Impact of the global recession on international labour migration and remittances: Implications for poverty reduction and development in Nepal, the Philippines, Tajikistan and Uzbekistan.

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SUMMARY

1. The German Federal Ministry for Economic Cooperation and Development has commissioned a series of country studies to assess the impact of the global financial and economic crisis on migration and remittances and the consequent effects on poverty and development. Migration is usually seen as a livelihood strategy by migrants and their families; and remittances provide important resources to finance everyday life. The first four country studies represent broad regional variety and were carried out in March 2009 (Uzbekistan, the Philippines, Nepal, and Mali); studies on Tajikistan, Albania, and Armenia are currently being drafted.

2. In this paper, the preliminary results on the impact of the financial and economic crisis on migration from Uzbekistan, the Philippines, Nepal, and Tajikistan are being compared. It becomes clear, that effects of the global crisis on countries of origin are different according to the respective migration histories and profiles that a country has. While there is mass return to the Central Asian republics and a subsequent decline in remittances, Nepal and the Philippines have seen no major disruption of migration and remittances flows.

3. The paper also briefly discusses policy recommendations for action. Rebalancing of local and regional job markets is seen as essential in the long run, while short-term measures including social transfers are necessary to cope with poverty in the wake of crisis-induced mass return and the loss of remittances.

1. EXISTING DEVELOPMENT ISSUES AND CHALLENGES[2]

4. In all four countries, **migration plays a major role**: Approximately 8 million Filipinos, 1.6 million Nepalese, and 800,000 Tajik are working abroad. Estimations for Uzbekistan, where migration is a recent phenomenon and its documentation not well-developed, range from 500,000 to 5 million migrants; a mean value of 2.5 to 3 million Uzbek migrants is most likely. Compared to the size of the population this means that between 5-11% of the entire population of these countries have emigrated (Philippines: 5.5%; Nepal: 5.9%; Tajikistan: 11%; Uzbekistan: 8.9%-10.7%).

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[2] If not indicated differently, all data in this paper are taken from the 2009 GTZ study on “The Impact of the global recession on international labour migration, migrants and remittances”.

5. However, the **socio-economic and gender profile of migration** varies a lot between these countries. Uzbek and Tajik migration is made up mostly of young men working in the construction sector in Russia and Kazakhstan. 20% of Uzbek migrants but only 6% of Tajik migrants are women who mostly work in the services industry.

6. Apart from approx. 250.000 Nepalese who for historic reasons are employed in the Indian public sector (mostly in the army and police), it is generally poorer Nepalese migrants (men and women to equal parts) who move to neighbouring India (Seddon 2005). As they do not have visa requirements, they are not registered anywhere; their employment is mostly irregular in plantations, manufacturing, the construction or the service sector. Nepalese migrants who can afford to migrate regularly usually move to Malaysia (39%), Qatar (27%), Saudi Arabia (19%) or the United Arab Emirates (10%). Of those moving to the Gulf States, most work as semi- or unskilled workers in construction; only 5% of the Nepalese migrants in the Gulf States are women who are working as domestics.

7. The well-known and institutionally well-established Philippine emigration system has led to a very broad range of destination countries for Overseas Filipino Workers (OFWs): About 9.3% move to America, 9.2% to Europe, but the overwhelming majority (78.1%) remains in Asia (including the Gulf States to which approx. 30% of OFWs migrate). Men and women are equally represented in Filipino migration; both have established themselves in special professional niches: Women in domestic work and health care, men in seafaring.

8. It is fair to say that **migration has become an important livelihood strategy** in all four countries. This is also reflected in the enormous amounts of remittances sent back home by migrants: 18 billion US$ to the Philippines, a minimum of 3 billion US$ to Uzbekistan (according to data from the Russian central bank), 2.5 billion US$ to Tajikistan, and 1.6 billion US$ to Nepal in 2008. This is the equivalent of 45% of GDP for Tajikistan, 15% for Nepal, approximately 15% for Uzbekistan, and 11.6% for the Philippines.

9. The global financial and economic crisis has resulted in job losses everywhere and was therefore expected to cause massive return migration. However, the analysis of the real **extent of return migration** in the wake of the global financial and economic crisis is difficult to assess. There is a lack of solid data for several reasons:

- A lot of migration is happening irregularly.
- Return is generally not registered; migrants are free to go home whenever they want and generally have no incentive to register in the country of origin.
- Even if national support programmes for returning migrants are in place, not everyone can claim benefits and therefore many do not apply for these programmes.
- It is hard to distinguish between seasonal and permanent return.

2. TRANSMITTION CHANNELS OF THE GLOBAL CRISIS AND IMPACT OF THE CRISIS ON THE POOR AND VULNERABLE PEOPLE

2.1. Crisis and return

10. In general, migrants do not come from the poorest section of the population. Migration initially engenders high costs – you need time, money, and information to obtain visa, travel tickets, accommodation abroad etc. – and therefore it is usually not feasible for the poorest part of the population. Several studies have also shown wealth differentials between migrants moving regionally and those who move inter-continentally: Wealthier people can afford to move further away. Therefore as a rule of thumb: The poorer the persons and their families are, the shorter will be their migration distance. Thus, when speaking about the effects of the crisis on international migrants and their families, we are generally not talking about the poorest part of the population. However, the economic potential of migrants to accumulate human and financial capital abroad to invest back home, makes them important actors in poverty reduction. This is why we will concentrate on international migration in this paper and leave out the question of rural-urban migration.

11. **Return migration** due to the crisis is particularly high where a) migrants work in recession-sensitive industries, for example in the construction sector; and b) where migrants depend on one or few countries of destination whose immigration and recruitment policies have tightened.

12. Although return migration on a large scale seems the logic consequence of the global financial and economic crisis, the situation in the countries of origin is by no means clear-cut. Anecdotal evidence of mass return all over the world reported by the media has influenced our perception to a degree that any other scenario now seems hard to believe. However, information we gathered in our study on the effects of the crisis presents a more nuanced picture.

13. We did find clear signs for **massive return migration to the central Asian countries**. As most Uzbek and Tajik migrants were working in the construction sector in Russia and Kazakhstan, they were hardest hit by job losses due to the crisis. In the wake of the crisis, Russia and Kazakhstan cut their immigration quota by half by the end of 2008. Contrary to this, reports from both countries of destination claim that migrant workers from Uzbekistan and Tajikistan can still find work, because they are often willing to work for less money than the locals, and they also work informally. Thus, the result of the immigration quota cuts is not necessarily a decrease in overall migration, but a decrease in *regular* migration. This in turn results in decreasing social protection of migrants.

14. **In Nepal, however, the situation is mixed**: Data on return are particularly hard to obtain and official data do not adequately represent the full extent of crisis-induced return. According to the Association of Nepal Foreign Employment Agencies, between June 2008 and March 2009 only 3000 Nepalese migrant workers returned, mainly from Malaysia, Dubai, Qatar and Macao. This number only includes regular migrants who can claim social benefits. Foreign recruitment from Nepal has clearly dwindled in 2008/09: The amount of new placements abroad has shrunk by 30%. Malaysia for example, the second most important destination country for Nepalese migrants, has frozen the issuance of work permits to migrant workers in the manufacturing and service sector, and introduced “nationals first” employment policies (Punzalan 2009). However, anecdotal evidence points to the fact that Nepalese migrants from the Gulf States and Malaysia do not return in large numbers. They

prefer to stay on and work irregularly, because they fear they might not be able to return once they leave the respective country.

15. **Finally, in the Philippines neither mass return nor reduction in foreign recruitment** could be observed. Between October 2008 and March 2009 approximately 6500 returning migrants sought help from the Philippine Overseas Employment Administration's (POEA) help fund which is equipped with approx. 8 million US$. In anticipation of mass return, the Philippines have also established "help desks" for returning migrants in their provinces of origin. But apparently, demand for skilled workers in domestic and health care jobs has not been severely affected so that deployment figures of the POEA are still growing (albeit less sharply as in recent years). Despite the financial crisis, overall deployment of OFWs (Overseas Filipino Workers) rose by 14.7% in 2008 as compared to 2007, although the last quarter showed declining figures. In the first quarter of 2009 deployments increased by more than 25% as compared to the same period of the previous year.

2.2. Crisis and remittances

16. **In 2008, world-wide remittances reached 328 billion US$ (World Bank 2009)** which is roughly three times higher than world-wide ODA (which in 2008 reached 120 billion US$). Remittances to Asia have more than doubled since 2002. They play an important role in poverty reduction and a World Bank study shows a positive correlation between remittances and poverty reduction: A 10% increase in the share of remittances in a country's GDP can lead to a 1.2% decline in *poverty* (Page and Adams 2005). First and foremost, remittances are a contribution to household income of families which are according to local standards already better off. But via consumption of local goods or investment in education, health and businesses, larger parts of society will benefit from the inflow of remittances.

17. Remittances are generally reduced by job losses of migrants abroad and devaluation of currencies in countries of destination (e.g. USA; Russia); on the other hand, demand for cheap migrant labour and subsequently migrants' employment usually remains high. Additionally, there are currently incentives to remit more. Studies show that remittances are countercyclical: In times of crisis, family members will appeal to their migrants who are then likely to remit more than before. Currency devaluations in countries of origin can also increase the value of remittances which provides a good opportunity to invest. Therefore, remittances remain resilient in comparison to other financial flows like FDI. Currently, the World Bank estimates a 7.3% worldwide decrease of remittances in 2009.

18. The development of remittances flows roughly follows that of return migration, although lagging slightly behind. Central Asian countries experienced a sharp decline in remittance flows from Russia: For example remittances to Uzbekistan shrunk by approximately 30% for the first and second quarter of the year 2009, as compared to 2008. In contrast, the Philippines between January and June 2009 experienced another rise in remittances by 2.9% as compared to the same period in the previous year. Nevertheless, the development indicates a clear slowdown of remittances growth rates as compared to growth rates which amounted to more the 10% annually during the last decade. Between January and March 2009, remittances to Nepal even rose by 28% compared to the same period in the previous year. This rise in Nepal could either be linked to migrants getting ready to return home and transferring savings back home to Nepal before their return. Or it could be linked to the significant depreciation of the US Dollar between 2008 and 2009 which led to a larger

transfer of savings to Nepal and their investment in real estate in Kathmandu by Nepalese abroad.

3. COPING MECHANISMS

19. **Migrants use different strategies to cope with the effects of the crisis**, depending on their personal situation in the respective countries of origin and destination and their families' dependence on remittances (World Bank 2009):

20. In general, we can observe the following strategies: a) Migrants can either stay where they are, deplete their savings, and start looking for jobs in other economic sectors or the shadow economy; b) or they can return to their country of origin and participate in reintegration and requalification programmes. Despite retrenchment and unemployment most migrants avoid returning to their home countries (Fix et al. 2009). Given the difficult economic situation in countries of origin and destination migrants have to rely on solidarity and social cohesion of their families and social networks. Social security or transfer payments are usually restricted to those (re-) migrants who were deployed via official placement agencies.

21. In the Philippines, migration as a livelihood strategy is so deeply entrenched that migrants who have lost their jobs and returned to their country of origin hope to leave again as soon as possible. This is not surprising given the fact that the country does not provide sufficient job opportunities for them: Unemployment is already high at 7.4% with a lot of hidden unemployment (Philippines Government Census 2008). Alternatives like self-employment are rather unpopular amongst Filipino workers. Instead, returnees tend to take a loan of PhP 50,000 (approx. US$ 1,000) offered by the OWWA (Overseas Workers' Welfare Association) in order to bridge the period before finding a new employment abroad. As there will be no further governmental supportive measures, families are the principal social support for Filipino re-migrants.

22. Uzbek migration is a relatively new phenomenon. Being faced with rapid labour population growth of 3% and unemployment rates of up to 35%, Uzbek consider migration as a rational livelihood strategy. Of the estimated 2.5 to 3 million Uzbek migrants, many are remaining irregularly in Russia and Kazakhstan fearing not to be able to come back once they have left. Structural demand for cheap (migrant) labour has not decreased in these two countries of destination but immigration quotas have been cut by 50%. Additionally, Russia has banned all foreigners from retail trade. Remigrants are reported to transfer all their savings back to Uzbekistan, and up to 80% report that they want to open their own business there.

23. It is unclear, how many Tajik migrants have come back from Russia permanently. Many of those who did returned with empty hands. A recent OCHA report indicates that the crisis has affected every third migrant, and that of the returning migrants, 20% were not even able to cover their food needs (OCHA 2009). A study of ILO and the Tajik Ministry of Labour and Social Protection amongst 6000 returnees found that 63,6% of them are willing to emigrate another time whilst only 14,5% have found a job at home, 10,4% are decided to stay even without having found a job and 11,5% remain undecided. The interviewees were most dissatisfied with the remuneration level in Tajikistan. They expressed the need for government support in various areas:

- Stimulation of subsistence economy and agriculture

- Loans to finance the setting up of a new business
- Vocational training and education measures (ILO 2009).

24. Nepalese migrants are faced with deteriorating working conditions and wage cuts in the countries of destination, which however does not automatically lead to mass remigration. Instead, where possible, retrenched Nepalese tend to stay abroad and look for new employment occasions in the shadow economy. Due to this increasing irregularisation, an aggravation of the working and living conditions of Nepalese migrant workers as well as outright human rights violations against them is reported. Those who did return to Nepal are faced with large debts because they could neither realise their economising goals while working abroad, nor repay the loans they took for financing their trip. As there are already 40% of the population living below the poverty line and around half of the population is dependent on remittances, the re-flux of migrants and possible future decline of remittances is likely to cause more poverty and social unrest. Similar to the situation in the Philippines, transfer payments from Nepalese authorities are limited to a very small number of returnees who were deployed abroad by official placement agencies.

25. Summing up, we can conclude on the coping mechanisms:

- Migrants who have lost their jobs due to the economic and financial crisis depend mostly on the solidarity of their family and friendship networks
- The few existing stimulus packages are only targeted towards officially registered remigrants and therefore reach only a small fraction of those affected by the crisis.
- Despite the depth of the crisis, in many countries migrants and their families perceive their own situation as less dramatic than depicted in the media: Low income, lack of social security, difficult working conditions and high debt are to a certain degree perceived as part of everyday life and not something new caused by the financial and economic crisis. Therefore, as always, they act according to what they see as their best livelihood option – which still includes migration.
- Many Migrants choose to stay in destination countries, for example in the Gulf or Russia, despite experiencing discrimination, xenophobia, violence and other human rights violations.

4. PUBLIC SECTOR RESPONSES

26. The Philippine government has decided upon reinforcement and diversification of its labour export strategy. In December 2008, President Gloria Arroyo gave order to the POEA to identify so-called Code Green Areas with a high demand of foreign labour and to negotiate new bilateral labour migration agreements with these countries. Additionally, a Filipino Expatriate Livelihood Support Fund financed with 250 million PHP (which equals 5.2 million US$) was opened. Help desks for returning migrants were opened in all regions of the country to assist them in finding a job new job (abroad or at home). NGOs criticise that all public support measures are only accessible for regular migrants, whereas irregular migrants cannot access these programmes although they are even more desperately in need of help. In the governance debate on labour migration in Nepal and Uzbekistan the labour export strategy of the Philippine government and its institutional set-up are often perceived as role model. Contrary to that, NGOs and leading Philippine migration experts criticise the labour export strategy of the government and call for a coherent economic and social development strategy at home instead. Indeed, even 35 years of labour export from the Philippines did only partly help to reduce poverty and was not at all conducive to sustainable development.

Unlike for example South Korea, the Philippines did not progress from a labour exporting to a labour importing country in recent years.

27. As Nepal is highly dependent on remittances, the government is trying to copy the Philippines' policy of labour export. A joint conference of IOM Nepal and Nepalese government institutions in February 2009 recommended the opening-up of new labour markets for Nepalese migrants. Nepal has also copied measures supporting remigrants from the Philippines' example. The Nepalese Council of Foreign Employment has - comparable to the Philippines - established a fund for regular migrants who lost their job abroad within their first year of contract. Furthermore, the Council offers other services for returnees like an information hotline and website, vocational training programmes, help desks for job seekers, and awareness raising campaigns on trafficking and irregular migration.

28. Tajikistan is extremely dependent on remittances which are said to make up as much as 45% of GDP. Estimations by the ADB assume that 40% of Tajik households are receiving remittances which help to finance everyday household expenditure (ADB 2009). The government reacted to the crisis with increased efforts to attract investors to the country, organising job fairs and opening-up new labour markets abroad (OCHA 2009). However, the government's capacity to set up large programmes is limited due to budgetary constraints connected to recent IMF loans.

29. The Uzbek government has developed an anti-crisis programme which helps to stabilise the economy and offers new job opportunities for remigrants. Its measures are focussing on three issues: credit schemes, employment promotion in rural areas, and protection of migrants' rights. An improvement of the labour market in rural areas is paramount as this is the origin of the majority of the (re-)migrants. A key role plays a microcredit scheme for which two new banks (Agrobank and Kishlok Kurislish Bank) have been established in March 2009. These microcredit institutions channel capital for investments and micro-credits to rural areas in order to compensate the loss of remittances. The government also provides social transfers via two new funds: A fund for employment and a fund for the support of agriculture. So far, the effectiveness of these measures has not yet been assessed. Furthermore, measures have been taken for the protection of migrant workers through the establishment of crisis centres for counselling, and awareness-raising campaigns about the risks of irregular migration and trafficking. Consequently, bilateral consultation processes with Russia and Kazakhstan are under way.

30. Summing up, one can say that anti-crisis responses in countries of origin usually include support to returning migrants, creation of credit facilities for start-up entrepreneurs, promotion of employment and vocational training. These approaches must necessarily be short-term or the respective country will pile up enormous debts and endanger future development. The measures should rather be targeted towards the welfare of families in general than be restricted to the small group of formally registered, officially placed migrants. It is very important not to heighten tension between the local non-migrant population and the remigrants by favouring migrants above non-migrants. As mentioned above, migrants are usually not from the poorest part of the population, and support directed only to them is likely to increase social inequality. Governments in all countries also support awareness raising on the risks of irregular migration and trafficking, mostly in joint programmes with international organisations like UNIFEM or IOM.

5. OTHER RESPONSES

31. Private and civil society organizations focus on the situation of migrants abroad and their families in the countries of origin. They report on the worsening human rights situation and increasing irregularisation of migrants. They also call for support to returning migrants and their families. Some non-governmental organizations actively run social relief, consulting and training programmes. Their offers are of particular value when public structures are insufficient or strained.

32. Migrant Forum Asia (MFA), a regional network of non-government organizations (NGOs), associations, trade unions, and advocates, in February 2009 warned against neglecting the rights and protection of the migrant workers from Asian countries. Having gathered experiences with protectionism during the Asian Crisis 1997, MFA urged Asian governments in countries of origin to create decent work opportunities, and to spend more on skills and training programmes. This, they argued, would cushion future shock waves for those working at home as well as abroad. Furthermore, MFA asks governments to stop relying on remittances for economic development.

33. Leading Migrant and Human Rights NGOs in the Philippines like Migrante International, Scalabrini International, and Philippine Migrants Rights Watch, are openly criticising the government's labour export strategy. They deplore the country's dependence on remittances and reject the government's perspective, that migrant workers should feel responsible for the country's development.

34. The economic downturn is a particular challenge to migrants' safety abroad. According to the Moscow-based NGO Human Rights Bureau, the numbers of racist assaults doubled in 2008: 113 migrants were killed and 340 wounded (Marat 2009). The human rights organisation Mafiwasta in the United Arab Emirates observed a worsening of working and living conditions of Nepalese migrants due to the crisis. In 2008, 500 Nepalese migrant workers died in the country under unexplained circumstances.

35. In Uzbekistan, Tajikistan and Nepal there are but few NGOs dealing with migrants' rights and protection issues. This is one reason why international organisations like UNDP, IOM, OSCE and UNIFEM are particularly active in awareness raising against the risks of migration and support of victims of trafficking in these countries. The international organisations criticise a lack of bi- or multilateral cooperation as one major factor for insufficient protection of migrants. They also call on countries of destination to learn from former recessions, e.g. the Asian financial crisis of 1997/98, and not to expel large numbers of labour migrants which is a) likely to be short-term and would b) further worsen the situation in countries of origin.

6. RECOMMENDATION RELATED TO POLICIES AND PRORAMS

36. The increased number of remigrants, particularly in Central Asian countries, entails on the one hand risks for human security, but on the other hand also new perspectives for the individual migrant as well as for a more coherent government strategy on migration, economic and social development.

37. Many remigrants who have been working in menial jobs abroad have an above-average educational profile compared to the population of their country of origin. They bring back savings and have gained additional skills (e.g. acquired a new language). Additionally, (re-)migrants show a high degree of flexibility and mobility. Their human resources and personal aspirations could be reinforced by targeted vocational training or business development services. As international migrants from Tajikistan and Uzbekistan mainly come from rural areas, their return combined with further vocational training or financial support yields the potential for structural changes in these rural areas.

38. The crisis has shown that government policies should not solely rely on labour export but also put more emphasis on the creation of local employment. Furthermore, the need for coherent multilateral cooperation on migration in order to facilitate regional mobility becomes obvious.

6.1. Policies

39. There are several recommendations that can be drawn from the preliminary results of our analysis:

- **Rebalancing**: On the policy level in countries of origin, measures must be taken to reduce dependency of labour migration, and instead more emphasis should be put on employment creation.
- Existing labour **migration channels need to be formalized** via bilateral migration agreements in order to reduce vulnerability of migrants.
- **Countries of destination should not drastically reduce their immigration quotas.** Lessons from former economic crisis show that the main result of these measures is the irregularisation of migration and an increase in employment in the shadow economy. Instead, countries of destination should assess their real labour market demand and cooperate with countries of origin to organize orderly and moderate return migration.
- Steps must be taken to **support returning migrants** without neglecting the local non-migrant population or increasing social inequality. Here, it must be assured that inequalities between migrants and non-migrants are not being reinforced.

6.2. Programs/Projects

40. On the level of development programs and projects the following measures can be taken or reinforced:

- **Analysis** of the effects of the crisis on migration in a particular country: How many migrants do return? What are their characteristics and qualification levels? What kind of resources and know-how do they bring back? Where do they work back home? What kind of support do they require? How do remittances flows develop? How does this affect the national economy?
- **Financial Sector Development** can facilitate the flow of remittances, particularly to rural areas for example by developing transfer formal channels, building micro-finance institutions' capacities, avoiding overregulation of small amounts of remittances. Additionally, specific financial products (e.g. loans, insurances, savings) targeting migrants and remittances receivers can contribute to a better use of declining remittances and thereby increase social protection.

- **Vocational training and labour market measures** contribute to the successful reintegration of returning migrants into the labour market (e.g. qualification, labour market information systems, service centres for migrants)
- **Private sector development measures**, like business development services, support migrants returning with savings or remittances receivers who want to open small businesses, thereby creating jobs on the local level.

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