

## **INVITED CONTRIBUTION**

# **The global economic crisis and international migration: An uncertain outlook**

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### **Abstract**

This article investigates the impact of the global economic crisis on international migration. Empirical evidence is scarce and mainly captures short-term consequences. The study covers (1) international migration theory, (2) the impact of past financial crises on international migration, and (3) published expert opinions, studies and discussions. The impact varies by reason for migration and by migrants' employment status. Labour migration is affected most, in particular migration of low-skilled persons. Political and environmental refugees, marriage migration and family reunion will not be much affected. Remittances are affected less than predicted. The management of migration during periods of economic downturns should be guided by short- and long-term perspectives on the role of migration in development.

### **1 Introduction**

In the course of 2008 the financial crisis and the subsequent economic recession spread from the United States of America to almost the entire world. At the moment of writing this document several consequences have already become evident, some are getting more evident, while others are still unclear. This article assesses the (possible) consequences of the financial crisis and the subsequent

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economic recession for international migration within as well as from and to Europe.<sup>1</sup> Will the crisis lead to less or more movements across borders, and to for example more return migration? Will the effects vary from country to country, and if they vary, which countries will be impacted most? Is it mainly labour migration that is affected or will the patterns of family and refugee migration also change? Are all sectors of the labour market hit similarly, or are sectors with relatively large numbers of migrants hit unevenly? And what room is there for policies to help accommodate the impact of this economic crisis? The assessment is based on (1) international migration theory, (2) the impact of past financial crises on international migration and (3) published expert opinions, studies and discussions on the Internet. Published accounts of empirical evidence are still rare. It takes time for effects to materialise and for getting the results of empirical studies published online and in the scholarly literature.

In Europe, international migration is a significant phenomenon. Nearly 6 per cent of the population of Europe (EU-25) are not citizens of the country in which they reside. In 2004 the total amounted to about 25 million (Eurostat 2006). In that year an estimated 4.1 million migrants arrived to the EU-25 (3.3 million to EU-15), while 2.3 million left EU-25 (1.6 million left EU-15). About 1 million migrants moved country within EU-25 (European Observatory 2008, p. 61).

The structure of the report is as follows. First we use migration theory to assess the likely consequences of the economic downturn. We take two theoretical perspectives. The first is an individual and household perspective that views migration as an option in the life course. The second is that of a social network and the social capital it generates. The third is a macro-perspective that views migration as an adjustment mechanism in the labour market. As we will show, the micro-, meso- and macro-level perspectives are intertwined. People have preferences but the presence of social networks and economic, political and other conditions may facilitate or inhibit behaviour. Migration theory tells us what we may expect. In the next section we look at economic recessions in the past and their effects on international migration. The third section reviews the scholarly literature on the impact of the recession on migration. In the absence of empirical evidence, we use published expert opinions. The study ends with an overview of some of the most recent policy advice.

From our investigation we can draw the following conclusions:

- of all types of migration, labour migration will be affected most;<sup>2</sup>
- political and environmental refugees, marriage migration and family reunion will not be much affected; however, various forms of international migration may work as ‘communicating vessels’: if one cannot enter as a labour migrant one may try to enter for example as an asylum seeker;

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<sup>1</sup> In September 2009, Papademetriou and Terrazas (2009) from the Migration Policy Institute published a paper on the effect of the crisis on migration and immigrants in the United States.

<sup>2</sup> Including economic migrants disguised as asylum seekers, students or marriage migrants.

- migrants employed in sectors that are most affected by the economic recession are more likely to lose their jobs than migrants employed in other sectors of the economy;
- low-skilled immigrants are among those most affected by the worsening of the labour market conditions because they tend to be concentrated in industries which are more sensitive to business cycle fluctuations (construction and part of the service sector) and because they have less secure contractual arrangements in their jobs;
- migrants who invested heavily in migration and settlement in the country of destination are not likely to return to their country of origin but to stay;
- the recession reduces the remittances sent by migrants and foreign workers to their families in their home countries;
- anti-immigration sentiments may increase and may result in restrictive immigration policies.

## **2 What migration theory tells us**

In the absence of empirical evidence, the only approach left is to speculate on the basis of theory. Two sets of theories are considered. The first is used to assess the impact of the economic recession in international migration flows. The second set is applied to assess the impact on migrants' integration in the host society and the possibility of anti-migration sentiments. An overarching migration theory does not exist. Different migration theories emphasise different aspects of migration. Micro-level theories emphasise agency: individuals and households making decisions. They view migration as a life strategy closely linked to conditions and events in life. People migrate to get education or a job, to create a family or be united with the family, to find a better place to live (e.g., friendlier climate, more security) and a better future for their children. Push factors, pull factors and intervening factors act on migration and jointly determine the likelihood and the direction of migration. The decision to migrate depends on a person's beliefs (subjective probability) to get a reward and the value of that reward to the person or household.<sup>3</sup> That reward may be economic or social. Behavioural beliefs are only partly based on facts and generally not all the evidence is considered (bounded rationality; subjective expectations). They produce a favourable or unfavourable attitude towards migration and the intention to migrate. A financial crisis and an economic recession reduce the probability of finding a job and will therefore depress the intention to migrate. Fewer people in search for employment will migrate if they are aware that less jobs requiring the skills migrants bring are available. For instance the construction sector and part of the service sector are hit hardest by the recession. Consequently migrants in search for jobs in these sectors

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<sup>3</sup> Based on the value-expectancy theory, which was proposed in the mid-1970s by Fishbein.

are less likely to migrate unless intervening factors, such as the availability of social capital (e.g. migrant networks) or migrant brokers, reduce the cost of migration and increase the likelihood of finding a job. Lower wages alone will not prevent migrants from travelling because not the absolute wage level is what counts but the wage relative to current wages in the origin country. Similarly, being out of a job because of a temporary contract or a lay-off may result in an intention to return to the country of origin or to move onwards to a different location. Several factors prevent this from happening. First, job prospects in other locations may also be weak. Second, the migrant may have developed social ties (social capital) in the host country, for instance as part of a migrant community in a diaspora. Third, the migrant may be eligible for social security unless the work permit is tied to a job or sponsoring employer. Fourth, migrants may fear that once they leave they might not be able to return (e.g. re-entry ban).

Meso-level migration theories stress the role of social networks as a source of social capital, and of social capital as a basis for social cohesion. Networks (of family and friends) and organisations (including the corporate sector and NGOs) assist in migration and settlement. Immigrants generally arrive with little knowledge about the functioning of the labour market in the destination country and with few contacts to potential employers (European Union 2009, p. 95). A social network may provide the necessary information. Migrants who are part of a social network (e.g. diaspora social network) are more likely to be able to confront external shocks such as an economic recession than migrants who do not have that social capital. Migrants who invest and integrate in their host society, frequently at the expense of ties with their communities of origin, are not likely to return during an economic downturn. Migration theory tells us that migrants who intend to return maintain ties and invest (remittances) in their places of origin.

Macro-level theories focus on migration systems, groups of countries and communities connected by migration, e.g. the Euro-Mediterranean migration system. They encompass countries and communities of origin, destination and transit. Migrants in a mobility system generate flows of money (e.g. remittances), goods, services, information, ideas, etc. They influence not only future migration, but trade and investment flows between sending and receiving countries. They may produce transnational identities. A major feature of a mobility system is inertia, a result of feedback mechanisms (e.g. reciprocities) built in the system. During economic downturn, established migration systems and the presence of transnationals may be used to promote economic activities, provided the recession does not hit origin and host countries equally. Another macro-level theory that is used to predict what may be the impact of a recession on international migration is the buffer theory (see e.g. Dobson et al. 2009), which views migration as an adjustment mechanism in the labour market. The theory views migrants as a buffer. They come during a period of rapid economic growth to fill job vacancies that cannot be filled otherwise and they return when jobs are lost during an economic downturn. The theory was developed in Europe and applied to explain

the guest-worker phenomena in Europe during the 1950s and 1960s. The “conjunctural shock absorber” as it was called requires that foreign labour is flexible, e.g. that they have temporary contracts and do not wish or are not permitted to settle. If foreign labourers were given the right to settle, several may be expected to opt for immigration and the buffer mechanisms stops operating. Because of equity considerations, Europe then did not withhold from its foreign workers the social security that had been developed to protect vulnerable groups in the native population. But matching flexibility and security is a difficult task as the current flexicurity debate demonstrates. A complicating factor in the application of the buffer theory is that unskilled and low-skilled foreign workers were also recruited for dirtiest and least rewarding jobs that could not attract native workers.<sup>4</sup> Job characteristics determine the attitude of native workers towards the job and unless job characteristics change, the attitude is not likely to change even during economic downturns. As a result of the large supply of foreign workers, the rewards remained low and low-skilled native workers felt that they were disadvantaged in the labour market. That feeling remains latent most of the time, but may become manifest during economic downturns when jobs are lost and the competition for scarce jobs intensifies, in particular when some groups in society use that occasion in their struggle for cultural homogeneity and/or the traditional welfare state. The Employment in Europe 2008 Report provides empirical evidence that the overall impacts of immigration on domestic wages and employment is limited, although negative effects are observed for some native workers, in particular those with low skill levels due to substitution effects, and positive effects for high-skilled workers (European Union 2009, p. 54). The effects may however differ by sector.

The micro-, meso- and macro-theories point to several mechanisms that limit the impact of an economic recession on international migration. Social capital and social security are important cushions to absorb the ‘conjunctural shocks’. In fact, the same applies to the native population. For instance, in Spain with an unemployment rate of 18 per cent (August 2009) and a youth unemployment rate of 36 per cent, many people rely on their family for support. Foreign workers without social capital and social security are more likely to return. These are workers with temporary contracts and without prospects for a renewal. Dobson et al. (2009) report that many of those who returned at the onset of the current recession were on temporary contracts and would have gone anyway. In Ireland, the crisis is most damaging to those sectors of the economy which had been responsible for the economic boom and where recently arrived migrants from the new EU accession countries found jobs, generally on temporary contracts. These

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<sup>4</sup> Compared to EU-born, third-country migrants’ employment is relatively more concentrated in hotels and restaurants, private households and the agriculture and construction sectors (European Union 2009, p. 71). The Report also observes that recent immigrants’ employment tends to have concentrated in sectors suffering from labour shortages (p. 79). Illegal migrants find employment in undeclared work and illegal employment. These activities represent a pull factor for illegal immigration into the EU (p. 75).

recent migrants are much more affected by the crisis than native workers and previous waves of immigrants who had a cushion to absorb economic shocks (OECD 2009, p. 17). History tells us that at the onset of the recession following the 'oil crisis' in 1973/4, only 10 to 15 per cent of the guest workers in Germany went home. Most stayed, even if they were unemployed (Dobson et al. 2009). A similar picture seems to emerge during the current recession. In Spain, the programme that offered return migrants advanced payment of unemployment benefit to foreign workers if they handed in their work and residence cards, leave and do not return within three years, generated considerably less response than expected (Rogers 2009, p. 39). The picture is different for new arrivals. That number is likely to decline substantially, except maybe for asylum seekers.

A world recession is likely to reduce job opportunities in both sending and receiving countries. As a result pull and push effects cancel each other out. For foreign workers with temporary contracts push factors dominate. Immigrants with social security entitlements are likely to stay for reasons given above.

When, as a result of the financial and economic crisis, foreign workers and immigrants have less money to spend, remittances are likely to drop.

The mentioned theories mainly address economic migration (migration for purposes of work). Job-related migration is high in some EU countries like Belgium, Denmark, Germany, Italy, Portugal and the UK, and low in other countries like France, the Netherlands and Sweden (European Union 2009, pp. 61-62). Other reasons for migration are education, marriage and family reunion. An economic recession is likely to have limited effects on these migrations, although they may be postponed because of inadequate income. The number of refugees is likely not to be effected by a global financial crisis and economic recession, because push factors dominate, although a number of asylum seekers are essentially economic migrants.

What does theory tell us about the integration of migrants in the host society and the possibility of anti-migration sentiments? Not much. A major problem is the persistent conceptual chaos in the integration-assimilation literature. Instead of focusing on concepts, we focus on aspects of society that are important dimensions of processes which underlie how two communities do or do not co-evolve or grow closer. This section is a little longer than the other sections of the article because the theory is less well established. A person (a migrant or a native) may participate in a society but may not be culturally integrated. Participation requires access to economic and social institutions, such as the labour market, the educational system, the health care system and the recreational system (including sports) and the adoption of the rules of the game (rules of conduct, social norms). If access is denied or rules of the game are not respected, social exclusion may be the consequence, for natives and immigrants alike. Mastering the dominant language and the rules of conduct is a precondition for participation. Language and rules may change as a result of the participation, however. For instance Europeanisation and globalisation are changing the ways

we communicate, the norms that guide our behaviour, and even the values that determine our identity. Although each society has an institutional and cultural core, that core is not static but evolves in response to changing intrinsic factors and changes in the environment. Adaptation to a changing world is not only a consequence (passive) but also a strategy (active). Throughout history, societies have relied on a diaspora of natives abroad and a diaspora of immigrants to advance their developments locally and globally.<sup>5</sup> For that reason, several scholars insist that classical integration and assimilation concepts no longer apply. “They deny that this unequivocal core still exists, especially in the face of the historically quite recent establishment of supranational institutions and of world-wide interdependencies between different cultures. Other centres, for example the societies of origin or those of a transnational community, are of similar if not superior strength and attractiveness. Accordingly, the old mono- and ethnocentric assimilation theory is quite simply unable to deal with this (new) multilevel polycentrism” (Esser, 2003, p. 5). What is required is to move away from viewing society as being monolithic and homogeneous to comprehending it as being composed of several interacting sub-societies with their own internal rules of conduct and with a set of rules that apply in the society at large. According to Esser, sociological theory is not well equipped to explain co-evolution (co-variation) because it continues to rely on the classical sociological method of Durkheim, which was based on the assumption that the purpose and premise of sociology consists in the quest for (general) laws at the macro-level of societal processes. Esser calls for “an alteration of the sociological method” (2003, p. 5) to be able to accommodate social processes and social interactions at different levels of organisation. The discussion by Esser is helpful when we try to appreciate and accommodate the very different points of views in the debate on integration and social cohesion. The need for a multi-level perspective on society is fully consistent with the theory proposed by Putnam (2007), whose name is associated with the claim that the ethnic diversity that results from immigration reduces social solidarity and trust, diminished social capital and endangers social cohesion. In his 2006 Johan Skytte Prize Lecture Putnam considers a multi-level society and distinguishes the short term and the long term. He states that “[i]n the long run immigration and diversity are likely to have important cultural, economic, fiscal and developmental benefits. In the short run, however, immigration and ethnic diversity tend to reduce social solidarity and social capital. (...) In the long run, however, successful immigrant societies have overcome such fragmentation by creating new, *cross-cutting forms of social solidarity* (italics by GB and FW) and more encompassing identities” (Putnam, 2007). Putnam does not state that homogeneity is not a condition for social cohesion but that social diversity requires new forms of social interaction and social belonging. This point of view allows for other perspectives such as that

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<sup>5</sup> Typical examples include the Jews of the diaspora, the overseas Chinese and the non-resident Indians (for a historical analysis of the effects of diaspora, see Sowell 1996).

advocated by Scott Page, a professor of complex systems, political science and economics at the University of Michigan, who shows that diversity produces strength in a range of social systems. In his view, the presence of individuals with widely different backgrounds and experiences spurs creativity and innovation because they have various ways of looking at problems, conditions and challenges. The theoretical insights by Putnam and Page indicate that the impact of the recession on integration is very much dependent on whether European societies focus on homogeneity and the short-run destabilising effects of immigration, or focus on diversity and the outcomes it may bring in the long run. Independent of the focus adopted, we may see in Europe an increase in anti-immigration sentiment, not because of diversity but because of social-economic status and polarisation. As a result of political decisions made in the 1960s and the inertia that is characteristic for migration systems, Europe has a history of attracting low-skilled workers. It is in sharp contrast to the US which has been considerably more successful in attracting skilled workers (compare the success of the green card vs that of the blue card). Low-skilled workers run a higher risk of unemployment and the opportunity cost of being on social security is considerably lower than for skilled workers. This phenomenon, combined with the facts that (1) the immigrant population is more religiously homogeneous (as perceived by the native population) and (2) the demographics are in favour of the immigrant population, may lead to an increase of anti-immigrant sentiments during periods of economic downturn, in particular when natives' lack of perspective is linked to immigration. Politicians and media are major factors in the diffusion of anti-immigrant sentiments in society.<sup>6</sup>

### **3 What history tells us**

In order to predict the impact of the current recession on international migration, several authors take a historical perspective. From that perspective a number of constancies suppress the impact of a recession or another shock: “global economic inequality and the demographic imbalances between the ageing populations of the North and the large cohorts of working age persons in the South will remain important factors in generating future migration” (Castles 2009). What can we learn from past recessions? Recessions looked at are the Great Depression in the 1930s, the recession in the 1970s following the oil crisis in 1973/4, the recession in the early 1980s following the 1979 sharp oil price increase resulting from the Iranian revolution in the same year, the Asian financial crisis in 1997-98 following the collapse of the Thai currency. One recurrent

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<sup>6</sup> In Germany anti-immigrant sentiments are not likely to develop into a mainstream, whereas in the Netherlands the likelihood is much larger.



lesson drawn from the recessions in the past is formulated by Castles (2009):<sup>7</sup> “the effects of economic downturns on migration are complex and hard to predict.” Castles thinks it would be a mistake “to believe that migrants will serve as a sort of safety valve for developed economies, by providing labour in times of expansion and going away in times of recession. When economic conditions get bad in rich countries they may be even worse in poorer origin countries.” That view is also held by Dobson et al. (2009) who apply the buffer theory to assess the impact of the current recession and recessions in the past. Their reading of history is that at the onset of, and frequently even before, a recession outflows tend to increase but tend to fall after that initial increase. The initial increase is associated with the end of temporary contracts and bleak prospects for extensions or tenure. In case of British citizens, Dobson and colleagues found that past recessions led to increasing numbers returning to the UK from abroad and fewer leaving. They expect a smaller decline in total net immigration than anticipated. The latest available data seem to support that prediction.

Economic recession creates a climate conducive to a restrictive regime of international migration. Castles (2009) found that the 1930s crisis “led to a massive decline of international labour migration, sometimes compulsory, but it is difficult to separate the crisis impacts from the restrictionist policies adopted during and after WW1”. Conventional wisdom holds that times of recession and high unemployment create pressure for restrictive immigration legislation and that the legislation is initiated or supported by trade unions. Some analysts support that view (see e.g. Bonjour 2005). Other authors view the role of trade unions differently. For instance, Avcı and McDonald (2000) found that the position of trade unions is influenced by the increased transnationalisation of the labour market and the nature of the legislative response. In general a recession fuels an anti-immigrant mood.

The two major economic crises which occurred in the latter half of the 20th century—the Asian financial crisis of the late 1990s and the 1973 oil crisis—affected migration in distinct ways. The 1997-99 Asian crisis had a relatively modest effect on migration in the region. The recession in the 1970s in Europe was a “turning point in global migration which had not been predicted: ‘guest worker migration’ ended, family reunion and more permanent settlements started, leading to new long-term ethnic minorities” (Castles 2009). Guest worker immigration had provided Europe with a source of flexible labour in the 1960s. Due to the crisis, large corporations began outsourcing production to developing regions, with these new industrial sites becoming destinations for migrants over time. However, the 1973 crisis did not result in large waves of return migration

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<sup>7</sup> Just before the crisis Castles and Millar (2009) updated and published their book *The Age of Migration*. Due to regrets about the fact that in the book no reference was made to the 2008-2009 crisis a virtual symposium was started inviting several experts to present their views on the Internet. The impacts of the crisis are various but still fragmentary (see [www.age-of-migration.com/na/financialcrisis/updates](http://www.age-of-migration.com/na/financialcrisis/updates)).

from Europe among non-European migrants. While some migrants from European countries such as Spain and Portugal did opt to return home, other migrants—Turkish workers in Germany—were reluctant to leave (Sward 2009). In France, Algerian workers were targeted by return migration policies following the 1973 crisis. Returnees had to renounce claims on social insurance and give up residence and work permits. The scheme did not achieve its ambitious targets and most returnees were Spanish and Portuguese immigrants and not Algerian workers (Dustmann 1996). The authors of the OECD SOPEMI 2009 Report believe that a large fraction of those who took advantage of the scheme might have returned anyway (OECD 2009, p. 47). Past experience shows that voluntary return programmes generally have little impact (OECD 2009, p. 57). Migrants are reluctant to leave and return home if they lose their rights to come back, because of the potentially high uncertainties associated with a return migration.

Martin (2009) expects “the current crisis to be the worst in a generation, and likely to affect international migration and remittances differently than past recessions. In 1973-74 and 1981-82 a rise in oil prices was associated with recessions in oil-buying countries and an economic boom in oil-exporting countries. That enabled some migrants to shift destinations. (...) The 1989 fall of the Berlin Wall prompted countries such as Germany to launch new guest worker programs in a bid to ensure the ‘inevitable migration’ from Poland and elsewhere would be legal. (...) The 1997-98 Asian financial crisis did not spread globally and was followed by a relatively quick resumption of economic growth. The 2008-09 recession seems most severe in sectors that hire relatively large numbers of migrants, like residential construction, light manufacturing, and financial and travel-related services” (Martin 2009).

What history tells us is that an initial response in international migration is likely to be followed relatively soon by a situation ‘back to normal’. Except for economic migration, international migration will not be affected much. For instance in Germany, asylum migration increased during the current recession. The number of asylum seekers in Germany during the first half of 2009 was higher than during the first half of 2008 (one out of four is from Iraq). Spain witnessed a 25% drop of illegal migration in 2008 and a significant drop in 2009. Most illegal migrants are in search for work. Monthly data on Polish immigration in Ireland shows a substantial decline, a decline that started in 2008 (see [http://www.welfare.ie/EN/Topics/PPSN/Pages/ppsn\\_all\\_month09.aspx](http://www.welfare.ie/EN/Topics/PPSN/Pages/ppsn_all_month09.aspx)) (see also Ahearne et al. 2009).

#### **4 What the scholarly literature and official organisations tell us**

We now turn to what the scholarly literature and official organisations have told us, up until now, about the effects of the economic recession on international

migration. Few scholars have written at all on the impact of the recession on international migration, hence we have to use what is available and cannot be very selective.<sup>8</sup> In the following we distinguish between labour market migration, family migration, student migration and forced migration (i.e. asylum seekers). We also consider the impact on remittances.

#### 4.1 Labour market and return migration

There is general consensus on the probability that migration to advanced economies is likely to decrease in response to the current economic recession, unless labour markets remain very robust. Some migrants will return home, but not in large numbers. Abella and Ducanes (2009) signal for Asian workers that all indications point to a deepening crisis that will further cut back international trade and foreign investments, the two important propellers of growth. The year 2009 is expected to see much lower demand for migrant workers.

Sharply increasing unemployment has made many EU governments introduce measures to protect domestic labour markets (Frontex 2009). Sward (2009) observes that “in the UK, immigration from Poland for the summer of 2008 was at its lowest level since 2004—down 36 per cent from 2007—reflecting an overall decline in immigration to the UK. The UK has also recently tightened its immigration guidelines, making it more difficult for skilled migrants from outside the EU to get visas if they work as doctors, nurses or secondary-school teachers.” However, there is no reason to assume that migrants in advanced economies will return home massively, as some migrants have compelling reasons to stay—particularly if economic prospects at home remain dim. Indeed, migrants who invested large sums of money in order to migrate, who earn higher wages, may have settled with a family and may have integrated into the host society are likely to try to wait out the crisis rather than return home empty-handed (Sward 2009).

Due to the high costs and risks associated with migration to the United States, many migrate only when they know a job is waiting for them across the border. And the overwhelming majority of migrants have not been inclined to return home, related to high costs of going home, high costs of a potential future return to the US again, their current immigration status, or a general belief that difficulties in the US are less severe than the alternative back home (Meins 2009). Would this be different in the EU?

Martin (2009) observes a drop in real global economic growth, job losses and a rise in unemployment. “Because employers request fewer foreign workers and because some countries halt the recruitment of foreign workers, economic migration will diminish.” He further argues that as a result the stock of migrant workers in many countries is likely to stop growing and may even decline if

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<sup>8</sup> On 21 and 22 September 2009, the Annual Conference of the Centre on Migration, Policy and Society (COMPASS), University of Oxford, was devoted to the effects of the economic crisis on international migration.

settled migrants depart. It may mean that settled migrants are likely to advise potential newcomers not to migrate if there are no jobs, but it is unclear yet whether legal jobless migrants will return or remain abroad. Martin thus expects that the stock of migrants will increase at a slower pace than before. Martin also observes that job losses are concentrated in four major sectors: construction, financial services, manufacturing and travel-related services. In all these sectors migrants are employed but their characteristics vary: mainly low-skilled in construction and travel-related services, semi-skilled in manufacturing, and high-skilled in financial services. And in Spain, up to the crisis, the unemployment rate had fallen substantially but rocketed afterwards (to 17% by mid-2009), specifically among foreigners (28% unemployed by mid-2009). INE (Statistics Spain) estimates that in just one year 1 million full-time jobs have been lost. This made the Spanish government decide to offer return bonuses to non-EU foreigners who agreed to leave for at least three years (Martin 2009). However, so far, these bonuses have not been met with much enthusiasm: legal foreigners rather stay. Papademetriou et al. (2009) add that lower-skilled migrants are likely to suffer more from employment reductions than other groups. Specifically within the EU, these authors expect migration from the new eastern to the old Member States, an area that will be “very responsive since it is strongly labour-oriented, [has] no visa requirements, and focused on maximum profits. It means that if employment is not forthcoming or continuing, migrants may return home. That may also relate to relative better economic performances in 2007-08 of some of the new countries (Poland for example) compared to some of the old (UK).”

Martin (2009) further assumes that, given the global nature of the 2008-09 recession, migrants cannot easily shift to alternative destinations. One of the first effects is that cyclically sensitive industries like construction and manufacturing are hit first and that may lead to last-hired and often male migrants to be first laid off. It is unclear yet whether migrants becoming jobless stay or go home and whether migrants in service jobs are laid off or have their wages reduced. The main assumption is thus that migrants are unlikely to return home in large numbers. Some caution is needed here, however, as it remains uncertain how severe the economic recession will become—and how acutely it will affect migrants’ income levels (Sward 2009). It also means that if employment is not continuing or forthcoming, migrants may return home, certainly if the prospects there are better. But *highly skilled economic migrants* are often young and single, and may more easily stay because of their ability to quickly find another job as several have good language skills.

Düvell (2009) adds that migrant workers made redundant in their present host country as well as workers who lose their jobs in their home country might try to migrate to other countries. There may also be more pressure on labour markets by competitive newly arriving (temporary) migrants (Fotiadis, 2009).

The International Organization for Migration (IOM) expects the crisis to impact differently on male and female migrant workers, especially in affected

sectors of the economy dominated by one gender. The IOM also considers whether the demand for migrant workers may remain stable in certain sectors, particularly if a structural demand exists for specific migrants such as health care and domestic workers.

Finally, illegal migration is severely hit. Border management is enhanced and many illegal would-be migrants postpone their decision of trying to enter a country unlawfully. However there may be a time-lag as a large proportion of the sea-crossing occurs in multiple stages: those who were already on their way to or almost at the (sea)border in the beginning of the crisis probably had no other option than continuing their journey. Illegals already present in the EU are likely to try to stay (Frontex 2009).

## 4.2 Family migration

Family migration seems least likely to be affected as it is mainly driven by non-economic factors (Papademetriou et al. 2009). It partly depends on how strong the social and family ties are in the host country and how much time has passed since immigration. Migrants intending to move permanently are less likely to return. If more permanent settlers already have a family before migration they will have them come over; finding and building a family in the host country also reduces the incentive to return. The costs of moving may be important as well as the possibilities for the individual to come back if the recession is over. Also individual eligibility for welfare benefits is relevant (Papademetriou et al. 2009).

## 4.3 Student migration

Student inflows, particularly self-financed flows as often is the case with students from China and India, are sensitive to economic conditions; they easily choose for educational institutions closer to home and may thus not come to for example Europe (Papademetriou et al. 2009). So, the numbers of international students are likely to drop. From the Netherlands there is evidence for substantially higher numbers of registration for the academic year 2008/09 at higher educational institutions. It remains to be seen whether that is a (temporary) alternative for entering the labour market, for migration of Dutch to study abroad, or the result of some possible extra immigration from abroad to study in the Netherlands.<sup>9</sup>

## 4.4 Refugees, asylum seekers and environmental migration

Zetter (2009) has three arguments against a link between the economic recession and forced migration:

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<sup>9</sup> Moreover, in 1990 a baby boom that brought a rise of almost 5% in the number of children born had occurred in the Netherlands; these children turned 18 in 2008.

1) conflict, violence and persecution exist irrespective of global or national economic conditions, making the flow of forced migrants immune from new economic circumstances;

2) the apparatus to ‘manage’ refugee migration, as opposed to economic migration, is also distinctive. The 1951 Geneva Convention and the 1967 Protocol provide a well-established, although problematic, international legal and normative framework for protecting the rights and claims of refugees.

3) the world of refugees is shaped by a humanitarian discourse about protecting basic human rights and moral obligations which, in theory at least, sets these challenges above politics and the interests of national governments and international agendas.

Despite these arguments Zetter (2009) assumes that there may be major impacts. First of all the official numbers gaining ‘refugee’ status under the Convention will probably decline, mainly because receiving countries will restrict arrivals. That may lead to increasing vulnerability of those forced to flee. These may go underground and may swell the numbers of victims caught up in conflict. Second, the vulnerability of all those who are forced to flee will increase, as the funding of humanitarian assistance will decline since domestic economic priorities are focussed on rescue packages to stimulate growth. Also longer-term programmes of peace-building and post-conflict reconstruction will be reduced. And, third, contradictory to what was written above, conflict and economic well-being are inextricably linked in the migration process. Countries with limited development opportunities have become more vulnerable economically. The pressure to escape might increase and emigration may be viewed as an outcome.

Next to politically forced migration stands environmentally forced migration. Zetter assumes that if developmental assistance slows down as a result of the economic recession, specifically new infrastructural projects may be halted, while also less money may be available to combat global warming. If so, displacement impacts (forced environmental refugees) of the predicted rise in sea level and natural disasters are likely to remain. ITUC President Burrow urges to deal with both the financial crisis and the climate change at the same time; it will require “new rules, new transparency and new global architecture” (ITUC 2008).

## 4.5 Remittances

Remittances are a key poverty reduction tool, as more than 60% of remittances are used to purchase daily necessities such as food, clothing and shelter. The remainder is saved, invested in housing, small business, health care or education (Meins 2009). In 2008 migrant workers worldwide transferred \$397 billion to

their home countries.<sup>10</sup> A total of \$305 billion of remittances went to developing countries, which is 1.9 per cent of GDP of developing countries. Remittances are three times the official development aid (\$100 billion). Remittances have grown substantially in recent years (from \$131 billion in 2000 to \$397 billion in 2008). According to World Bank data, remittance flows to developing countries began to slow down in the second half of 2008. In March 2009, the World Bank expects remittances to drop to \$290 billion in 2009,<sup>11</sup> a figure lower than the forecast made in 2008. The World Bank adjusted its estimates several times. The most recent estimate (November 2009) is that remittances to developing countries will fall from an estimated \$338 billion in 2008 to \$317 billion in 2009 (<http://go.worldbank.org/VNJQBYO1W0>). This drop estimated in November 2009 is smaller than the estimate released by the World Bank in July 2009 (<http://go.worldbank.org/1KDR0ZLEX0>). During the economic recession remittances do not seem to fall as much as private capital flows. Remittances tend to be more resilient.

The World Bank expects money transfers to remain resilient relative to many other categories of resource flows to developing countries. That may have to do with migrants being more reluctant to transfer money through formal channels due to a lack of confidence in the stability of banking systems. Migrants probably do not want the crisis to have a harmful impact at home, i.e. they continue to send remittances (IOM 2009). If the current recession deepens and persists, the shift away from ever-increasing migration and remittances could have significant consequences for families dependent on such funds (Sward 2009).

The volume of remittances to developing countries used to increase much faster than the stock of migrants or global GDP. Martin (2009) therefore expected a similar picture between 2005 and 2010 in spite of the crisis, although the stock of migrants will increase at a slower pace than before the crisis. Recent empirical evidence reported above shows that Martin is wrong, at least for 2009 so far.

## 5 Conclusions and policy recommendations

During economic downturns migrant workers are often the first to lose their jobs because of the sectors of the economy in which they are employed. World-wide some 20 million jobs may be lost. As many migrants cannot easily shift to other jobs on the spot, they may return home or find a job at other destinations,

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<sup>10</sup> World Bank blog about migration, remittances and development, hosted by Dilip Ratha, leader of the World Bank Migration and Remittances team:  
<http://blogs.worldbank.org/peoplemove/remittance-flows-to-developing-countries>

<sup>11</sup> World Bank News (24 March 2009):  
<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22115303~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>

especially migrants on temporary contracts. Migration is easier if going without a family. Students will often choose for educational institutions closer to home.

As conflict, violence and persecution exist irrespective of economic conditions, the stream of refugees, asylum seekers seems immune from the crisis. Push factors dominate. The same applies to migration that results from environmental degradation and climate change. In times of recession various forms of international migration may work as ‘communicating vessels’: if one cannot enter as labour migrant one may try to enter as asylum seeker.

What policy implications can be derived from the analysis in this study? The economic recession that followed the financial crisis is major and its effects on international migration and migrants are diverse. Views on the best response differ. UN Secretary-General Ban Ki-moon said that: “as the world copes with a ‘cascade’ of national financial challenges, human mobility can be a tool to ‘help lift us out of this economic crisis’”.<sup>12</sup> That same view is held in the IOM World Migration Report 2008 and was expressed by Luca Dall’Oglio, Permanent Observer of IOM to the United Nations<sup>13</sup> and by the OECD in the SOPEMI 2009 report (OECD 2009). Their view that human mobility can make economies more dynamic and more efficient is consistent with the general view that periods of crisis offer opportunities for innovation and productivity increase provided factor mobility is not restricted unnecessarily. The crisis also offers a unique opportunity to increase solidarity. Chauzy (2009), head of IOM’s Media and Communications, stated in an interview: “Even during this economic downturn, one simply cannot wish migration away. (...) Solidarity between countries of origin and destination is today more than ever needed to mitigate the impact of the crisis on the fragile economies of countries of the south.” The IOM calls for measures to keep labour migration channels open and for measures to facilitate the flow of remittances by lowering transaction costs. The organisation also calls for a careful monitoring of the impact of the crisis. More specifically, the IOM (2009) considers the following four points to be of particular relevance when responding to requests for policy guidance from government policymakers and other stakeholders:

- On the basis of past experience with similar crises and the current economic outlook, this economic downturn is likely to have negative effects on both migrants and nationals, although these effects will differ according to country, geographic region as well as employment sector. Migrants, who are particularly prone to stigmatisation in such circumstances, should be ensured to be adequately protected from xenophobia and discrimination in the employment and social spheres,

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<sup>12</sup> Address by UN Secretary-General Ban Ki-moon to the 2nd Global Forum on Migration and Development, Manila, 20 October 2008 (see <http://www.un.org/News/Press/docs/2008/sgsm11894.doc.htm>).

<sup>13</sup> See <http://www.iom.int/jahia/Jahia/cache/offonce/pid/1336?entryId=22247>.



- Given that migration, and labour migration in particular, is an integral part of today's global economic, political and social life, flexible, coherent and comprehensive policies are needed to effectively manage migration, and such policies are all the more pertinent in an economic downturn,

- A strong degree of solidarity between countries of origin and destination is called for to safeguard and continue to harness the benefits flowing from the migration and development relationship to both sets of countries as well as to migrants and their families,

- Migration is part of globalisation and the global economy. Consequently, this requires that it be factored into policy responses aimed at economic recovery.

The OECD expresses similar views. International migration is an integral part of the labour market. The management of labour migration should be sufficiently responsive to short-term labour market conditions, without denying the more structural needs. The need for solidarity is also stressed by the OECD when it states that efforts to prevent the crisis from spreading to less developed countries should be reinforced, in part to prevent the current economic downturn from adding to the push factors driving irregular migration.

In the long run, international migration is expected to be integrated more fully in the processes that are referred to as globalisation. The recession is speeding up the integration of new countries into the global economy. China and India are benefitting from a demographic bonus and can invest huge amounts of money in infrastructure projects whereas Europe, the United States and Japan require funds to pay for an ageing population. However, also China is confronted with significant population ageing in the coming decades. The new forms of social protection that are currently being introduced in Europe and elsewhere will remove major barriers to international migration and integration of migrant communities. Today entitlement schemes differ greatly between countries and are based on the unsustainable principles of defined benefits and intergenerational transfers. A system of portable individual accounts coupled with universal basic coverage to accommodate those left behind in the race for economic advancement will provide a new basis for the management of international migration and the integration of migrants. The financial crisis and the economic recession have created the sense of urgency to take on the changes that are necessary in a flexible and globalising economy.

## **Acknowledgements**

We like to thank Julius op de Beke and Nico van Nimwegen for comments on an earlier draft.

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