CARAM Asia Paper: Financial Crisis Impact on Migration.

As the effects of the financial crisis continue to cause a global economic slowdown, millions of migrant workers are set to be deported, causing their families to be pushed further into poverty. While there is an immediate consensus amongst the world's leading financial experts that the long term effects of the financial crisis are yet to be fully understood, Civil Society Organisations (CSO) continue to remind the international community of the dire social and humanitarian consequences. As nation states and financial corporations work on balancing their hegemonic reliance to sustain economic stability, the 200 million migrant workers around the world are left to face a deeply uncertain future.[1]

Figures from the International Labour Organisation (ILO) now claim that as many as 200 millions workers could be pushed into extreme poverty, with more than fifty million jobs set to be lost worldwide.[2] Overall world trade is set to drop by some 2.1%, the first drop in overall global figures since 1982.[3]

As the number of migrants set to lose their jobs increases into the tens of millions, the financial crisis exposes the vulnerability of the neo-liberalist uses of migration espoused by the international community. This accepted paradigm is clearly demonstrated by the Global Forum on Migration and Development (GFMD) which continues to twin migration as a means of developing the sending country's economies. As this process continues, developing countries increasingly rely on Labour Export Policies (LEP) to generate extra flows of revenue but when faced with a universal economic downturn, they are unable to integrate returning workers or rectify the economic shortfall of which they have become dependent.

Migrant workers are often the sole income providers for their families and the estimated retrenchment is likely to push millions of these families further into poverty. Recent studies published by the World Bank, now estimate that level of remittances sent back to developing countries may fall from anywhere between 0.9% - 6%.[4] At the same time, those migrants are able to stay employed, are likely to face increasing rates of stigmatism and persecution by local populations as unemployment figures amongst nationals continues to rise.

This report seeks to highlight three very specific implications of the financial crisis emanating from the mass retrenchment of migrant workers. This will entail identifying (a) the social and economic dangers on the lives of migrant workers and their families (b) the vulnerability of LEPs implemented by developing Asian countries and (c) the overall polarising elements in the internationally accepted migration doctrine. This paper will further demonstrate that in some cases, the financial crisis has become a catalyst exposing existing failures in uses of migration by both developing county's labour exportation policies and the willingness of affluent states to profit from the commoditisation of migrant workers with little to no oversight.

The current financial crisis and its implications on migration can be initially explained by the process of commoditising the migrant workers themselves. Unskilled migrant workers are often employed by receiving countries to provide cheap labour in order for companies and

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[1] *World Migration 2008: Managing Labour Mobility in the Evolving Global Economy*
[2] *Good Look at The Dark Underbelly of Globalisation* by Hardev Kaur in New Straits Times 13/2/2009
[3] Ibid
[4] World Bank 'Migration and Development Brief' (Dec 2008)

states to increase profit margins with little to no social or political accountability.[5] In Russia alone, the use of foreign labour is estimated to account for some 8-9% of the total Gross Domestic Product (GDP).[6] This process thus deems the migrant as more flexible, cheaper and with fewer safeguards than would be accommodated to a national. The lack of accountability towards the worker enables the employer to engage in flexible short term contracts that leave the migrant more susceptible to any downturn in the global market.

This practised doctrine of migration has led to a reversal of the *stratified diffusion* theory, eliminating the so-called 'ladder effect' and leaving the poorest and most vulnerable people in the world to now face the gravest social and economic dangers.[7] This sentiment was recently expressed by an African delegate who stated that *'when the United States catches a cold, many other parts of the world catch pneumonia.'* As the impact of the financial crisis causes a slowdown of regional economies, receiving countries seek to exploit the flexibility of migrant's contracts by deporting the populace in droves.

This is not a new practise and has been used by both nations for decades. When the Asian Financial Crisis first struck in 1997, governments throughout the region deported hundreds of thousands of foreign workers to safeguard the political and economic status quo. As unemployment rose to some 10% in South Korea, 200,000 migrants were deported. In Malaysia, the crisis led to some 850,000 foreign permits not being renewed by the government as their GDP had fallen by some 6.2%. While in Thailand, the authorities took measures to deport some 600,000 as the unemployment rate doubled.

Despite this example demonstrating the vulnerability of the foreign labour workforce and the expedience with which they are viewed by hosting countries, the flow of migration to and from the region has actually increased substantially in the last decade. In Singapore alone, the non-resident workforce has increased by 170% between 1990-2006.[8] This demonstrates that while countries of destination continue to readily exploit the cheap labour of migrants, sending countries merely viewed the crisis as a stopgap, rather than reviewing the economic susceptibility of LEP. Henceforth, as the number of migrants seeking overseas employment increases, the greater the vulnerability of sending countries.

As the current fiscal quandary effects every region throughout the world, many of the destination countries that have a history of profiting from foreign labour now seek to minimise their loses by deporting workers on a mass scale.

One of the main examples of this is the Gulf Co-operation Council (GCC), whose six nations have had a symbiotic relationship with many of the developing countries in the region. Such is the dependency on foreign workers that migrants now account for as much as 40% of the total workforce within these six states. [9] The latest statistics available suggest

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[5] To date, not a single developed nation has signed up or ratified the existing International Convention of the Protection of Migrant Workers (1990) that would implement and safeguard the rights of this increasing mobile workforce

[6] *Russia Waiting for a Paycheck that Never Comes* - Marina Litvinsky Inter Press Service Wed, 11 Feb 2009

[7] Theory developed by Willmott and Young in their work *'The Symmetrical Family'* (1973)

[8] http://www.migrationinformation.org/Profiles/display.cfm?ID=570

[9] The GCC was first formed in 1981 in response to the Iran-Iraq War (1980-88) to form solidarity amongst nations in the region and to form regional economic terms of agreement. The six countries that form this alliance are Saudi Arabia, Qatar, United Arab Emirates, Bahrain, Oman and Kuwait.

that there are currently between 18-20 million migrant workers employed within the region but due to the crisis, and resulting decrease in the global price of oil, some analysts now estimate that as many as 6 million migrants now face losing their jobs, most of these effecting Indian migrants. [10] This especially impacts migrants from Asia, who are largely employed in the development and construction sectors. Bangladesh and Pakistan, the ninth and tenth highest recipients of global remittances, have 63% and 52% of all their remittances are generated by the GCC.[11]

The situation for migrant workers does not fair any better for those working in South East Asian countries. Singapore, a country that is already in recession, has already announced that it intends to deport some 300,000 foreign workers this year according to its official body the Ministry of Manpower (MOM). In Malaysia plans are in place to remove some 800,000 foreign workers by 2010. In order to limit their dependency on foreign labour, the government has initiated a process of only renewing unskilled work permits for a maximum of five years. [12]

It is also crucial to note that the current financial crisis affects the lives of all migrants, not just those who are employed in an overseas country. Since the liberalisation of its markets, over thirty years ago, China has increasingly engaged in a process of urbanisation, in order to provide cheap labour for its factories. This process has now resulted in between 110-150 million urban migrants working in the major cities to support their rural families in the wider reaches of the country. As a result of the downturn in trade, some 15% have already returned to their countryside homes with some 20 million migrants losing their jobs.[13] China's Ministry of Human Resources has already indicated that a further 30 million are also likely to lose their means of employment.[14] The rising unemployment will have severe repercussions on the migrant's ability to provide basic amenities for his family.

These previous examples highlight an increasing desperation amongst the regional migrant workforce to remain employed in order to keep their families out of poverty. Brad Adams, Director of Asia Human Rights Watch, warns that 'the economic crisis could spark a race to the bottom' in rights protections as employers exploit migrant's desperation to work.[15]

A further troubling aspect of the financial crisis is that even if migrant workers living overseas are able to keep their existing employment, they are also likely to face further stigmatism as unemployment increases amongst nationals. Worryingly, in some cases, such behaviour is often enflamed by the behaviour of host governments. Fearing the implications of the financial crisis on its local populace, Russia's Vladimir Putin signed a decree last December aimed at reducing the foreign quota by an initial 900,000. [16] For some though this

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[10] The United Arab Emirates (UAE) is expected to slowdown by from 4.8% last year to some 2.7% this year while the Saudi economy is expected to decrease from 2.7% last year to some 2% this year.

[11] Under this plan there are initial predictions that will result in some 900,000 people being deported from the country. When we consider that there are ten million migrants workers alone from the former Soviet Bloc countries, the true nature of the symbolism of this becomes apparent.

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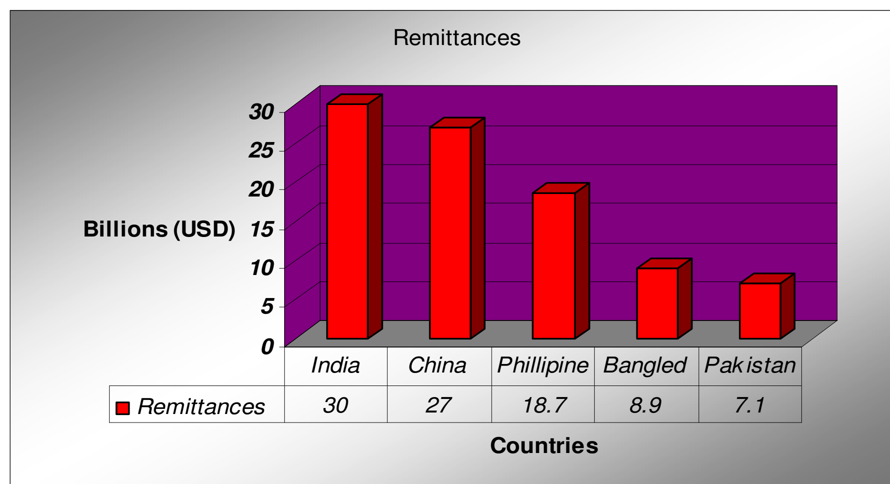
move is not enough and the youth wing of Putin's party known as the 'Young Guards', have launched a campaign calling for the deportation of 'every other foreign worker' from the country.[17] If such xenophobic measures are passed, this alone would result in the deportation of some five million migrants originating from the Soviet Bloc. According to The New York Times, in 2008 alone, some 85 migrants had been murdered with some 367 hospitalised within this country.[18]

As the number of migrants who face deportation from destination countries continues to rise, this in turn, will have a dire impact on the levels of remittances sent back to the migrant's country of origin. The World Bank now estimate that remittances figures could drop from anywhere between 0.9% - 6%, resulting in millions of families losing their ability to keep their livelihoods. Many of these developing countries have enjoyed a steady increase in the flow of remittances and have subsequently promoted larger LEP as a result.

According to official statistics, formal remittances doubled between the late 1980s and the mid 1990s to almost $60 billion, doubled again by 2002 and almost doubled yet again yet again to 208 billion by 2006. Last year saw some 283 billion sent back to developing countries, an increase of some 6.7% from 2007 where the figure was estimated at $265 billion.

The two main reasons for this rise are both the increased number of migrant workers and the reduced cost of banking services. This is most notable amongst developing Asian countries who have sought to capitalise on the increasing remittance figures by exporting larger numbers of their citizens. Of the top ten countries that take in earned remittances, five of these are from Asia. India and China remain the two largest recipients of remittances with the Philippines ranked fourth. Bangladesh and Pakistan remain at ninth and tenth.



While in the past, remittances were known for their stable and sometimes, counter cyclical nature, the International Monetary Fund (IMF) still remains committed to the prediction

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18 Migr*ant Worker Decapitated in Russia* – Michael Schwirtz, New York Times December 12, 2008

that the fall in remittances will not be as catastrophic as the impact on private capital.[19] Such arguments however fail to contemplate that millions of families in developing countries depend of the remittances to provide housing, health protection and other vitally important services.

The expected decrease in the rate of remittances demonstrates the frailty and a case critique of the argument espoused by international community. Due to the neo-liberalistic nature of migration, LEP's rarely act as a viable means of long term development for developing countries and can instead reduce long-term infrastructure and population affluence.[20] Part of the responsibility also lies with the sending countries that continually mismanage their own economies and use remittances to prop up failing economic demands. There is even some evidence to suggest that while migrant workers face increasingly exploitative conditions in the labour market, the remittances that are generated are frequently used to alleviate trade deficits, not fuel development.

Country	**Current Ranking**	**Ranking in 2005**
Malaysia	63	63
Thailand	81	78
China	94	80
Philippines	102	90
Sri Lanka	104	99
Indonesia	109	107
Vietnam	114	105
India	132	128
Laos	133	130
Cambodia	136	131
Pakistan	139	132
Bangladesh	147	140

According to the latest statistics released by the United Nations Development Program (UNDP) through its Human Development report, with the exception of Malaysia, every single country in the region that exports labour has fallen in relation to its standards of education, health and standard of living.[21] Such standards are likely to further decrease as migrants are unable to financially contribute to their family's health and education.

One of the best examples to demonstrate the failings of labour exportation as a national policy is the country of the Philippines. This is a country synonymous for exporting its workers or OFW (Overseas Filipino Workers) in ever increasing numbers. From 1980-1995 the number of citizens working overseas tripled to just over 3 million and since nearly quadrupled to 11 million. Yet despite the ever increasing levels of remittances, spending on job creation, education[22] and health services[23] continues to fall well below the GDP spending recommendations approved by the international community. As a result of its increasing dependence of exporting its own populace overseas, the economic self management is ever increasingly bleak. Last year, a mere 23.1% of their total GDP was generated from the manufacturing sector which the lowest documented figure since the 1950s. At the same time agriculture constitutes the lowest GDP figure in the country's history. With a lack of appriote finance being spent on job creation, there were 803,000 more unemployed nationals compared to 2000.[24]

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[19] *IMF: US accounts for one-third of annual remittances to Developing Countries of $*100bn –IMF Finfacts Team (Apr 9, 2005)
[20] See ***Labour Export as Government Policy: The Case of the Philippines*** By Kevin O'Neil Migration Policy Institute (January 2005)

[22] In relation to educations the Philippines also fails to comply with UNESCO's benchmark for education is 6% of GNP, spending a mere 2.5% in 2008. In terms of regional comparisons of spending on education, Malaysia spends ten times, Thailand six times, India four times and Sri Lanka three times as much.

[23] The country also continually spends less than the WHO recommended 5% benchmark of their GDP on health. Last year, the Philippines spent a mere 1.5%. or a mere 253 pesos per person.

While it is feasible to suggest that in the short term, remittances alleviate poverty, malnutrition and develop minor infrastructure, the long term social costs are often overlooked. National policies often fail to consider that LEP only traps the national economies into a state of economic dependence and at the same time render the countries largely incapable of tackling the effects of the financial crisis.

As the levels of remittances going into to developing countries decreases, the role of foreign aid becomes crucial to the stability of millions of lives. The International community must work with developing countries to limit the long term effects of the crisis. While the European Union (EU) has agreed to finance projects with some sixteen labour exporting countries including Sri Lanka and the Philippines, these projects remain both under funded and plagued with mixed signals.[25] lso continuing to impact structural lines of assistance with the finance for this project decreasing from 18 million (October 08) to 12 million (January 09). At the same time, it is vital to note that many states within the EU have signed legislation making it easier for nations to limit the appeals procedure and thus easier to deport migrant communities.[26]

The international community and role of foreign aid is also crucial to the issue of migrant's access to health services. Migrants and mobile populations are also continually denied adequate health access in both countries of origin and destination and the financial crisis is likely to deep this process. The return of migrants and slowdown in the exporting sector is likely to lead to developing countries to spend less on health for their citizens. At the same time, destination countries are predicted to further deny migrant workers any feasible access under the guise of the economic slowdown.

Speaking recently at the University of College London's Institute on Global Health, Richard Horton, from the British medical journal 'The Lancet', argued that the financial crisis may have catastrophic effect on global health. As migrant communities are no longer able to afford medical treatment or provide nutritional quality for their families, the effects of the crisis will be felt for generations. Furthermore, health unlike trade, is unstructured and unenforceable which means that any of the World Health Organisation's list of recommendations are merely advisory, and therefore not obligatory for either countries of origin or destination. There is therefore, an immediate need for migrants to pressure for political action, reasserting health issues in the economical reform of developing countries.[27]

Since 2006, migrant workers have been deemed by UNAIDS as one of the Most at Risk Polpulations susceptible to HIV infection yet, as a result of the financial crisis, international donations towards fighting the AIDS virus are estimated to decrease. Peter Piot, former Executive Director of UNAIDS has already stated that even if the levels of donations remain the same, by 2011 there will be an extra 3 millions deaths a year.[28]

The financial crisis demonstrates that there is an urgent need for greater regulation of the financial sector to manage corporate power and the impacts that this will have on mobile populations. The years of unchecked corporate power structures and commoditisation of migrant workers has now led to the detriment and vulnerability of millions throughout the

world. While this does not mean the end of capitalism, it does mark a vital need to readdress the aims of the financial markets and to strengthen accountability of this sector.

It is of critical importance that migrant communities, governments of origin and CSO reiterate the social contributions that migrants have within countries of destination and to engage in talks with destination governments to provide appropriate safeguard mechanisms. This in turn will lead to safer working environments for all foreign nationals working within their borders in both times of normality and crisis. It is the responsibility of all governments to eliminate xenophobic tendencies that has resulted in generic policies; determining the migrant as a mere economic pawn.

The impacts of the current financial crisis demonstrates that governments of origin must immediately review their use of labour exportation as a viable means of developing their own economies and instead look to develop through the national exportation of production and others means. This, in turn, will both provide both job creation, political accountability and will reduce the level of economic vulnerability under the current LEP framework.

If developing countries wish to continually profit from exporting their citizens, on any level, then they must subsequently take an active role in protecting the health and social rights of these same citizens when overseas. Part of this requires nations to legislate that all employment agencies must provide mandatory Pre-departure Orientation Seminar (PDOS) to educate their nationals on HIV prevention and health education. This must also result in sending countries working with other destination governments on an international accountable basis and not merely through such informal channels as the GFMD. This requires countries of origin to develop stronger legislation committed to providing safety to their citizens and not to sacrifice this in order for their LEP to remain competitive.

In conclusion, the impact of the financial crisis demonstrates there is a need for all countries in the Asian region to form bilateral regional mechanisms to act as a safety net, reducing the overall sociological consequence. Such talks must formulate legislation providing all regional inhabitants with a list of rights enabling all of the would-be migrant to be less expendable under the stricter terms of employment.

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