructuring national economy, made worse by the aggravated lags in reshaping training systems.
- (iv) The working life, year, week or day are all tending to contract with growing wealth.

These trends coincide, in some cases, with high levels of unemployment (and especially of long-term unemployment), all the signs of a mismatch between labour demand and supply (or also a lack of complementary low skilled workers). Within the Union, this allows areas of high labour scarcity to coexist with those of high unemployment (or non-employment). Nor do Europeans seem willing in sufficient numbers to move from one to the other. The last figures for the proportion of internal migrants to population was put no higher than 0.2 per cent (1999).

The result of this combination is peculiarly damaging - growing labour deficits with a significant under-utilisation of the existing workforce. Assessing labour shortages is difficult, but we have some estimates for 2000-2003 in the latest Sopemi report (OECD 2002: 124-125). It is interesting to note there that, contrary to government assessments of what shortages they should respond to, it is the shortage of low skilled workers which is most often mentioned. In many of the activities with high vacancy rates, the rising average age of the workforce, promising high rates of retirement in the short term, indicates the failure to recruit adequate numbers of new entrants despite rising relative wage levels.

In the short term, the deficits are already affecting the performance of the European economy and the capacity of the governments to meet current objectives, thus affecting electoral prospects.

In the medium term, the picture is very much worse. Ageing, apart from the other factors cited, will increase the reduction in the size of the working population at the same time as the demand for age-related labour-intensive services increases.

## Government responses

Despite the dangers of a negative political reactions, governments have made some attempts in terms of raising the discussion of increasing the retirement age, reducing the disincentives to work (to encourage housebound women to enter work, to encourage withdrawals to return) and raising the costs of leaving work, increasing training facilities to meet the requirement of mid-level occupations, and increasing productivity. In the Lisbon Agenda, the target is set of raising European participation rates to 70 per cent by the year 2010.

However, the deficits are urgent and immediate, the remedies take a much longer time. Thus, alongside these measures have gone changes to ease the issue of temporary work permits and not just for the highly skilled. The schemes cover seasonal agricultural workers, working holidaymakers, work-experience schemes, contract workers, cross border commuting etc. More important, the principle that migrant workers can once more be employed has been established in practice even if political leaders have yet to set about convincing their electorates<sup>2</sup>.

The changes being introduced will, however, be insufficient to cope with future scarcities, particularly given the intensified competition for some types of workers – for example, for nurses from the Philippines, Bangladesh, the Caribbean etc. British road haulage employers hope that the accession of the East Europeans members to the Union will provide them with an opportunity to recruit drivers there, thus jeopardising the efforts to expand the economies of the new members.

Nor is the search for labour necessarily consistent with other government priorities. The British ‘working holiday makers’ scheme, originally directed at the old British Commonwealth dominions but now expanded, collides with British aid policy’s promise not to recruit scarce middle-level skilled persons from, for example, South Africa. In addition, occupationally specific quotas do not allow for the inclusion of non-specific self-employed activities. Immigrants are over-represented in self-employment (OECD 2002: 65) and have famously saved from extinction retail outlets, corner shops, news-agencies and cafes, in poor city neighbourhoods and in provincial towns, and seem now to be doing the same in rural localities (Greece is reported as a prime example of this last phenomenon). Such workers are not included in the current quotas.

Europe and North America are aspiring to be providers of high skilled services and innovative technology to the rest of the world. However, as noted earlier, even if lower skill tradable sectors are relocated to developing countries, the high skill economy will require a cluster of low skill and non-tradable support services to be effective – from cleaners, retail trades, construction, transport, domestic and caring services etc. The task, even in this extreme case, is to make such services affordable to the mass of the population without requiring levels of taxation that, even if

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<sup>2</sup> As Papadimitriou (2003: 9) writes: “one of the issues unfolding (and fascinating) paradoxes is watching how mainstream political leaders that have sought to accommodate the minority appeal of xenophobic impulses by adopting restrictionist rhetoric and policies will deal with the emerging realisation that immigrants are fast becoming demographically and economically indispensable”.

politically possible, do not stimulate the emigration of both the highly skilled and of business. In practice, the outcome is likely to be less sharp than this since irregular migration will meet the deficits with whatever incidental costs this incurs.

### **Migration and the Poor**

It is a persistent theme in much of the economic literature on migration that employers and the better off (who can afford maids etc.) gain from the immigration of the lower skilled, and “it is the lower paid who are disadvantaged”. However, on reflection, this cannot be so. There are two pertinent observations:

- a) there are a large number of studies on American data that have found either no or an insignificant impact of increased immigration on native wage and employment levels (see for example Greenwood *et al.* 1997). Where there are small negative effects, they tend to affect earlier cohorts of immigrants rather than the historical poor of the US – blacks or Hispanics. This could be that migrants move to labour scarce areas where wages are rising in any case so that their effect is masked in the general movement. On the other hand, there is much evidence that unskilled immigrants do the jobs which the natives, even if unemployed, are unwilling to do; they are not competing; rather low skilled immigrants compete with earlier low skilled immigrants. Immigrants then fill places not because they are cheaper – in general, they seem not to be – but because they are the only workers available (as happens with seasonal migrant workers in some of European agriculture).

On the other hand, few studies track the impact of immigration on raising employment for complementary native workers – how the availability of foreign-born unskilled production workers increases the demand for native-born foreman, supervisors and managers, skilled workers and technical staff, truck drivers etc. Fewer still estimate the multiplier effects of immigrant expenditure – on demand for accommodation, furnishings, foodstuffs, transport etc.

Borjas (1999), along with others, has changed the nature of this discussion by suggesting that the native unskilled take anticipatory action to avoid competition by leaving sectors of the economy or geographical areas where such competition is likely to occur (great play is made of the changing balance between domestic and foreign migration of the low skilled into California in this respect). Thus, local studies of the impact of increased immigration, it is said, much underestimate the effects which can only be assessed at a national level. The argument is ingenious and well argued and may have some validity, but the deficiencies of the empirical evidence do not yet allow a decisive conclusion, and, as a result, the case is, as yet, far from being a consensus among migration specialists (see Anderson 2000, Bhagwati 1999).

(b) however, if we broaden the focus from work to consumption and prices, it seems intuitively the case must be false. For example, immigrant workers in agriculture ensure fewer imports and the survival of small farmers and the rural economy, as well as lower food prices, the primary beneficiary of which is the poor (who spend a larger share of their income on foodstuffs). Immigrant workers in manufacturing, construction, public transport and so on have similar effects. Women are able to undertake paid work outside the home if child-care and cleaning services are available, and often these are only available at affordable prices through immigrant carers. Immigrants, as mentioned earlier, have saved the small corner shop in the poorer areas of big cities and provincial towns in certain regions, and are now doing something similar in some rural areas. And in public health care services, the immigrant labour force is crucial – particularly in the poorer districts of our larger cities. Indeed, “the disadvantaged” may be the *primary* beneficiaries of the immigration of un- and semi-skilled workers, and would suffer most if the supply were curtailed. The better off can afford to manage without the services provided by immigrant labour. Of course, it might be argued that wages should be paid which induce native-born workers to do these jobs, and that this can be done without a level of taxation which is electorally suicidal or of pricing which makes the services prohibitive for the poor. That case, however, has to be demonstrated.

### **Migration and developing countries**

It is well-known – but worth repeating – that continued protectionism in world trade reduces the employment potential in developing countries and this may affect the propensity to migrate to work elsewhere. Nowhere more so does this appear to be true than in agriculture, where, in the most notorious case, the Common Agricultural Policy not only deprives developing country exporters of markets here, by subsidizing exports to third country markets, it also deprives them of markets there (and this is achieved through higher European food prices, affecting most severely the poorest consumers).

To the employment losses incurred through protectionism can be added those experienced through worker emigration. This is greatest with the highly skilled and magnified where such workers leave permanently or for the bulk of their working lives, depriving the developing country of skilled inputs (and the productivity of the average worker is strongly related to the average skill level of the labour force as a whole), of complementary employment of lesser skill, of tax payments that the emigrant would otherwise have made, and if the emigrant’s skills were acquired with public subsidies, these also are lost (on the Indian case, see Desai *et al.* 2001).

Worker remittances returned to countries of origin are some compensation here. But a much greater benefit would accrue if migrant workers could return with enhanced skills. Low skilled workers who travel without families have always tended to return; they work abroad primarily to strengthen their position at home. This tendency is much reduced the tighter the controls on migration – the higher the costs of getting

access to work, the greater the tendency to settle in order to secure continued access to work<sup>3</sup>. On the other hand, anecdotal evidence suggests some increase in the propensity of highly skilled workers to return to Asia if not to Africa. Domestic reform and stabilisation are obviously crucial here. However, given relatively abundant labour supplies in developing countries, standards of living for the highly skilled at much lower levels of pay than are available in developed countries (even if much closer in Purchasing Power Parity terms) can be much higher. The development of high level research facilities in developing countries supports tendencies to return (or indeed, not to set out in the first place). Numerous national and international schemes exist to support the process of return (International Migration 2002), but more can be done to remove existing anomalies which force migrants to settle as a condition of work, and which weaken the “social embeddedness” of migrants in their country of origin. Aid programmes can be of assistance here in financing migrants for training in preparation for their return and in employing returning migrants as agents of development, using funds to strengthen the creation of new businesses. Migration might then come to be seen by most migrants as an important part of education, of enriching skills and work experience rather than simply as an opportunity to earn<sup>4</sup>.

The issue of migration to the developed countries may prove temporary. Present demographic projections suggest that over the next half century, the bulk of the world’s labour force is going to become concentrated in developing countries. It may be expected that the bulk of the world’s tradable sectors will follow, led by those most sensitive to labour costs. It cannot be conceived that migration flows between developed and developing, even if completely free, will be on a scale sufficient to change this significantly. Furthermore, the developed countries concentration on research and education, and on quality of life, may be expected to complement the concentration of the world’s manufacturing and service production in developing countries. It could be that over the next half century, as a fully integrated world economy emerges, migration flows may come to decline or even be in the reverse direction.

## Remedies

The most obvious remedy to the problems of the present system is to accept the inevitable integration of the developed countries in a world labour market and move towards free migration and open borders. Employers would then recruit abroad as they do at home and bear the risks – the costs - of any errors made in assessing their future labour needs. The role of government would be restricted to extending its present responsibilities for the regulation of employment of native-born workers to the foreign-born. At the moment private brokers and agents organise the regular and irregular recruitment and movement of workers, so the basic social infrastructure exists for such a change. Such a system would eliminate irregular migration and the bulk of asylum seekers who could take work immediately and not be obliged to call

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<sup>3</sup> This is shown in US data with the tightening of southern border controls after 1986 (see Massey *et al.* 2002, Cornelius 2001); the return of Greek guest-workers in Germany once Greece joined the Union and so secured the right of Greeks to return to work abroad suggests the same conclusion (see Constant and Massey 2002: 6).

<sup>4</sup> German medieval craft apprentices were required, it is said, to migrate between different localities/countries to learn additional skills as the final qualification for craft accreditation.

on public support (this would not be true of asylum seekers without the capacity to work, but that would be a much smaller problem than the current one).

Would direct recruitment by employers threaten the maintenance of acceptable levels of pay and standards of working conditions as employers competed to lower costs? In principle, the problems are no more severe than those experienced with the native born low skilled workers. Indeed, they may be fewer insofar as migrant workers ought to be recruited on a standard – and government approved – contract for a given period. Such standard contracts should be vetted and policed by both source and destination governments, by relevant trade unions and NGOs. Of course, no system is foolproof – for native-born as much for foreign-born – but making such employment fully explicit offers some basis for regulation, whereas at present, with irregular migration, there is no such possibility.

However, the immediate needs of developing countries for the return of their migrant workers coincides with the fears of a significant sector of the European electorate about the possibility of being swamped by foreigners to suggest that, while the aim should remain intact, we need a second-best transitional arrangement that allows governments to retreat if required.

It is not the task here to design such transitional arrangements – and there are now increasing numbers of schemes on offer<sup>5</sup>. However, a number of points might be made about revisions of the present system:

- a) The first issue of importance here is that, in principle, all migration should be temporary even if some migrants apply to be considered to stay longer. The overwhelming bulk of evidence is that populations are relatively immobile, but that a small margin seek migration as, in the first instance, a means to broaden their experience and earn on a sufficient scale to improve their position at home. Of course, negative conditions at home can tilt the balance as a migrant becomes accustomed to life at the destination, but, even then, it is surprising how durable the loyalties remain and the hope of return. It has already been argued that immigration regulations (and the rising cost of getting past borders) and the stress of governments on migrant settlement can change this, forcing migrants into exile. The stress on assimilation, whether forced or voluntary, follows from the preoccupation with settlement, but if migrants were free to come and go, then enforced assimilation would be a serious threat to the human rights of the migrant who does not wish to join to the host society at all, merely to work in order to return with enhanced skills and savings (so, from the migrants point of view, assimilation becomes an additional cost). Of course, access to social security can also tip the balance here, but arrangements can be made to reduce the impact of this (thus, migrants can be exempt from all but the minimum social security contributions and benefits, or benefits can be accumulated and repaid in the home country at the end of the work period etc). There will always remain unresolved cases, but these should not be allowed to deflect the principle issue.

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<sup>5</sup> For one of the latest, see Veenkamp *et al.* (2003). See also the appendix to my paper (Harris 2003). On the global options, see Ghosh (2000).

Temporary worker status would be one element in restoring equality of treatment between high and low skilled workers. While it is assumed that most migrants will want to return home provided there is a reasonable possibility of future opportunities to work in abroad, nothing should be done to weaken their commitment to return and to do so without any forms of compulsion. In some present schemes there are additional incentives – paying part of the wage in a cumulative sum in the home currency on their return (or possibly adding a bonus and/or refunded social security funds). We have mentioned the possibility of aid programmes financing training and offering business start-up funds on return. Given a well-managed pattern of circulatory migration, applications to stay longer for whatever reasons can be treated with generosity.

- b) Irregular migration is first and foremost a response to the demand for workers (even if it may be precipitated by push factors) so that generally migrants move to previously identified jobs (or to agents controlling such work), have very high rates of participation and low rates of unemployment. Accordingly, the expansion of the work permit system should be designed to eliminate irregular migration. However, this cannot be done through government controls on recruitment on the basis of estimates of future labour demand. Not only must such estimates be erroneous in a dynamic economy, they cannot easily accommodate predictions for the type of demand which irregular migrants meet. Any system which is going to meet the economic requirements has to end the idea of set annual quotas of workers and vest the initiative in employers to recruit at their own expense in such numbers as they require, albeit within a framework of government supervision to ensure that the basic conditions of work and pay do not undercut alternative local supplies of workers and are clear to migrant workers before they leave home, that robust provisions are made for the proper return of workers and for social security during the period of work.
- c) This paper has not dealt with the family reunification class of immigrants which raises a quite different agenda of policy issues. In general, with globalisation, one would expect increasing mobility and a growing lack of coincidence between, on the one hand, the citizens of a country who live in that country and those who live abroad (the present “polity”); and on the other, the workers who work in that country or contribute to its output from locations abroad (the “economy”). If this is so, then the family reunification category of movement will inevitably grow and, if the welfare of the country is to be assured, must be facilitated.
- d) The ban on asylum seekers working – whether for six months or, as in some countries, until their claims are sanctioned or rejected – is one of the more obvious sources of social tension. The combined accusation of entering the country illegally (since there is, in many cases, no other way of obtaining entry) and then “living off social security” (since work is forbidden) seems almost deliberately designed to provoke the greatest xenophobia. With an expanded work permit system to eliminate irregular migration, able-bodied asylum seekers can, if circumstances permit, apply for work before they arrive; if this cannot be done, then they can be granted temporary leave to

remain while they seek work. Part of the funds at present devoted to supporting asylum seekers can then be directed to short term support for those who cannot work.

Would increased temporary migration of low skilled workers from the south to the north exaggerate the polarisation between the two? In fact, the polarisation is already extreme, particularly where the migrant flow is irregular and therefore to work which is entirely unregulated. However, in the larger picture, the capacity of developing countries to raise their incomes through the temporary emigration of workers will reduce the polarisation, a change enhanced if workers return with upgraded skills and increased savings to expand their home economy. If this process is part of a reordering of the world economy, marked by the relocation of a major part of the world's tradable manufacturing and service sectors to developing countries, then present arrangements may be seen only as transitional, part of a process of moving to a much more equalised world order. On the other hand, the contrary policy – to prevent the poor from escaping from poverty through migration, even if it could be achieved which is doubtful – would be vastly to exaggerate the inequalities of the world.

## **Conclusion**

The present system for all except the skilled is opaque and costly relative to the returns to work. A world labour market is in operation but without any of the transparency required to put the right worker in the right job. Governments operate as large monopsonist buyers, while private agencies recruit and distribute irregular migrants without being subject to the open competition which reveals the marginal cost/value of the work proposed. Criminalisation is inevitable in such circumstances. A global labour market requires a global exchange in which real scarcities in many different localities can be matched against the immense diversity of those offering work, and wage levels reflect those scarcities.

If the developed countries are unable to establish an acceptable order in the field of migration, the danger is that political leaders there will continue to seek to exploit the issue for xenophobic purposes, will impede the development of developing countries (regardless of what aid programmes are employed), will lock out the poor, at whatever cost to the civil rights of their own citizens and the growing numbers of irregular migrants (growing because the labour shortages for low skilled workers will get worse), and will damage the welfare of their poorest citizens. Protectionism here is, as elsewhere, directed to trying fruitlessly to capture benefits for a minority at the cost of the world at large – and particularly of the world's poor.

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