GMF - OCP Policy Center Joint Seminar series

Migration in the South Atlantic

Philip Martin, non-Resident Senior Transatlantic Fellow, GMF

14 November 2014

Migration in the South Atlantic

Highlights

- From (1) inter-continental to (2) intra-continental migration to (3) migration cooperation across the South Atlantic?

- Why more migration? 2 inequalities & 3 revolutions
  - Demographic & economic inequalities, & communications & transportation revolutions
  - Governments try to manage migration by adjusting migrant rights

- Africa & South America: more migration
  - Dynamic continents with uneven growth create a supply of and demand for migrants
  - Can Africa & South Africa manage rising migration?

Migration: Mostly emigration from A & SA

- Africa: 30 million emigrants, 8 million from N Africa & 22 million from SSA (2010)
- Latin America & Carib: 30 million emigrants, including 9 million from S America
- Many regional FTAs allow & promote migration, from ECOWAS to MERCOSUR, but there is little migration under most FTAs
- Many regional migration dialogues express concern for migrant rights, but uneven implementation
- Which way forward to improve cooperation on migration?

Migration: a journey of hope & fear. Hope for improvement, fear of the unknown

Refugees or economic migrants?
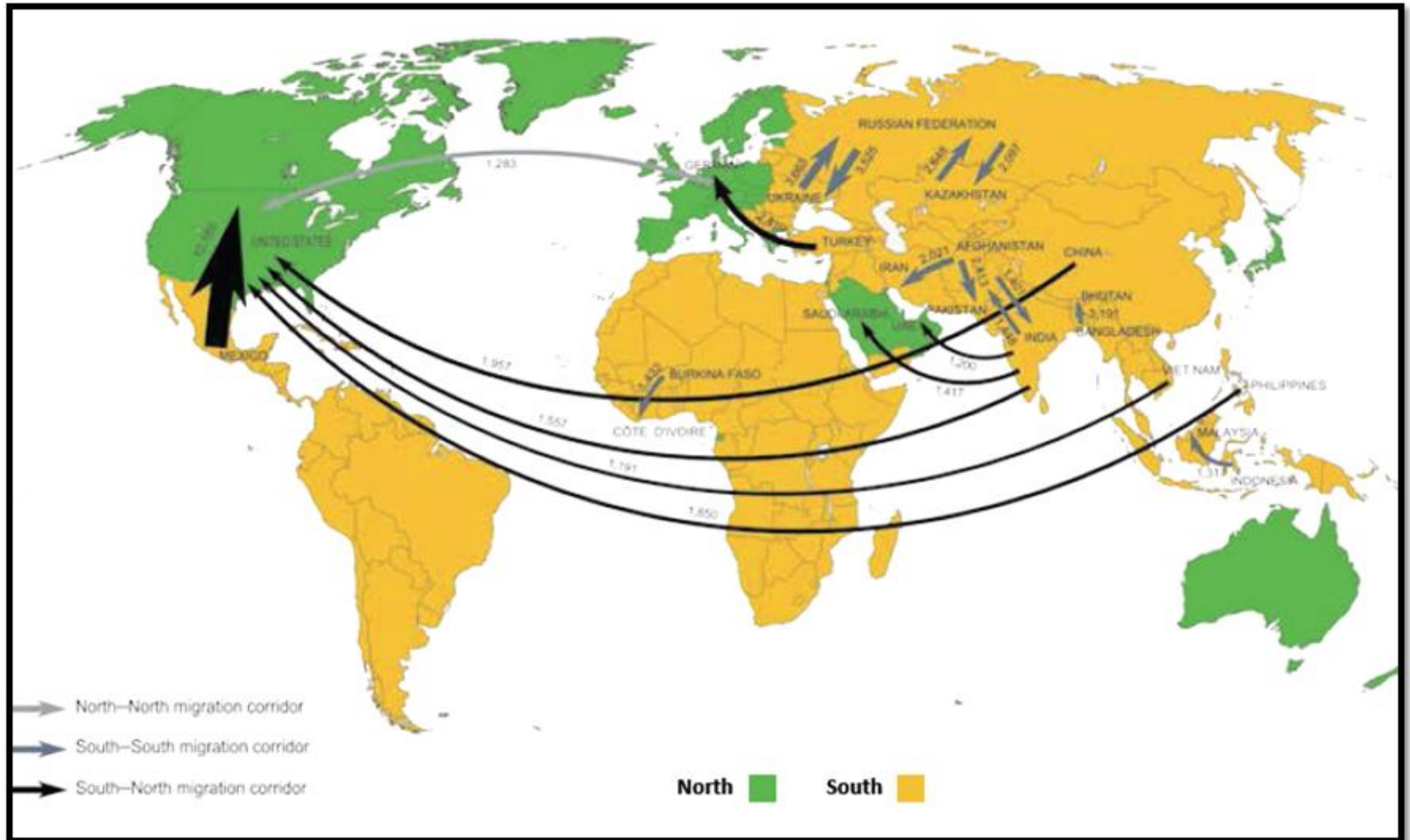
Mariel boat lift: 1980

Lampedusa October 2013

Rwandan Hutus: 1997

Why more International Migration?

- UN: migrant is anyone outside country of birth >12 months; any reason, all legal statuses

- 2013: 232 million migrants, 3.2% of world pop. 60% of all migrants are in the 30 richest countries

- **Demographic inequality**: 1/6 of world's pop in 30 rich countries; 5/6 in 170 poorer countries

- **Economic inequality**: 30 rich countries generate 2/3 of $66 trillion GDP; people who move 170 poor to 30 rich can increase income by 10x, $4,000 to $40,000

- **3 revolutions:** communications, transportation, & rights, make it easier to learn about opportunities abroad, cross national borders, and stay abroad
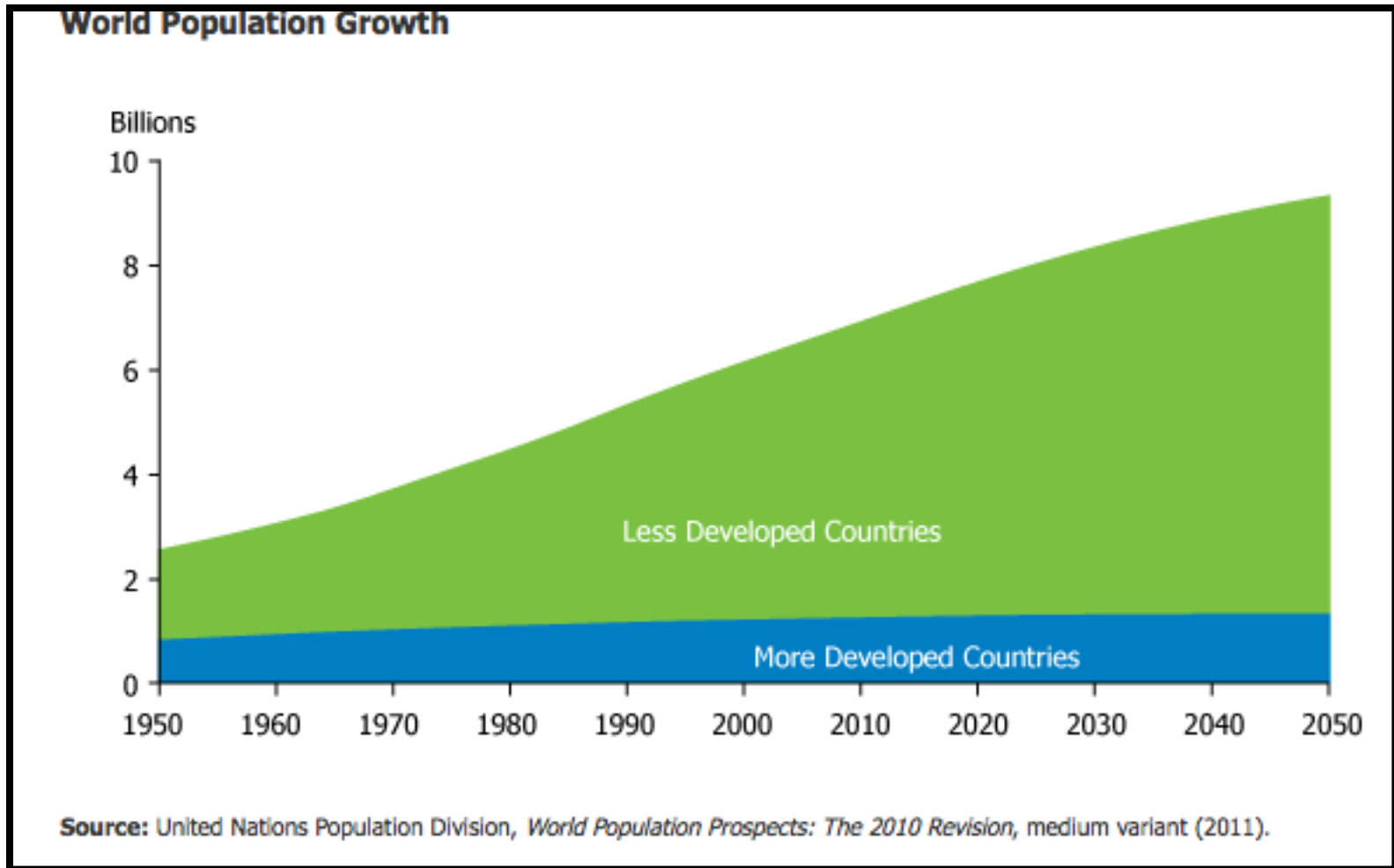
Most migrants move from poorer to richer countries: #1 US 20% of all migrants; #2 Russia 5%; #3 Germany 4%

North—North migration corridor
South—South migration corridor
South—North migration corridor

North 🟩   South 🟧

Inequality #1 = Demography

- World population: + 81 million a year; add a Belgium a month, a Germany a year
- 1804: World population first reached 1 billion
- 1927 = 2 billion, took 123 years
- 1959 = 3 billion, took 32 years
- 1974 = 4 billion, took 15 years
- 1987 = 5 billion, took 13 years
- **1998 = 6 billion, took 11 years**
- 2011 = 7 billion, took 13 years
- 2025 = 8 billion, projected 14 years
- 2045 = 9 billion, projected 20 years
- How many people have ever lived? 100 bil to 115 bil
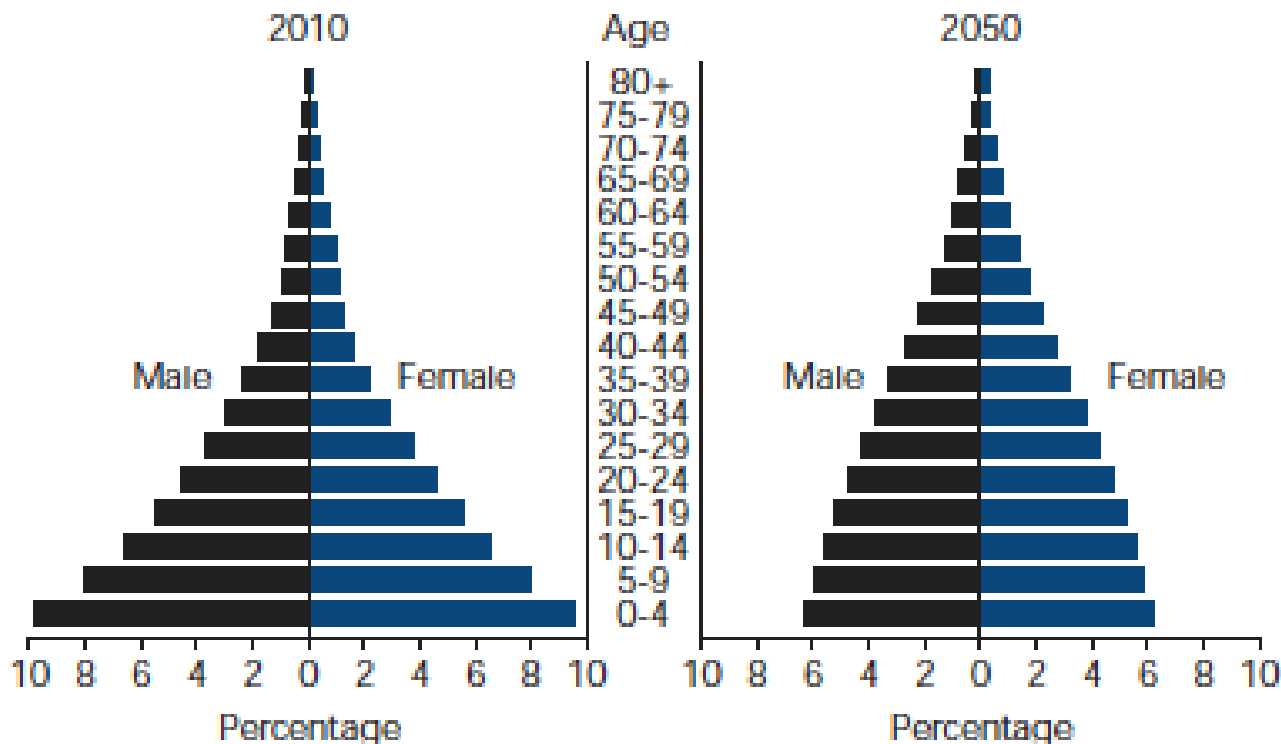
All Population Growth is in 170 LDCs

World Population Growth

Source: United Nations Population Division, *World Population Prospects: The 2010 Revision,* medium variant (2011).

Industrial countries: 1/6 of pop <15 AND >65
Germany: 81 million, 13% <15, 20% >65, women average 1.4 children

Age and Sex Structure of Germany, 2009 and 2050
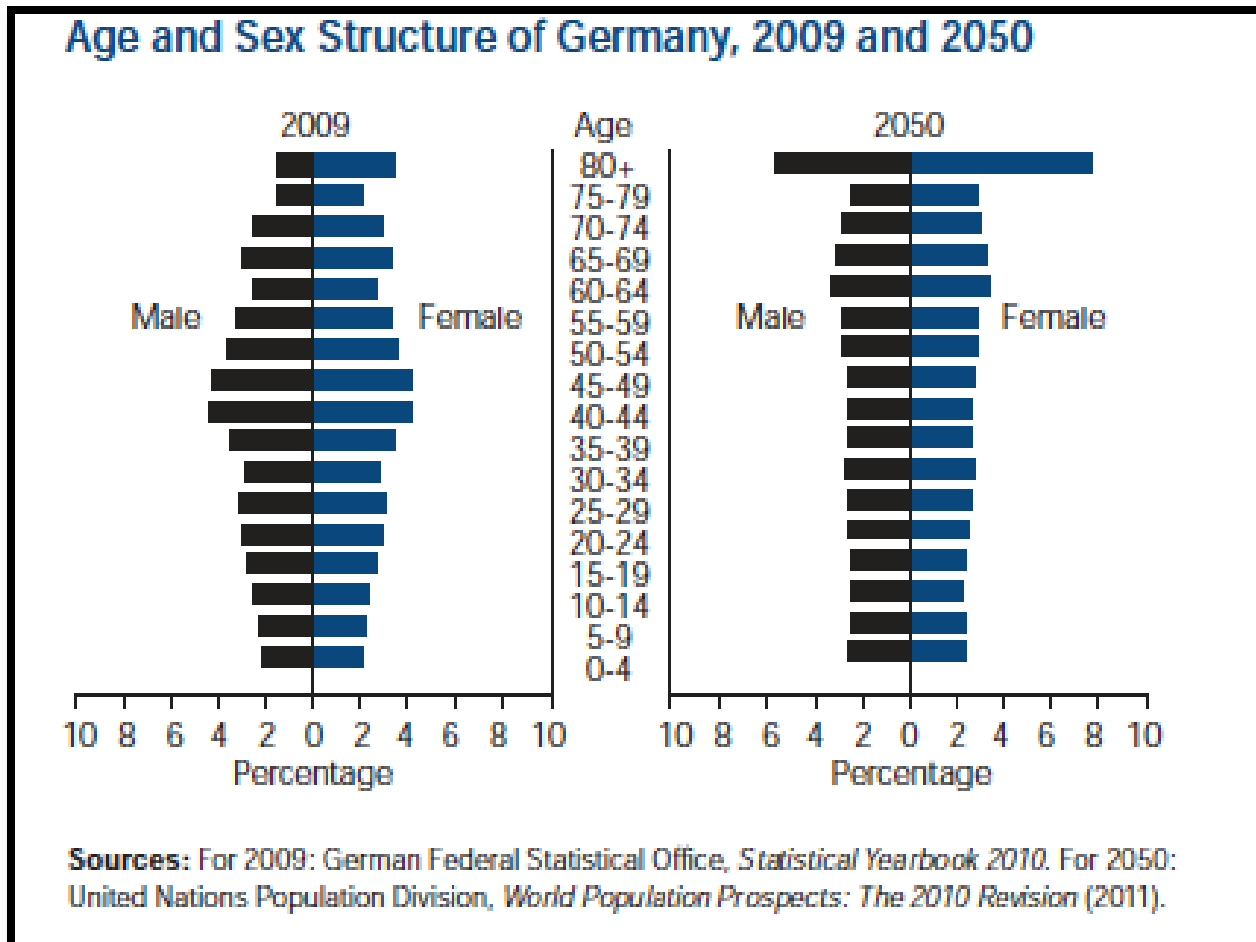
Developing countries: 1/3 <15 AND 5% >65
Uganda: 35 million, 48% <15, 3% >65,
women average 6.2 children

Age and Sex Structure of Uganda, 2010 and 2050
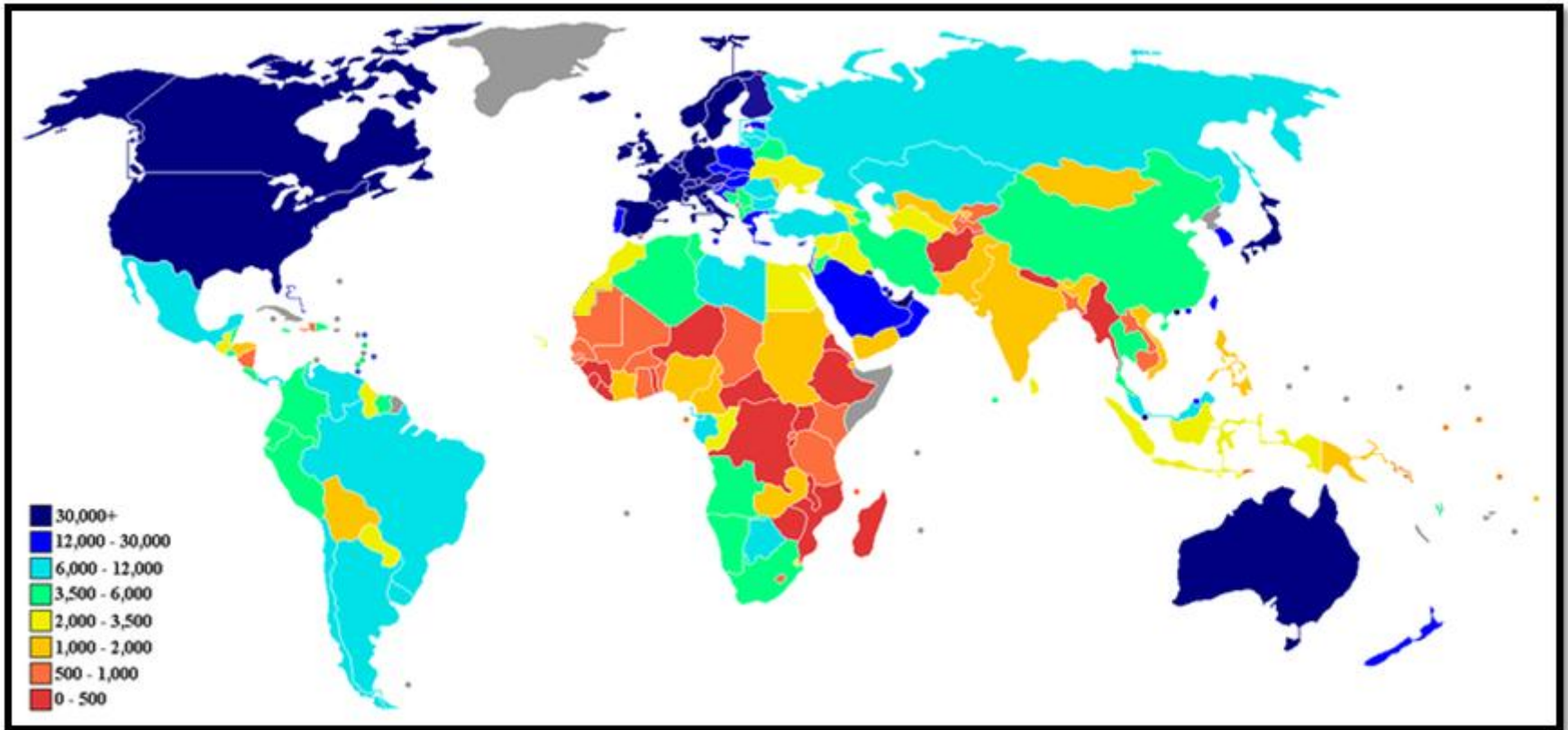
Growing Lagos, Shrinking Berlin

Inequality #2: economics
Norway richest ($90,000), Congo poorest (<$500 per person per year)

Legend:
- 30,000+
- 12,000 - 30,000
- 6,000 - 12,000
- 3,500 - 6,000
- 2,000 - 3,500
- 1,000 - 2,000
- 500 - 1,000
- 0 - 500

Agriculture: world's #1 employer. 1.1 billion of world's 3.3 billion workers are employed in ag, including 40% as wage workers
Youth leave agriculture: Zambia & Gambia

Youth eager to migrate

From 2010 to 2030: Labor Shortages & Surpluses

- McKinsey's 70 countries: 25 DCs + 45 LDCs with 4.5 billion residents who were 15-64 in 2010

- 8 clusters of countries: 4 DC & 4 LDC groups grouped by years of schooling & median age
  - DCs: higher median age, more education (but S Europe: same educ as China & 10 years older)
  - LDCs: India: ave 7 years education; median age = 25

- All labor force growth = in LDCs between 2010 & 2030
  - 2030: project shortages of high-skilled workers & surpluses of low-skilled workers in BOTH DCs & LDCs
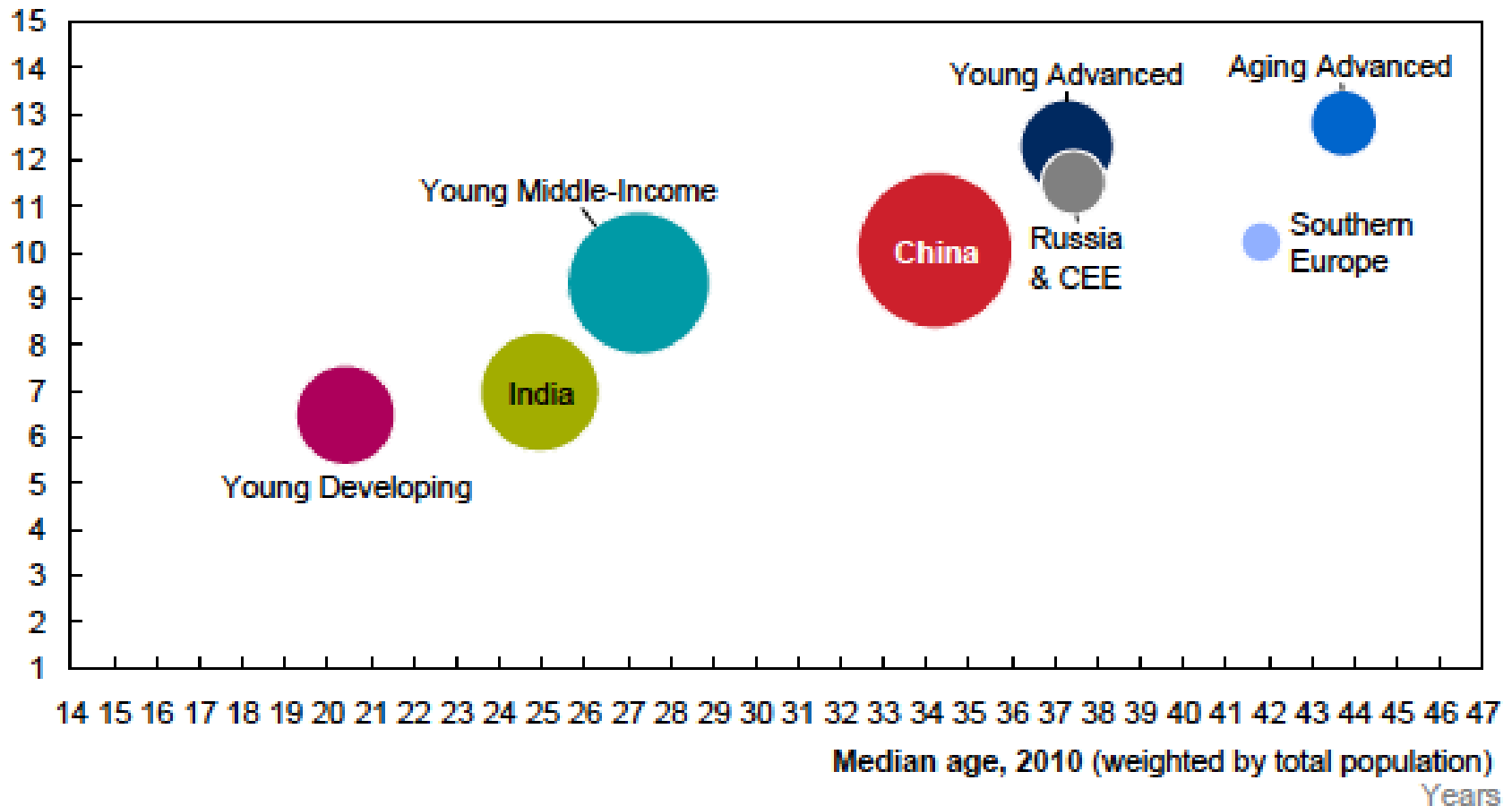
McKinsey: group countries by median age & education

70 countries fall into eight labor-market clusters, distinctly positioned by age and education

○ Size of circle represents total size of the labor force of the cluster in 2010

Education Index, 2010 (weighted by working-age population)
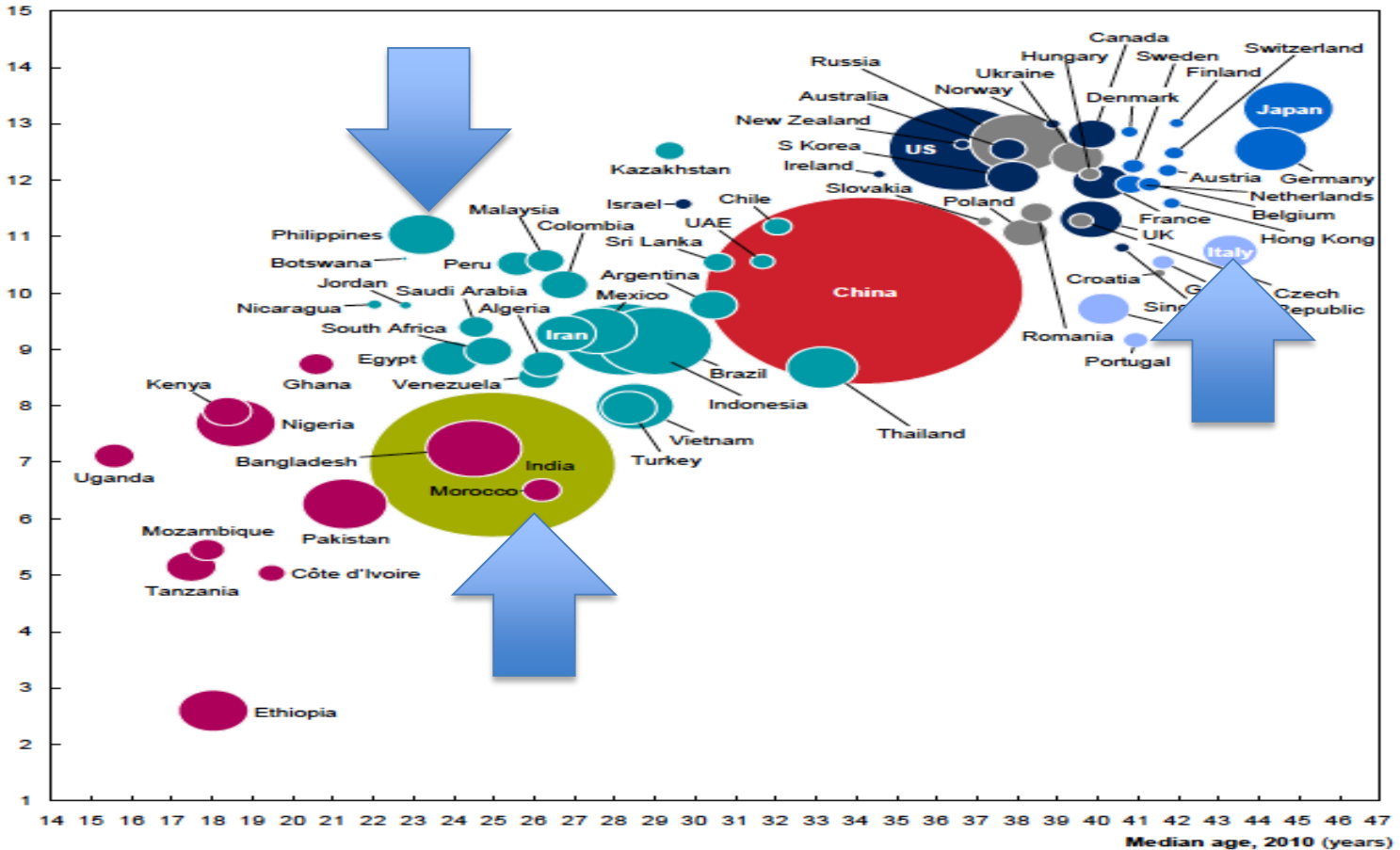Education attainment levels weighted by years of schooling

Young Advanced

Aging Advanced

Young Middle-Income

China

Russia & CEE

Southern Europe

India

Young Developing

Median age, 2010 (weighted by total population)
Years

Global labor markets fall into eight clusters, each distinctly positioned in terms of age profile and educational attainment

○ Size of circle represents total size of the labor force of the country in 2010

Cluster	Young Developing	Young Middle-Income	India	China	Young Advanced	Russia & CEE	Southern Europe	Aging Advanced
Workers Million	322	640	469	783	290	141	60	145
GDP per capita $	<3,000[2]	3,000–20,000[3]	3,000	7,000	25,000–50,000[4]	10,000–20,000[5]	20,000–30,000	30,000–45,000

Education Index, 2010[1]

Canada, Switzerland, Russia, Hungary, Sweden, Finland, Ukraine, Australia, Norway, Denmark, Japan, New Zealand, S Korea, US, Ireland, Slovakia, Austria, Germany, Kazakhstan, Israel, Chile, Poland, Netherlands, Colombia, UAE, Belgium, Malaysia, Sri Lanka, France, Hong Kong, Philippines, Botswana, Peru, Argentina, UK, Croatia, Czech Republic, Jordan, Mexico, China, Saudi Arabia, Nicaragua, Algeria, Romania, Portugal, South Africa, Iran, Egypt, Brazil, Kenya, Ghana, Venezuela, Indonesia, Nigeria, Bangladesh, India, Vietnam, Uganda, Morocco, Turkey, Thailand, Mozambique, Pakistan, Côte d'Ivoire, Tanzania, Italy, Ethiopia
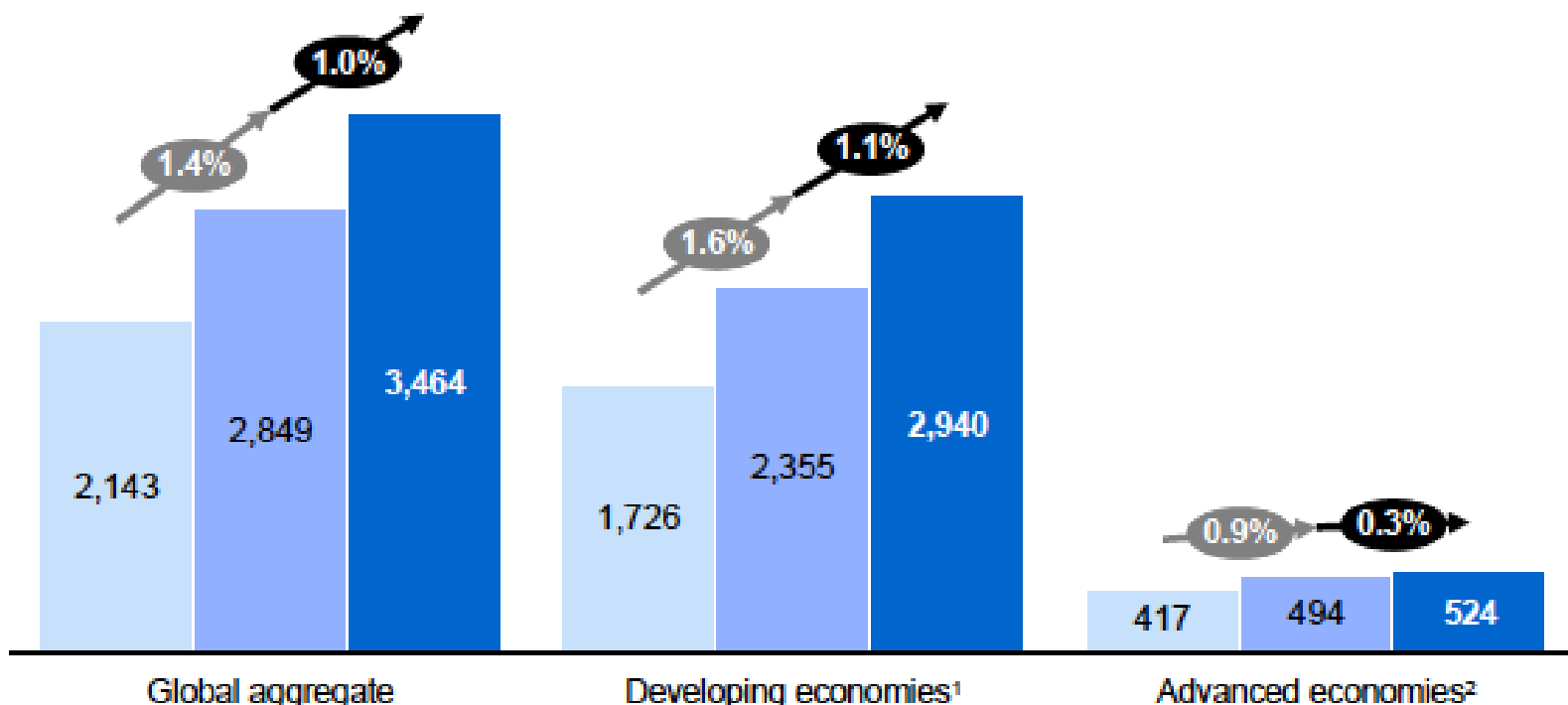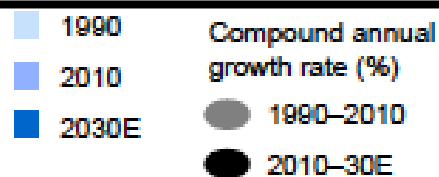
Median age, 2010 (years)

1 Calculated based on attainment levels of working-age population, and relative weights for each attainment level—4 for no education, 6 for primary, 12 for secondary, and 16 tertiary.
2 With the exception of Morocco (GDP per capita of $7,100).
3 With the exception of UAE (GDP per capita of $28,500).
4 With the exception of South Korea (GDP per capita of $23,500).
5 With the exception of Czech Republic (GDP per capita of $22,300) and Ukraine (GDP per capita of $6,000).
NOTE: All money data in this report is expressed in US dollars ($) and at 2005 purchasing power parity (PPP) levels; for more detail on methodology for clusters, please see the appendix.
SOURCE: United Nations Population Division (2010 revision); ILO; IIASA; McKinsey Global Institute analysis

GROWTH in LDC LF, 2010-2030 = SIZE of DC Labor Force. DCs now have 10% migrants (60 million of 600 million). What will 600 mil more workers in LDCs do?

Labor force growth will likely slow worldwide and become flat across advanced economies by 2030

Labor force
Million workers

Legend:
- 1990
- 2010
- 2030E

Compound annual growth rate (%)
- 1990–2010
- 2010–30E

Global aggregate:
- 2,143 (1990)
- 2,849 (2010) — 1.4%
- 3,464 (2030E) — 1.0%

Developing economies[1]:
- 1,726 (1990)
- 2,355 (2010) — 1.6%
- 2,940 (2030E) — 1.1%

Advanced economies[2]:
- 417 (1990)
- 494 (2010) — 0.9%
- 524 (2030E) — 0.3%

1 Includes 45 countries from the Young Middle-Income, China, India, Young Developing, and Russia & CEE clusters.
2 Includes 25 countries from the Young Advanced, Aging Advanced, and Southern Europe clusters.
SOURCE: United Nations Population Division (2010 revision); ILO; local statistics for China and India; McKinsey Global Institute analysis

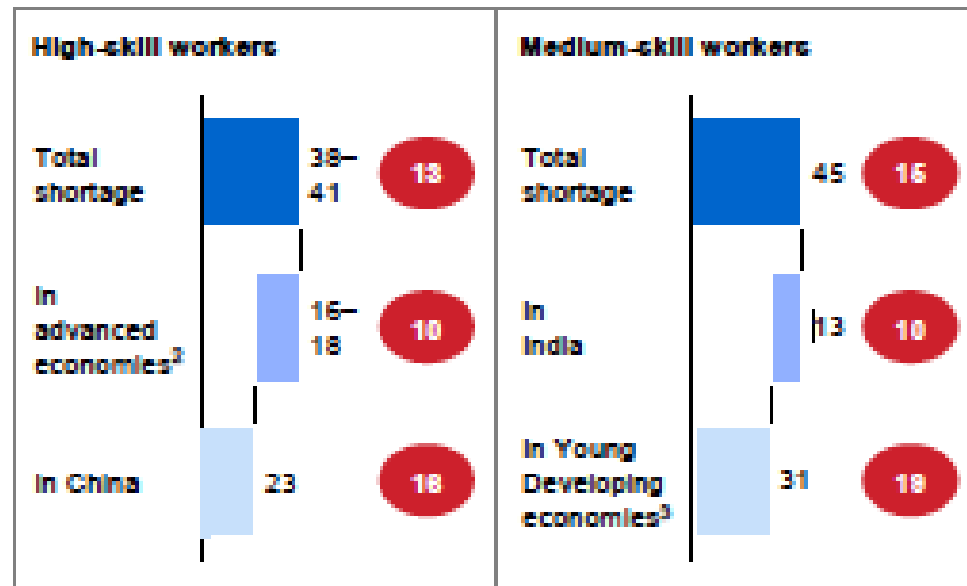# 2030: shortages of skilled, surpluses of low-skilled

In the "momentum" case, the world is likely to have too few high-skill workers and not enough jobs for low-skill workers

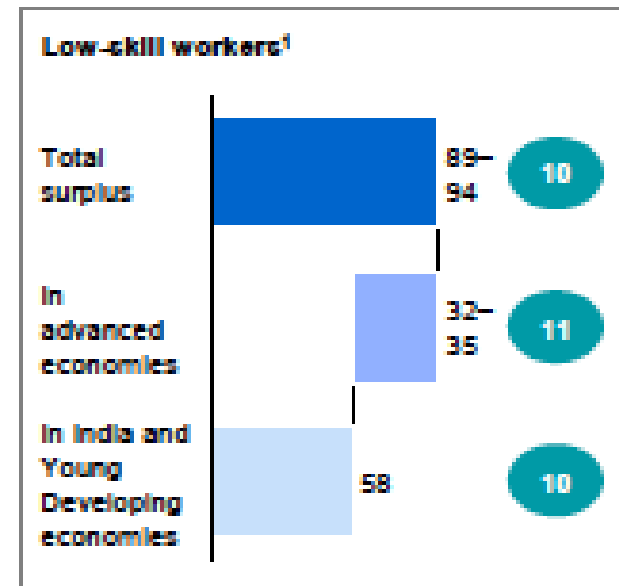Gap between demand and supply of workers by educational attainment, 2020E
Million workers

● % of supply of skill cohort
● % of demand for skill cohort

Shortages

High-skill workers

Total shortage	38–41	13
In advanced economies[2]	16–18	10
In China	23	16

Medium-skill workers

Total shortage	45	15
In India	13	10
In Young Developing economies[3]	31	19

Surpluses

Low-skill workers[1]

Total surplus	89–94	10
In advanced economies	32–35	11
In India and Young Developing economies	58	10

1 Low-skill defined in advanced economies as no post-secondary education; in developing, low skill is primary education or less.
2 25 countries from the analyzed set of 70 countries, that have GDP per capita greater than US$ 20,000 at 2005 purchasing power parity (PPP) levels in 2010.
3 11 countries from the analyzed set of 70 countries, from South Asia and sub-Saharan Africa, with GDP per capita less than $3,000 at 2005 PPP levels in 2010.

SOURCE: McKinsey Global Institute analysis

Demographic & economic inequalities are like battery poles. POTENTIAL migration, but migration requires links over borders
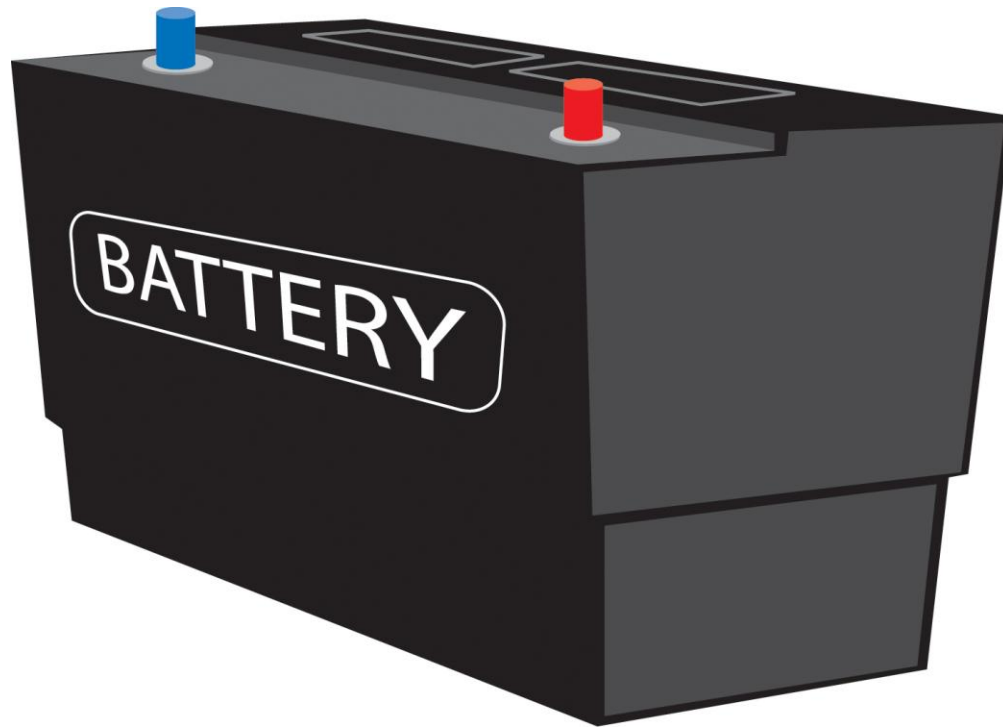
# 3 Revolutions: Communications to learn about opportunities

3 Revolutions: Transportation easier and cheaper to cross national borders

**3 Revolutions:
Rights, harder for governments to remove migrants who want to stay**
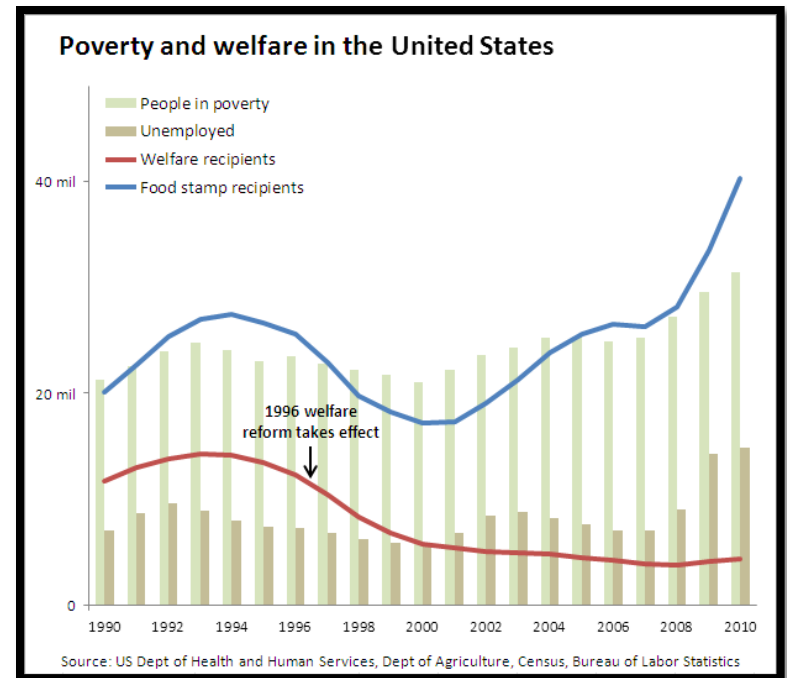
Manage migration by "adjusting" migrant rights
Europe asylum crisis 1992: require visas, carrier sanctions, safe third countries

A New Beginning
Welfare to Work
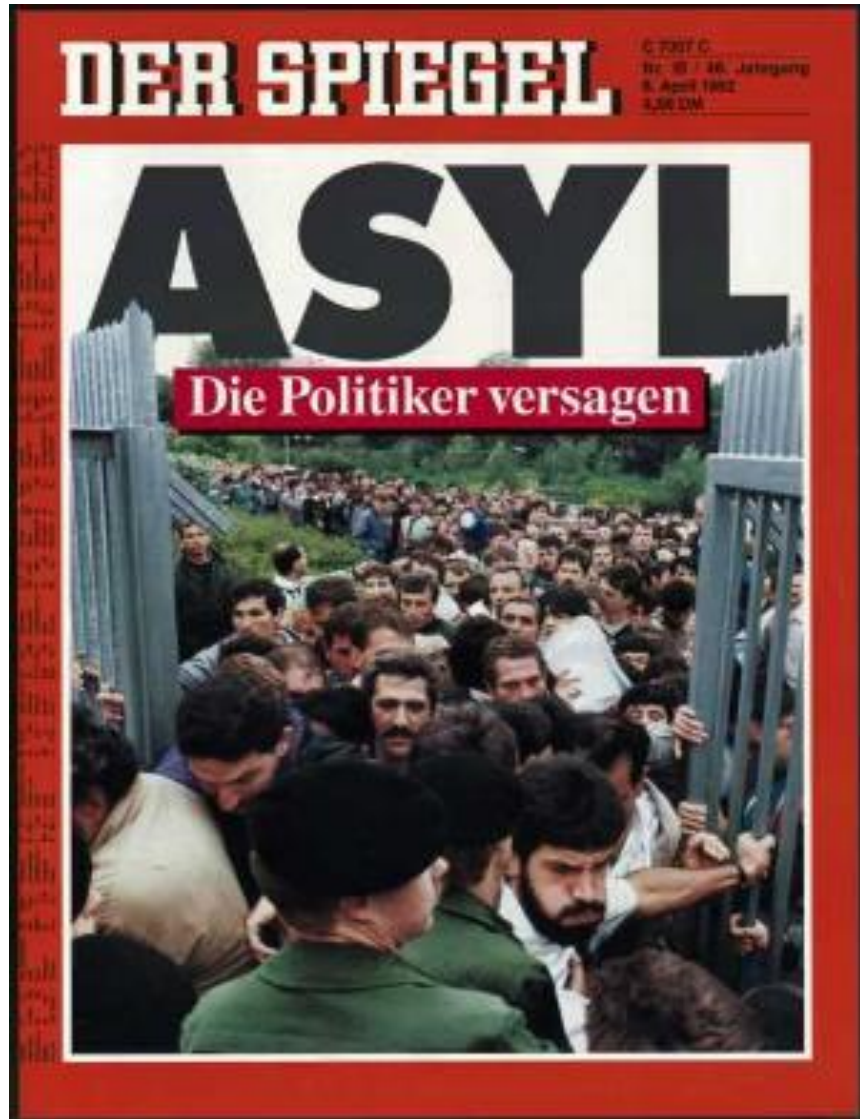
Disconnect between major govt management tool—adjust migrant rights—and UN "rights-based" approach to migration—treat migrants equally

US 1996: almost half of the federal savings from welfare reform from restricting access of immigrants to benefits, immigrants = 11% of population

Poverty and welfare in the United States

- People in poverty
- Unemployed
- Welfare recipients
- Food stamp recipients

1996 welfare reform takes effect

Source: US Dept of Health and Human Services, Dept of Agriculture, Census, Bureau of Labor Statistics

Migration infrastructure: serves whose interests?

- Businesses that profit from moving workers over borders, including recruiters, travel agents, govt agencies etc
- Matching workers with jobs is hard because of asymmetric information
  - Employers know more about the jobs they offer
  - Workers know more about their abilities
- Recruitment: matching workers with jobs has costs
  - For-profit recruiters: employers pay recruitment fees for high-skilled workers, but low-skilled workers pay their recruitment costs
  - Why do low-skilled pay? More workers than jobs
  - Best protection for migrants: the ability to say NO to a bad foreign job or high recruitment charges (worker can say no if she has good alternatives at home)

Trust employers on labor shortages?
52% of US firms report "talent shortages"
Peter Cappelli: employers want "purple squirrels"

Many people WITH IT jobs were rejected when they applied for their own jobs; humans look at only 1-2% of resumes sent to Apple, Intel etc

Square Pegs, Round Holes
An overview of the employer-candidate mismatch

52%
of U.S. companies report difficulty filling jobs

47%
of employers blame prospects' lack of "hard" job skills or technical skills

35%
of companies cite candidates' lack of experience

25%
of companies blame lack of business knowledge or formal qualifications

28%
of companies are increasing staff training and development

Source: ManpowerGroup

PETER CAPPELLI

WHY GOOD PEOPLE CAN'T GET JOBS

The Skills Gap and What Companies Can Do About It

# Sharing the wage gap that motivates migration

Wage gaps are often 8 : 1—earn more in an hour abroad than in a day at home

- How should the wage gap be shared between recruiters, governments, and workers?

- ILO & NGOs: workers should get ALL of the wage gap—employers should pay all recruitment costs

- Philippines: Workers can pay 1 month's foreign earnings: 4.2% with 2-year contract, 2.8% with 3-year contract

- Many migrants pay far more: up to a third of what Arabs & South Asians will earn in Gulf oil exporters. Some migrants take out loans at high interest rates to pay recruiter fees, so they arrive in debt and are vulnerable—they have no way to repay debt if they lose their jobs and must go home

- Migrants can pay in many ways: lower wages, fewer benefits, rent for housing etc

Cooperate to reduce recruitment & remittance costs?

- After 9/11: governments cooperate to encourage migrants to use regulated financial institutions to send money home
  - Allow migrants to open bank accounts so that banks compete with Western Union
  - Average cost to send $300: from 15% or $45 in 2000 to 10% or $30 in 2010
  - World Bank's 5 x 5 program. Reduce remittance costs from 10 to 5%
- Remittance transactions: standard & frequent (1 or 2x/month), consequences of bad outcomes = lost money
- Recruitment transactions: less frequent, consequences of bad outcomes = debt peonage, trafficking victim
- Bangladeshi in Gulf: earn $200/mon or $7,200 over 3 yrs
  - Remit $5,000—reduce remittance costs from 10% to 5%, & save $250 over 3 years
  - Recruitment costs = $2,000: reduce by half and save $1,000, plus financing costs

Transferring $400 billion a year to developing countries. 10% fees = $40 billion

Sources: World Development Indicators and World Bank DECPG estimates
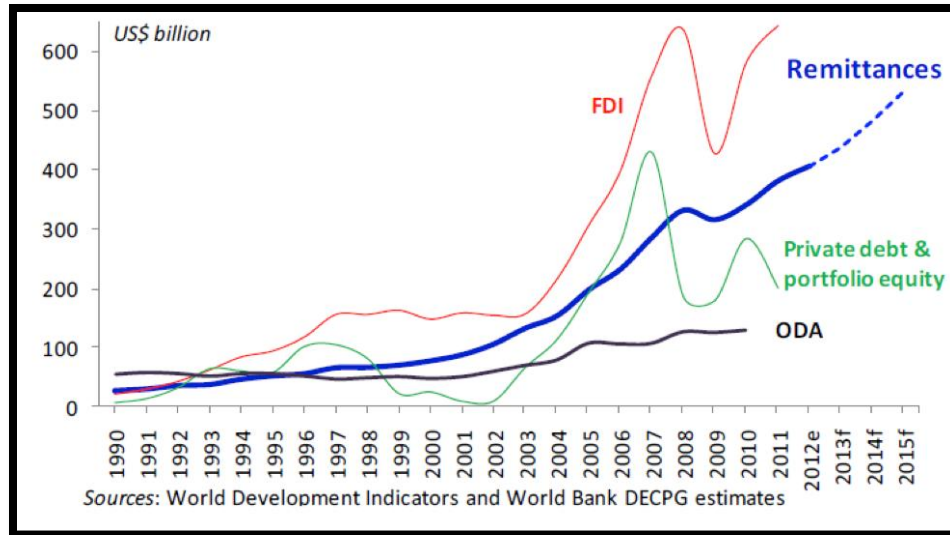
Remittance Costs: MENA

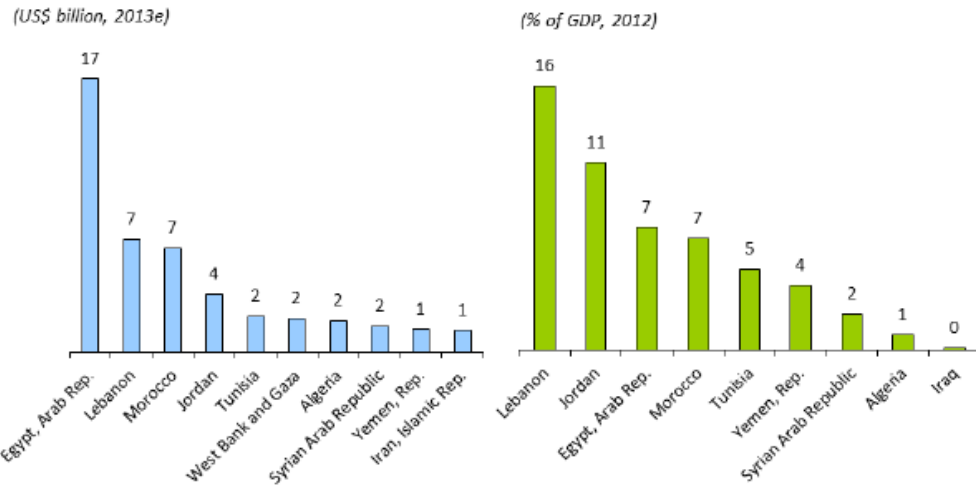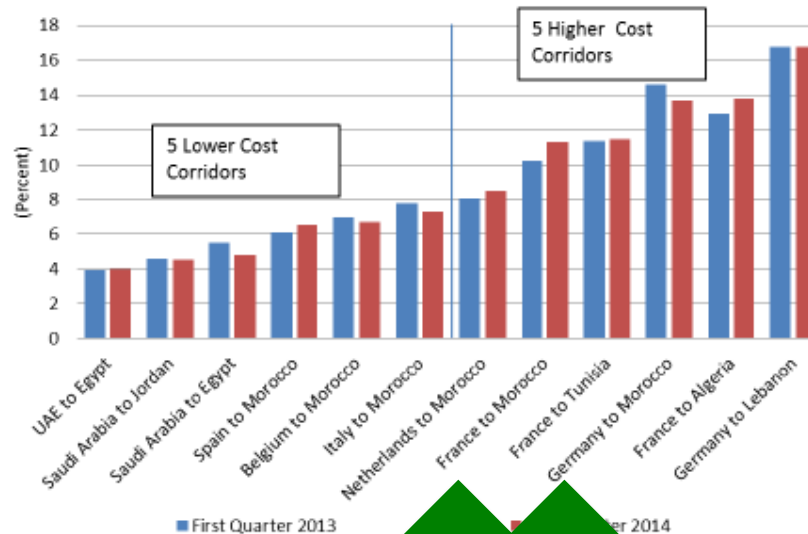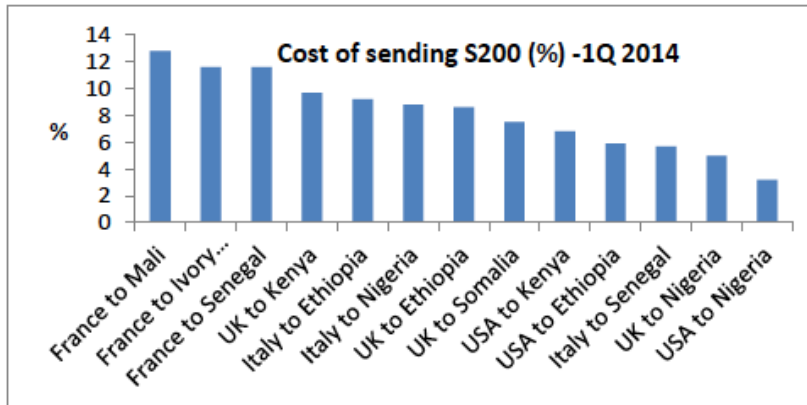Figure 18: Largest recipients of remittances in MENA

Figure 19: Remittance costs - lowest and highest in MENA (average cost of sending $200)

Remittances costs: Sub-Saharan Africa (M-pesa or mobile money)

Figure 25: Costs of sending remittances, 1 Quarter 2014

Cost of sending $200 (%) -1Q 2014

Source: Remittance Prices Worldwide, World Bank.

M & D: Can more migration spur development?

- Africa: $1.9 trillion GDP (2011): 22% SA, 12% each in Nigeria & Egypt

- Latin America: $5.7 trillion GDP: 42% Brazil, 21% Mexico

- Many African and SA economies are shifting from exporting resources to manufacturing & service exports. Relatively little trade across the S Atlantic

- High-skilled migrants tend to leave for industrial countries, but most low-skilled move nearby (exceptions: North Africans to Europe, Mexicans, Cen Americans, & Carib to US)

- Many leaders want more migration via FTAs, more doors into richer countries, and GATS visas. Theory: migration offers jobs for jobless, remittances for improved lives & investment, & returns with new energy & creativity.

- But will more migration and remittances spur development?

M & D: the 3 R links

- **Recruitment**: who goes abroad? Those who would be jobless at home or key managers, health workers etc?

- **Remittances**: How much? How spent (what multiplier effects?) Do social remittances change behavior?

- **Returns**: return of success or return of failure? What do returned migrants do—entrepreneurial investment or rest & retire? Diaspora links?

- Lesson #1: No automatic link between migration and development. More migration can speed (Korea) **or** slow (Jamaica) development. Migration econ--Phil

- Lesson #2: Policy matters. Migrant-sending countries with correct fundamentals (ERs, invest opps etc) attract remittances & investment

Policies to help migration contribute to development

- There are no universal solutions, only trade offs

- **South Africa**: resource boom in Australia attracted skilled miners. Replace by training locally or recruit E Europeans? What balance between locals & migrants?

- **Health-care workers:** former colonies have similar training system, making it easier for migrants to get doctor & nurse licenses abroad. Limit out-migration or improve conditions to retain doctors & nurses?

- **Young graduates**: high share of North African youth earn college degrees, but cannot get jobs at home that use their degrees. Jobless at home or move abroad? What if SSA migrants fill low-wage jobs & distort N African labor markets?

FTAs & RCPs

- **Free-trade agreements**: expedite trade & investment; FTAs have mobility provisions—EU, NAFTA, ASEAN
    - Can African FTAs implement free-movement provisions? Should FTAs allow for 2- or 3-speed integration, viz, faster integration for some countries? Trade before migration (EU)?
    - Promote mobility with students, credentials recognition, & social security coordination?
- **Regional Consultative Processes**: forums to share experiences, deal with particular migration issues
    - Informality reduces government fears & costs, but does informality also reduce adoption of effective measures?
    - How to balance national sovereignty with regional power, as with EU enforcing free mobility?
    - RCPs: dialogue is good, but need realistic expectations

RCPs: (1) facilitate legal migration; (2) reduce irregular migration; (3) strengthen migration-development links

Moving Forward: Managing Labor Migration

- Prediction. More international migration & more complex patterns, from S-N to S-S. Biggest win-win-win outcomes are for low-skilled workers who move between countries from poorer to richer countries

- 2 inequalities & 3 revolutions encourage more migration. What alternative to adjusting migrant rights?

- 3 Rs of recruitment, remittances & returns link migration's effects on development. No automatic M&D link, policy matters

- South Atlantic: many FTAs & RCPs, but how effective? What balance between enabling mobility, protecting workers, and ensuring that migration = faster development in both migrant-sending & receiving?

Left cover:
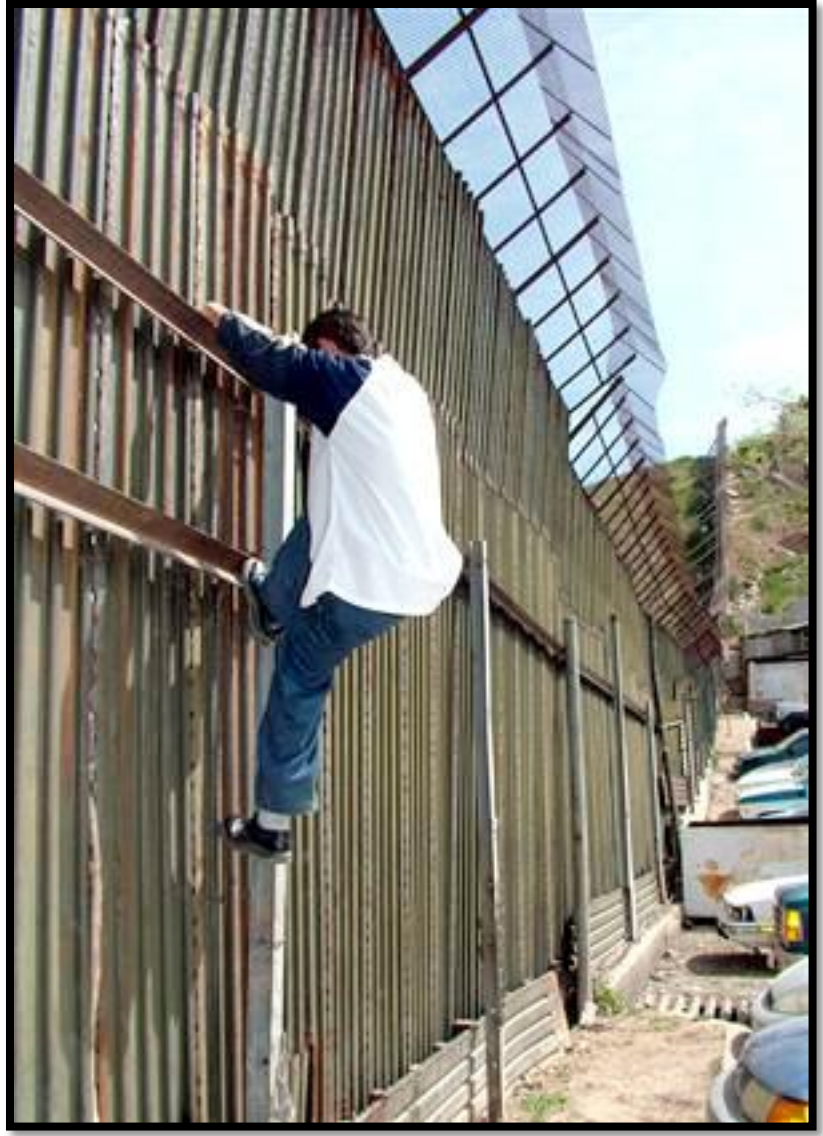
JUNE 18, 2007

The Big Chill With Russia
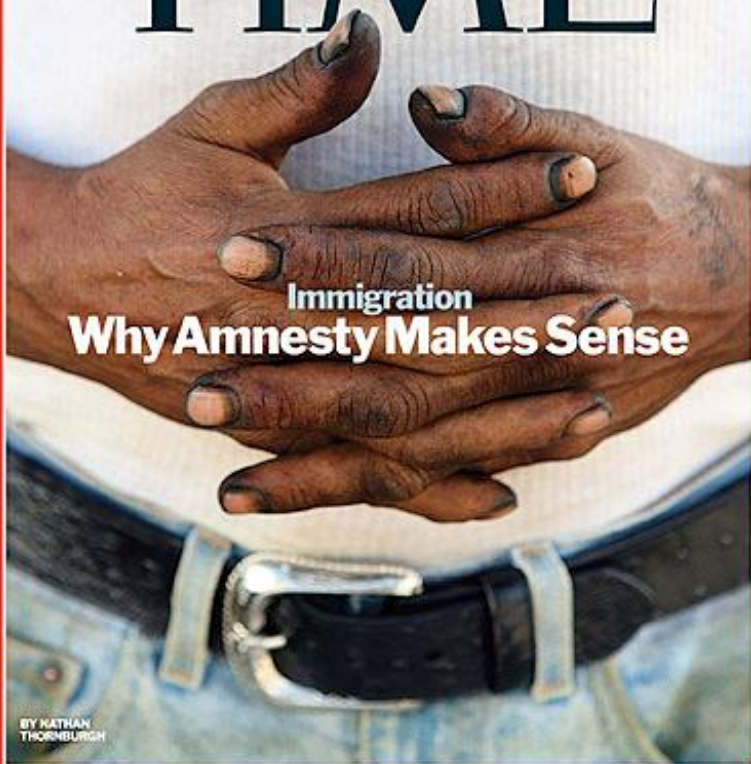Beyond Putin's tough talk

Daddy Dearest: What Science Tells Us About Fatherhood

Dropout Finally Makes Good. Gates Gets His Harvard Degree

TIME

Immigration
Why Amnesty Makes Sense

BY NATHAN THORNBURGH

www.time.com

Right cover:

JUNE 30, 2008

Joe Klein: The Tim Russert I Knew

Dumping Your Mortgage? There's Help—at a Cost

How Comic-Book Heroes Conquered Hollywood

TIME

The Great Wall Of America

A billion-dollar barrier is going up between the U.S. and Mexico. It's reducing illegal immigration—but does America really need to wall itself off? An eyewitness report
BY DAVID VON DREHLE

www.time.com