

Labour Migration from the EaP: Increasing Benefits, Reducing Costs

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Overview

- What have we learned from the experience of two decades of migration from the EaP to the European Union (and to Russia)?
- What can we say about the Benefits and Costs of Migration (Remittances)?
- What policies that affect labour migration can EaP countries (with EU support) introduce or strengthen?

What have we learned from the experience of two decades of migration from the EaP to the European Union (and to Russia)?

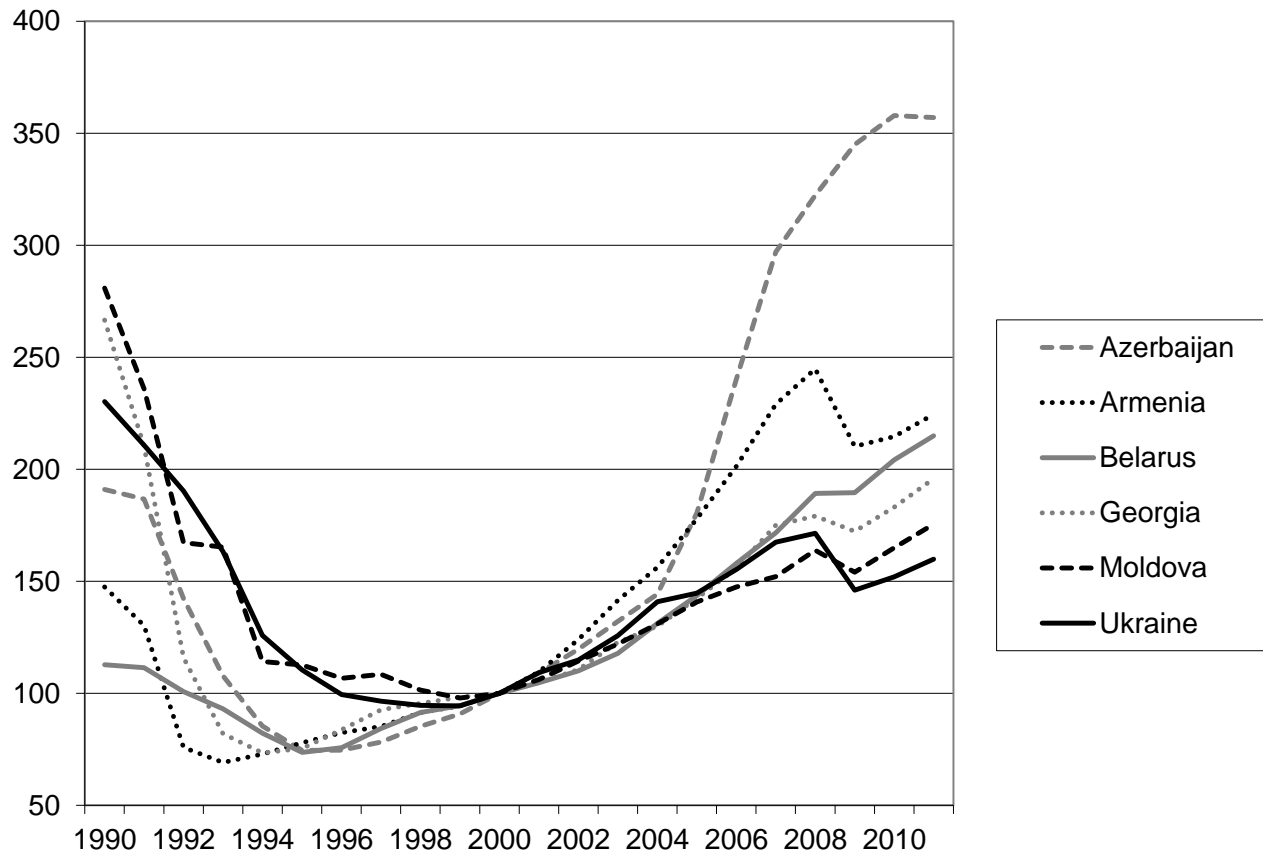
Three Stages of Migration

- Stage 1: 1990-mid-1990s: Post-USSR dissolution: large movements of population, ethnic and political motivations
- Stage 2: Mid-1990s-late 1990s: Beginning of trader/economic migration, spurred by economic collapse and restructuring in EaP countries
- Stage 3: Late 1990s-today: Consolidation of labour migration

First Stage: Post-Dissolution

- Labour mobility was high within the Soviet Union and contributed to the formation of large Diasporas that have shaped post-independence developments
- Dissolution of the Soviet Union led to a period of chaotic economic dislocation and resettlement of people to reflect their national origins
- This period lasted roughly through the mid-1990s, and coincided with the deep economic depression that all EaP countries experienced (with output losses as high of 40 percent in the case of Armenia, or possibly even more as in the case of Moldova)

EaP countries: real GDP, 1990 to 2011 (index: year 2000 set at 100)



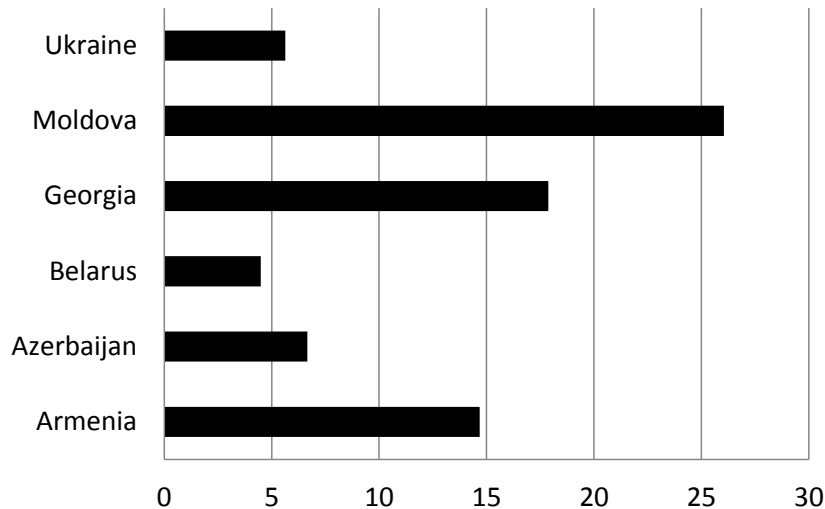
Source: World Bank World Development Indicators database; own calculations.

From Resettlement to Labour Migration

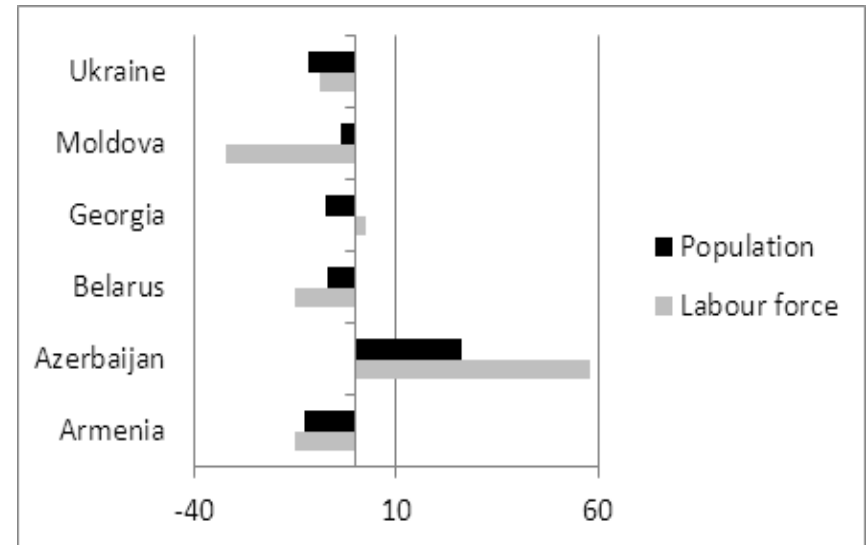
- Second stage involved trade-based movements of people from the EaP, both towards the Russian Federation and increasingly towards the European Union
- This gradually grew into large-scale labour migration, starting in the late 1990s and growing rapidly during the 2000s, the third stage of migration for the EaP countries
- Scale of the phenomenon today is large, but difficult to measure with precision, as many labour migrants do not have a legal status in the countries of destination

Population and labour force trends

EaP countries: migrant stocks relative to labour force, app. 2010 (percent)



EaP countries: change in population and labour force, 1990 to 2010 (percent)



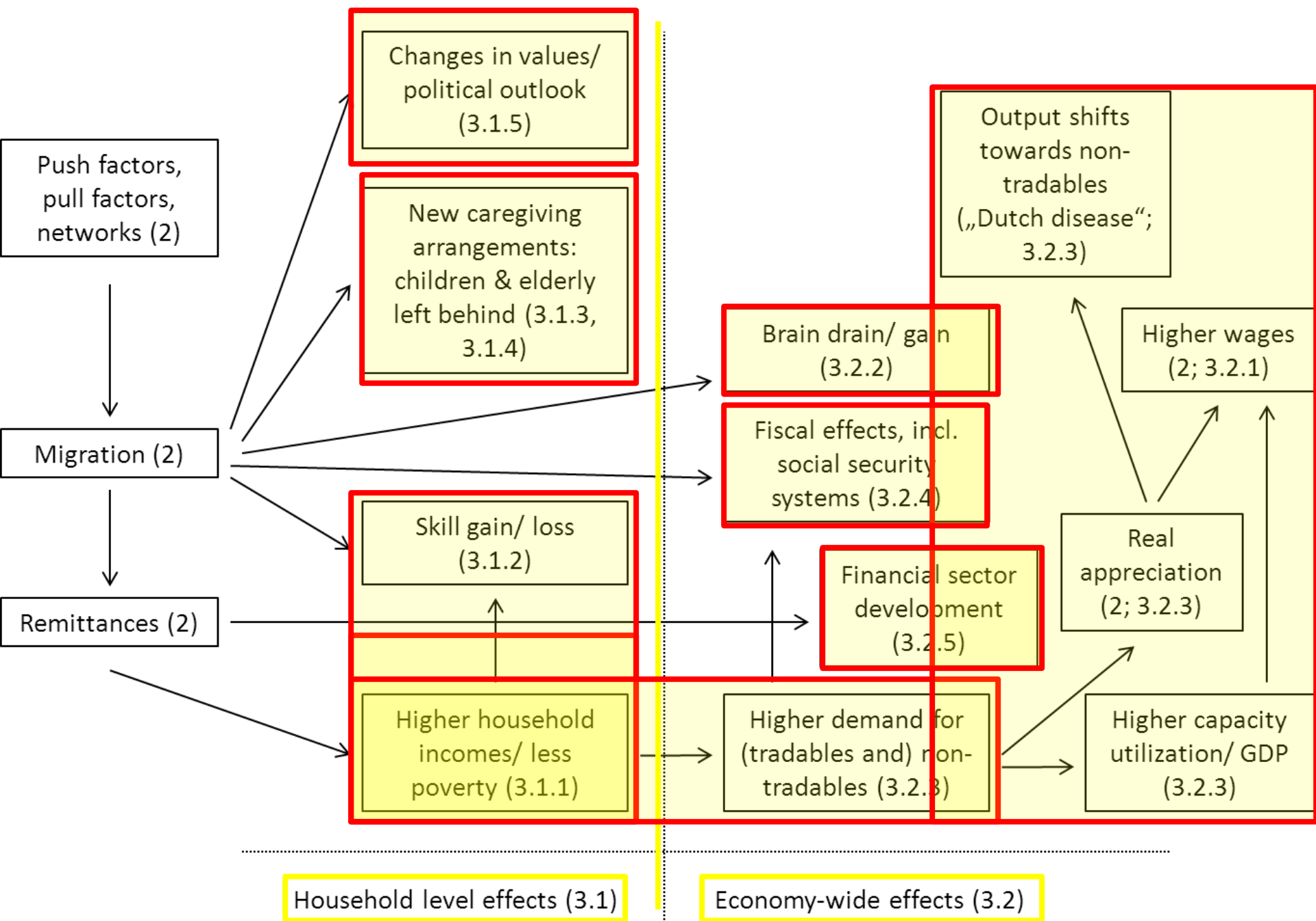
Source: EaP Country Reports; own calculations.

What Do We Know About Migrants?

- Mostly men, but EU migration increasingly female
- More educated than average
- Generally unable to use their degrees
- Some have changed from circular migrants to permanent, but maintain close relations with origin countries
- Families benefit from migration, but
- Anecdotal evidence of negative repercussions at home

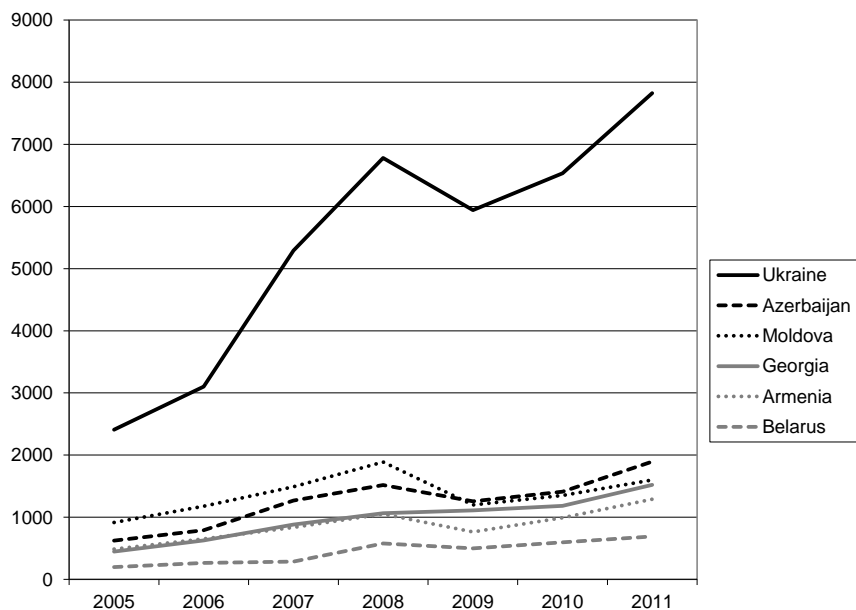
What can we say about the Benefits and
Costs of Migration (Remittances)?

Graph 3.1. Potential costs and benefits of migration and remittances: overview

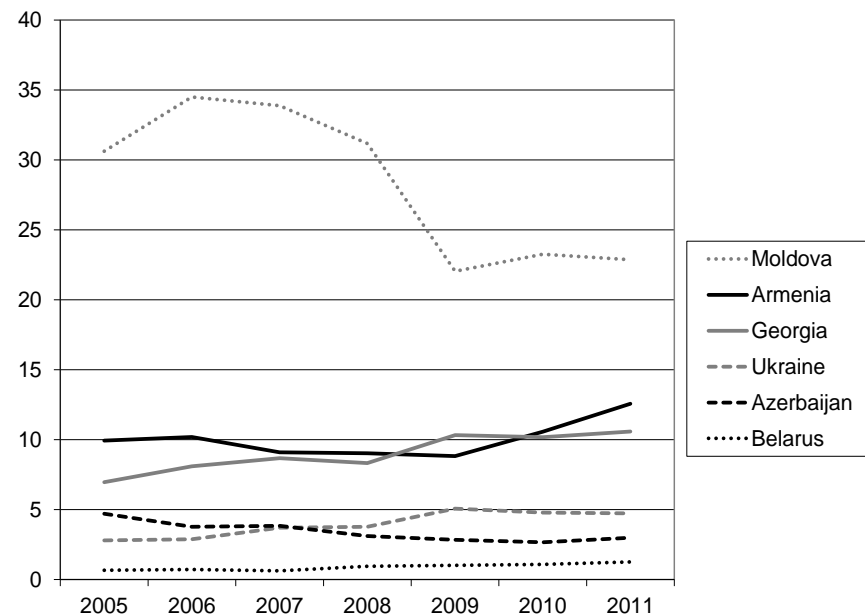


EaP countries: migrant remittances, 2005-2011

1000 US \$

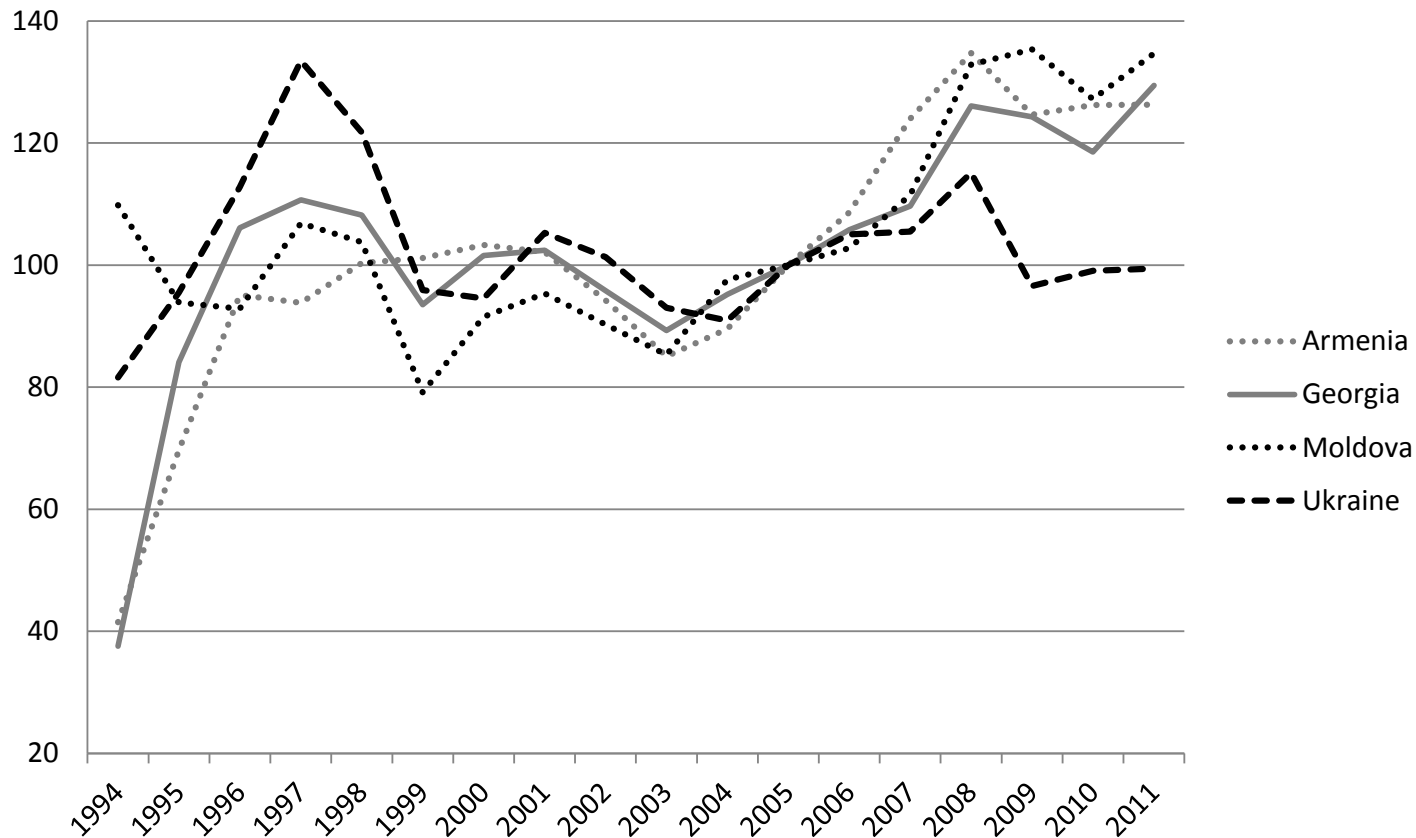


percent of GDP



Source: IMF International Financial Statistics database; own calculations.

EaP countries: real effective exchange rates, 2005 to 2011 (index: year 2005 set at 100)



Source: IMF, International Financial Statistics database; own calculations.

Sectoral Effects of Remittances

- Evidence in some countries (e.g. Moldova), but not all (e.g. Armenia), that the effect of remittances on the financial sector has been positive, contributing to financial deepening and emergence of new financial products
- The balance of the positive effects influenced by general policies with regard to financial sector stability and certainty of property rights
- Remittances have also contributed to stronger public finances through their effects on consumption and imports, although in some cases there are indications that higher revenues may have weakened fiscal discipline

Weaknesses of Migration Process

- Educational mis-matches and weaknesses in the educational system in origin countries
- Lack of protection of rights of migrants (both in the EU, if undocumented, and in Russia)
- Imperfect match of domestic social policies to needs of migrants' families
- Incomplete frameworks for access to social benefits
- Gender issues

The Balance of Costs and Benefits

- We conclude from our country studies that labour migration in the EaP countries generates large benefits for the migrants and their families as well as for economic and social development in migrants' home countries
- The balance of the benefits and the costs is proportional to the importance of migration with respect to the size of the economy
- Review of evidence shows that costs and benefits can be altered by the adoption of specific policies and the strengthening of institutions dealing with migration

What policies that affect labour migration can EaP countries (with EU support) introduce or strengthen?

Migration Outcomes Conditioned by General and Specific Policies

Policy Area	Issues	Agenda	Economic Rationales
A. Non-Migration-Specific			
Macroeconomic Management	Economic Stability and growth	Policies that favor creation of jobs in sending countries	Job Growth – Per-capita income growth - Incentives to Migrate
	Management of Remittances Inflows	Policies to prevent Dutch Disease effects on sending countries from large inflows of remittances	Avoidance of Dutch disease, with possibility of vicious circle of dependence on remittances.
Sectoral	Financial Sector Reforms	Growth and stabilization of financial institutions; Reduction of costs of remittances Financial deepening through use of remittances	Possibility to support financial market deepening, greater availability of resources or investment and growth; Greater impact on poverty reduction through reduced intermediation costs for remittances
	Education Reforms	Reform of vocational education to match skills to market demands, and reduce incentives to migrate; Reform of higher-education (including certification of degrees)	Disconnect between education and local labor market needs may increase incentives to migration. Demand for certain types of skills may increase as a result of migration opportunities Availability of remittances may increase demand for education by poorest families
	Social Protection	Better targeting of social protection tools to needs of migrants left behind;	Mitigation of negative consequences on families and more generally on social capital in sending communities.
B. Migration-Specific			
Migration Strategy	Strategic and legislative framework	A clear understanding of the multi-dimensional challenges of migration, and the supportive role of government	General-equilibrium nature of migration outcomes
	Government coordination	Assignment of coordinating function and sufficient authority to government body	Economies of scope in government policy-making
International Cooperation	Agreements on key aspects of migration framework with individual receiving states	Frameworks for workers' rights, protection and obligations Addressing portability of Social Security Benefits Addressing issues of health insurance	Overcome negative incentives to bi-directional flows of labour migrants
Diaspora Strategy	Institutional framework for diaspora activities	Provision of “open arms” policy, without excessive government interference	Exploitation of informational asymmetries; wedge between risk premium for insiders/connected and outsiders.

Reforms for Better Migration Outcomes

- **Need for a “Migration Lens”**
- **An Adequate Institutional Set-up**
- **Leadership is Key**
- **Information and Evaluation**
- **Social welfare requires focused policies**

Need for a Migration Lens

- Framing policies with a view to direct and indirect consequences on migration should become more important as the importance of migration rises
- The need for an institutionalized “lens” is important, as experience shows that sectoral policy discussions very often are dominated by domestic concerns and lobbying effort by different stakeholders, who may not be particularly interested in the nexuses with migration and its socio-economic effects
- The migration “lens” is also of importance to assess and counteract, when necessary, possible adverse macroeconomic developments (Dutch disease)

An Adequate Institutional Set-up

- Current labour migration institutional framework inadequate in most EaP countries
- One size does not fit all, but...
- Lack of action on the institutional front is also counterproductive
- To avoid:
 - continuing to deal with migration as a border security issue, for countries that are large exporters of migrants;
 - assigning responsibility for migration matters to departments within ministries, but without sufficient clout;
 - at the other extreme the appointment of high-level commissions that are largely ceremonial and equally ineffective

Leadership is Key

- A crucial element that appears from the review of international experience is the issue of leadership
- No institutional arrangement to foster migration will be effective or long-lasting without substantial support from the top
- The highest authorities of the country can help by sending a clear signal about the crucial importance of migration as a national priority

Information and Evaluation

- Very uneven situation with respect to understanding of migration and its effects (cf. Georgia vs. Moldova vs. Ukraine)
- A major effort should be undertaken to improve and systematize collection of information through household surveys
- Representations in receiving countries should be focused on migrant's needs
- Resources should be devoted to evaluation of existing and potentially future programs

Minimizing Social Consequences Requires focused policies

- In most EaP countries, social protection policies have not been subject to the “migration lens”
- In conjunction with increased and more systematic information flows, policies towards families, returning migrants, children, should be reviewed
- High priority should be assigned to helping in the implementation of the Single Permit initiative (a EU task) through any necessary side negotiations with MS

Implications for EU

- Note the position of Russia:
 - Visa-free travel has not led to unmanageably high immigration.
 - Russia's seeks to strategically encourage immigration from European CIS countries to help ease its demographic transition.
 - Although Russia takes a fundamentally positive view of immigration, the living and working conditions of many labour migrants are still problematic (exploitation by employers, harassment by authorities).
- Perspectives for EU policies
 - Visa liberalization would deepen good neighbourly relations with EaP countries without leading to a huge increase in labour migration.
 - Poverty will be reduced and economic development in EaP countries will be supported by more, legal employment opportunities for labour migrants in the EU.
 - Implementation of the Single Permit Directive, and, where necessary, bilateral agreements on pension portability, health insurance, etc. will improve social security for labour migrants and stabilize host country pension systems.