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## **INTERNATIONAL LABOR MIGRATION IN A PERIOD OF GLOBAL ECONOMIC CRISIS**

*Abstract. In the article, the author considers the impact of financial and economic crises on labor markets and international migration in past decades and current period. This article investigates the factors that affect international migration the most, based on migration theory and expert studies. It is emphasized that transformation of patterns and processes of international migration is taking place, and*

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*migration policy responses are analyzed in the changing conditions. As far as the governments of immigrant-receiving countries tend to protect national labor markets, they implement different restrictions for newcomers and illegal workers. In that situation labor migration is affected the most by the crisis, which requires balanced migration policy.*

*Аннотация. В статье автор рассматривает влияние финансово-экономических кризисов на рынки труда и международную миграцию в прошедшие и текущий периоды. Статья исследует факторы, влиянию которых больше всего подвержена международная миграция, базируясь на теории миграции и публикациях экспертов. Подчеркивается, что происходит трансформация характера и процессов международной миграции, в таких изменяющихся условиях проанализированы ответные меры миграционной политики. Поскольку правительства принимающих стран стремятся защищать национальные рынки труда, они применяют различные ограничения для прибывающих и находящихся нелегально работников. В такой ситуации более всего подвержена кризису трудовая миграция, что требует взвешенной миграционной политики.*

**Key words:** global financial and economic crisis, international labor migration, labor market, unemployment.

Introduction. The current global financial and economic crisis has brought economic recession and increase of unemployment in the first instance in construction, financial field, tourism and other services. International labor market, being an important part of the world economy, is affected by the crisis as well as other parts. In 2009 there were about 212 million unemployed people in the world, increased by 4.4% in Western Asia and more than by 10% in Central, Eastern and South Europe (non-EU), CIS, and North Africa. In 2009 rate of unemployment was 8.4 % in developed countries and EU [1]. Unemployment increased higher among foreign citizens than nationals. At the end of 2009 28.3% of foreigners were unemployed in Spain, and more than 15% in Belgium, Ireland, Finland, France [2].

Analysis of the latest research and publications. Different problems of the world migration processes are considered in the papers of foreign authors K.F. Zimmermann, K. Koser, G. Beets, F. Willekens, P. Krugman, G. Friman, M. Todaro, K. Makkonnell, O. Toffler. Some issues of international labor migration are investigated by the CIS authors: A. Kireyev, I. Tsapenko, G. Zayonchkovska, O. Reznikova, S. Ryazantsev, G. Ovchinnikova, K. Scherbakova. Among Ukrainian researchers, we can name V. Priymak, A. Filipenko, O. Poznyak, M. Romanyuk, A. Rummyantsev, V. Savchuk, O. Vlasyuk and others.

The author of this article bases the research on selected studies of the mentioned experts and also on the reports of the World Bank, the United Nations, the International Organization for Migration, and the International Labor Organization.

Unsolved part of the general problem. Although there have been said and done a lot to overcome the current global financial and economic crisis, on international and national levels, still many gaps need to be fulfilled and problems must be solved. One of them is regulation of international labor migration. In the conditions of the global crisis the issues of international migration become more crucial. As globalization of the world economy develops and the borders of national economies open up, national labor markets become more dependant on foreign labor.

During the last decades national labor markets of developed countries haven't been able to satisfy the demand for labor force, and so they have had to import high-skilled workers for IT, engineering, biotechnology and other high-tech sectors, and low-skilled workers for construction, tourism, house keeping, etc. On the one hand, international labor migration helps emerging economies that have high fertility rate and high increase in labor force to balance their labor markets, and to fulfill the gaps of workforce for developed countries; on the other hand, it takes away the best skilled workers from emerging economies and provokes xenophobia among resident population in receiving countries

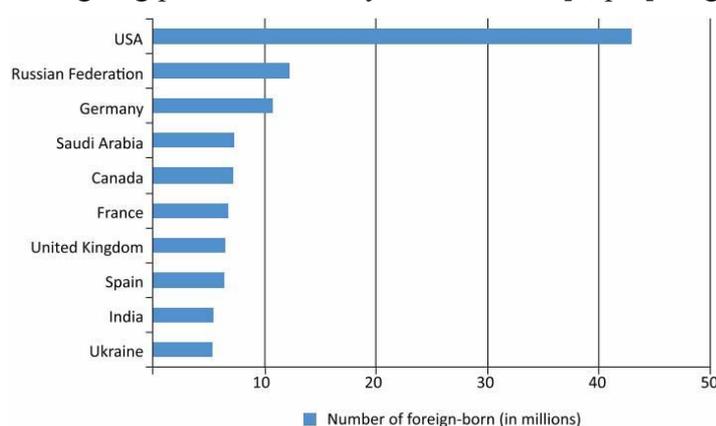
International labor migration trends undergo changes during the crisis as well must be analyzed carefully. As far as international labor market is represented by migrant workers, and nowadays the receiving countries need immigrants' work and the sending ones depend on in-flows of remittances.

The aim of the paper is to investigate the features of international labor migration during the global financial and economic crisis and develop policy recommendations.

Statement of the main material. The impact of the current crisis, as well as the previous major crises of the twentieth century, was significant on migration patterns and processes, having influenced migrant workers and sending and receiving economies and societies. In the history of the past century we can find five crises, which affected international migration the most: the Great Depression, the Oil Crisis, the Asian financial crisis, the financial crisis in Russia, and the Latin American financial crisis [3, p.6].

The Great Depression of 1930-s resulted in massive unemployment, that reached over 25% in the USA, Canada, Australia, Germany [3, p.7] and in decline of international labor migration. At the same time, the researchers point out the fact of de-globalization, that was provoked not only by the crisis of 1930-s but also by the First World War and high inflation in the 1920s [2, p.6]; [4, p.1]. In any case, those events and political instability brought more restrictive migration policies in receiving countries. In Canada, for example, the number of immigrants was reduced more than ten times from 1928 to 1933. Hundreds of thousands migrants were repatriated from USA and France [3, p.11]

The Oil Crisis of 1973-74 was connected with rise in oil prices and recession in oil-importing countries. That crisis affected international migration but in distinct way. Before the crisis the governments of the Western European countries conducted the policy of attracting foreign workers ("guest worker migration"), by simplifying the visa regimes and allowing family reunion. In the crisis those receiving countries made an attempt to reduce number of attracting foreign workers and to facilitate return migration, which happened to be a difficult task because of ongoing process of family reunification [2, p.6]. Higher fertility of migrants and in-flows of



refuges and asylum seekers redounded to an increase in quantity of migrants in Western Europe. In 1970-s net migration was, on average, 240 thousand people to this region annually [5, p.5]. In order to protect national labor markets, the governments of some Western European countries provided extra restrictions on foreign labor force and marginal status for them (e.g., Germany). However, such measures didn't meet the needs of labor markets [6]. The recession after the crisis stimulated

**Fig. 1.** Countries with the largest foreign-born populations in 2010, millions  
 Source: [10, p. 115]

relocation of production from developed countries to developing countries in Asia and Latin America, as far as corporates were seeking for cheaper ways of production.

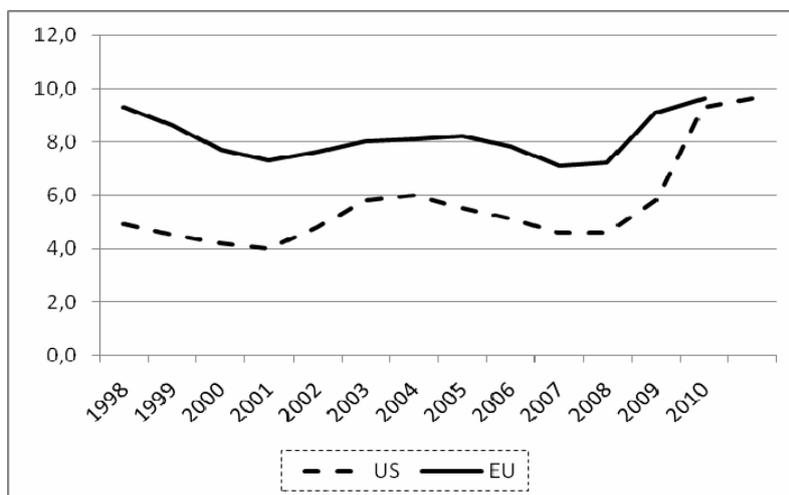
The Asian financial crisis of 1997-99 was followed by reduction in oil prices, slumping currencies, and rapid inflation, which affected standards of living in Asian economies including Indonesia, the Republic of Korea, Hong Kong, Thailand, Malaysia, Philippines (although Hong Kong didn't experience currency devaluations during that crisis) [7, p.1-2]. At the same time, the crisis was relatively short-lived, having enabled the economies of the region resumed quickly. As for labor market, it had wage decline and significant increase in unemployment, policy restrictions toward migrant workers were applied by several governments [2, p.6]; [3, p.8]. Vodopivec M. and Pacireturn P. [8, p.4] point out that the crisis brought significant return migration and emigration in the region, while Koser K. [3, p.12-13] didn't find significant impact of the crisis on migration (in 1997 – 2000 the stocks of foreign workers in Asian economies kept growing).

The Russian financial crisis of 1998 was triggered by the Asian crisis, particularly the reduction in oil revenue, also by speculative attack on the ruble [9, p. 11, 16]. Russian economy faced high inflation (84% in 1998), the devaluation of the ruble and considerable increase of prices. The crisis was followed by emigration and "brain drain" from the country, (18% increase by the end of 1998). It increased irregular migration as well, although it's not a feature for all crises [3, p.8-13]. The researchers state that the crisis pushed the government to provide reforms in migration policy.

The Latin American financial crisis of 1998 – 2002. The crisis, as well as the Russian financial crisis of 1998, was followed by "brain drain" from the region. Therefore, the governments of several countries (e.g., Argentina) implemented measures to reduce that tendency. Also it brought a decrease in remittances to Latin America but they rebounded relatively quickly [3, p.29-31].

During the current financial and economic crisis we observe changes in patterns and processes of international migration and slight reduction in quantity of international migrants in certain regions and sectors, although the general number of migrants keeps increasing year after year. In 2010 there were 214 million international migrants in the world. Among the largest migrant stocks The United States of America takes the first place and Ukraine – the tenth (fig. 1).

In the European Union the in-flows of migrants to the countries of positive net migration decreased in most of the countries in 2008 – 2009. Insignificant reduction was from about 1 to



**Figure 2.** US and EU unemployment rates, 1998 – 2010, %  
Source: [11]

10 per cent in Denmark (-9.7%), Finland (-8.3%), Malta (-9.8%), United Kingdom (-4.0%). The reduction of migrants from about 10 to 20 per cent was in Cyprus (-17.2%), Italy (-17.2%), Netherlands (-10.2%); and the most it was in Austria (-33.4%), Germany (-50.4%), Luxembourg (-11.3%), and Spain (-31.3%). In several migrant-receiving countries the quantity of immigrants kept growing – in Belgium (1.4%), Portugal (8.7%), and Sweden

(1.1%) (calculated based on [11]).

In the research of International Organization for Migration [3, p.28], Koser K. states that the impacts of previous and the current crises on international migration are significant but they are not necessarily equal because of different national and regional circumstances, conditions of the labor markets, and dependency on migrant workers. The political situation, attitude towards migrants in society, and potential for growth of irregular migration are also important. The author

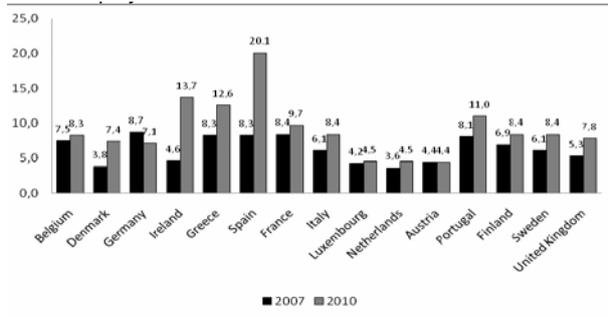


Figure 3. Unemployment rate of EU-15 Member States in 2007 and 2010, %

Source: [11]

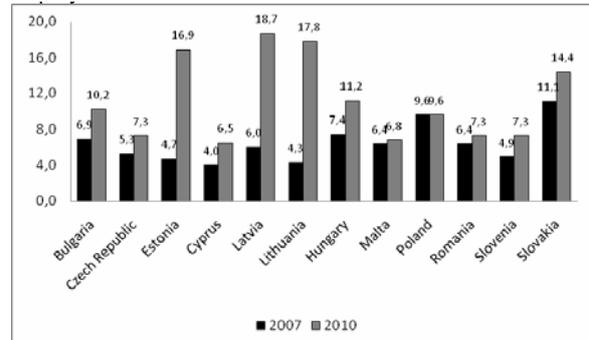


Figure 4. Unemployment rate of EU-10 and EU-2 Member States in 2007 and 2010, %

Source: [11]

doesn't put unemployment among migrant workers on the first place in the reasons of the changes in migration flows. Castles S. suggests, based on his analysis with other researchers, that impacts on international migration are different depending on whether the crisis is short- or long-lived.

Beets G. and Willekens F. [2, p.2-4] suggest (with the reference to the migration theory) the intention to migrate is lower during the recession because there are less opportunities of finding a job; at the same time lower wages in destination countries are not the case in changing the migrant flows. The authors consider migrant workers to be one of the most vulnerable categories of workers in a period of the global crisis. In the beginning of the crisis it was assumed that many migrants would return to their home, but it didn't happen on a high-scale.

Martin P. [12] assumes that migrants stocks would stop growing or even decline in receiving countries, because there is less demand for labor force. There is also should be decrease in migrants' flows if settled migrants would advise the newcomers not to enter the country as far the situation in labor market.

According to "push – pull factors" theory, when there are less job opportunities in one country, people tend to leave and search elsewhere. They will likely go to the states with higher employment and wage rates, but the point is that typically the economic recession brings an increase in unemployment and worse working conditions in both origin and destination countries. In that case push and pull factors "cancel each other out" [2, p.4]. In the US the unemployment rate went up from 4.8 per cent in Q4 2007 to 10.0 per cent in Q4 2009. This level is only comparable with the end of the Great Depression [13, p.22]. For more than ten years unemployment in US was significantly lower than in EU, it almost matched European level during current recession (fig. 2)

In the European Union unemployment rate was 9.6 per cent in 2010 compared with 7.2 per in 2007. Having being affected by the crisis, this rate increased in all EU Member States except Germany. Unemployment rate raised most of all in Lithuania (13.5%) among migrant-sending Member States and the most in Spain (11.8 %) among migrant-receiving Member States (fig. 3, fig. 4). As the governments are trying to cut expenditures, immigration integration funds are one of the vulnerable. Economists project a long-term recession in labor markets and suggest

extra job creation is essential for future growth [13, p.2-3].

According to the buffer theory, migrants considered as a buffer for the economy of an immigrant-receiving country. Foreign workers are likely to enter the country when it experiences economic growth and return home when economic downturn comes up. [2, p.3]. The evidence from the current and past crises suggests that only small part of workers would leave the host country.

The migration theory explains why sometimes people prefer to stay rather than get back: if there are fewer opportunities of finding a job in home countries, if migrants assume they might not be able to return, and if they invested a lot in movement, they choose not to change the destination location. Nevertheless, if foreigners have social security and networks in host countries they are likely to stay [2, p.2-3].

In order to control and optimize the quantity of migrants, who intend to settle in host countries, the governments use immigration policy, which goal is to prevent intervention of large inflows of people of active working age to the national labor market, and at the same time to encourage labor force of the qualification and education level demanded in the market. In the period of rapid economic growth, the governments provide open policy, and vice versa provide higher quotas or other measures, when the national labor market needs protection from extra workers. Such measures are [14, p.5]:

- To require a job offer from a potential immigrant. Especially it is about the categories of workers that are not in high demand in the labor market;
- To reduce quotas of quantity of migrants;
- Countries with points systems (Australia, Canada, Great Britain, etc.) can raise the number of points required to enter the country;
- To promote return migration;
- To make the process of prolongation of staying period and process of getting visa for the family members more difficult artificially;
- To implement more deportations for illegal foreign workers.

In any case, during all crises the governments tend to provide more restrictive regime of international migration and it is hard to say whether migrant flows are lower due to the worse economic situation or measures implemented by the governments. Foreign workers employed in the sectors where the economic recession is felt the most (construction and a part of service sector) and workers with temporary contracts are affected by the crisis more than other categories of migrants [14, p.17]; [2, p.2-3]. The majority of EU member state, (Czech Republic, Great Britain, Ireland, Spain, etc.) provided additional measures of migration policy in order to protect national labor markets from foreign workers of non-EU members, offering financial help for those who decides to return to their native countries. In the UK the protest started demanding to employ British workers not foreigners, as employment among Britons dropped by 1.8 per cent from September 2007 to September 2008, while employment of foreign workers rose by 4.9 per cent. The government reacted on the strikes against migrant workers immediately [15].

Such measures are feasible; however international organizations (ILO, OECD) and researchers point out that closing doors for migrants may affect negatively the economies of receiving countries [16]. All EU countries (both sending and receiving) more or less are dependant on migration. In instance, in 2010 natural population growth in EU-27 was 0.5 million people, while net migration was 0.9, including Euro zone 0.3 and 0.6 million respectively [17]. According to research [18]; [19], demographic problems of Europe, such as life expectancy increase, population aging, and taxation pressure might be decreased due to migrants in-flows. Nowadays Europe has become dependant on migrant workers in IT, engineering, tourism, health care, agricultural sector, and it's not temporary.

According to projections [13, p.15], the current crises is going to reshape patterns and processes of international migration. Foreign born populations have already slowed down in their growth in more developed countries, although they still hold the majority of international migrants. There seems to be a turning point for the immigrant-receiving countries – some of them, such as Ireland and Greece are experiencing increase in emigration. In 2009 net migration in Ireland was -7,878 people, although it had remained positive for than fourteen years [20].

Although we observe reduction in migrant movements all over the world due to the crisis, migration in-flows into the receiving countries are still high. Despite the recession, the globalization process goes on and will definitely lead to increase of international migrants in future. According to International Organization for Migration [10], by 2050 their quantity in the world may reach 405 million people consequent on growing demographic differences, climate change, new political and economic dynamics, technological revolutions and social communications. New centers of attraction migrants may arise. In any case, the governments of sending and receiving countries must be ready to new trends and dynamics in international labor migration, taking into consideration short-term as well as long-term perspective.

Massey [21, p. 23-26] warns (based on synthetic theory) that migration process which is happening all over the world is not a simple seek for economic benefits. It is rather a “natural consequence” of integration in social, political, and economic life across borders. Besides, many migrants tend to migrate temporary in order to solve their problems in origin country, but not to have a permanent relocation. Their motivation towards relocation may change over time and they might either return or search elsewhere. The author suggests the government officials and societies shouldn't base their conclusions on false assumptions; policy responses are not to be only within neoclassical economics – either open or closed borders.

In these conditions, on one hand, the latest emigration trends in the world require more attention and control from the government to this issue, on the other hand, reasonable and agreed migration policy is required in destination countries. Migration policy should take into account interests of sending countries, meet the needs of national labor markets, provide harmonization and coordination of the legislation towards foreign workers, and determine quotas for migrants. The authorities of sending and receiving countries should have a shared vision of migration flows regulation and coordinated actions.

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