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Recruitment, Labour migration and Diaspora
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**Harnessing Cross-Border Flows of
Knowledge and Skills for More Inclusive
Economic Development Outcomes**

BACKGROUND PAPER¹

I. Introduction

Mobility and migration across borders is increasingly recognized as a means to boost inclusive economic development outcomes in both countries of origin and destination. While the immediate benefits to migrants and their families are well documented, greater mobility and increased ties between countries can also enhance economic development in broader and less obvious ways. New talent can reinvigorate labor markets and spark innovation (provided migrants' skills and qualifications are employed to their full potential); and diaspora members can infuse their countries of origin with skills, investments, and technology to which local entrepreneurs may not otherwise have had access—whether or not they decide to return. Facilitating these positive outcomes requires thinking creatively and practically about the circulation of skills in our globalized economies.

As the scale, composition, and geographic distribution of labor migration continue to change—so too have policy responses shifted. The International Labor Organisation (ILO) estimates that nearly half the current stock of international migrants has moved for the purpose of seeking work, and that nearly half of all labor migrants are now women.² These movements are not simply from low- to high-income countries. Today, most international migration occurs *within* regions, with more and more movement occurring between developing countries.³ As of 2010, the number of South-South migrants had nearly caught up with South-North levels⁴—and may actually be larger, since movements between developing countries are less likely to be measured accurately. Against this backdrop of growing (and increasingly diverse) mobility, diaspora engagement is progressively

¹ **Disclaimer:** This background paper has been drafted by Natalia Banulescu-Bogdan, Migration Policy Institute, in consultation with the Swedish GFMD Chair; it does not purport to represent the views or the official policy of any of the meeting organizers or co-convenors.

² International Labour Organisation, 2012, Report of Governing Body on Labour Migration, 316th session, Geneva, 1-16 November 2012. http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_191013.pdf

³ European Commission, "Maximizing the Development Impact of Migration," Brussels: May 21, 2013.

⁴ (73 million v. 74 million- About one third each of global migrant stocks).

(http://www.un.org/esa/population/publications/popfacts/popfacts_2012-3_South-South_migration.pdf)

For example: The top 3 destinations for Overseas Filipino Workers in 2012 were Saudi Arabia, the UAE, and Singapore. (http://publications.iom.int/bookstore/free/CMReport_Philippines2013.pdf)

recognized as a means to facilitate positive exchanges. Even if migrants do not move back permanently, their ideas, knowledge, and investments (and those of subsequent generations) can travel back and have a positive ripple effect in the homeland—particularly if governments actively engage their diaspora and offer incentives (and mechanisms) for them to contribute financially and intellectually to their ancestral home .

What these movements also reveal is the critical importance of human capital. The rise of knowledge economies and increased reliance on more skill-intensive work (at all points along the skills spectrum) has spurred an intense global competition to develop and foster the talent that modern economies need to prosper—not just among the “best and brightest,” but also among crucially valuable middle-skilled workers. Governments, recruiters, and employers alike are contributing to the circulation of talent by trying to bridge skills gaps—using mobility to match surplus (or underutilized) labor in some countries with labor needs in others. This race for talent is no longer the sole domain of highly developed countries; emerging economies like Turkey, Brazil, and Mexico (among many others) have become attractive destinations for workers at various skill levels. Much of this circulation could have positive, mutually beneficial effects, though some countries fear losing precisely the skills they need most to compete in the global economy.

While it is not necessarily meaningful to speak of a global “shortage” of workers,⁵ there is no doubt a serious mismatch between labor supply and demand across the globe. The most significant demographic fact of the 21st century is global disparity: high-income societies will be confronted with a serious decline in their native workforces (which we are already witnessing in North America and Europe) while large parts of the developing world still see a boom in young workers (particularly in Sub-Saharan Africa, South Asia, and the Middle East). On the one hand, these gaps point to a natural increase in migration from youthful to aging societies;⁶ but on the other hand, as Rainer Münz points out, we should not take these trends for granted considering the proliferation of new players competing for skills and the rapidly changing economic fortunes of traditional destinations.⁷

As skills circulate in new ways, the challenge is to make the most of these movements while minimizing the costs. Facilitating labor market “complementarities” requires a set of reinforcing policies that make optimal use of the knowledge and skills crossing borders. Maximizing skills means making them more “portable” between countries and employers, better matched to the needs of local labor markets, and developed or delivered at lower costs to migrants themselves. Most important is avoiding the waste of talent, situations in which skilled people take jobs abroad that do not use their hard-won human capital. This extends to migrants being able to productively employ their skills when and if they decide to return, while also creating incentives for them to contribute to their country of ancestry while still abroad (and removing barriers for them to do so). Facilitating these dynamic exchanges requires deeper cooperation between countries, regions, employers, diasporas, and educational and training institutes.

⁵ As Madeleine Sumption argues, labor shortages are extremely difficult to quantify, and even more difficult to fix through immigration policies designed to alleviate them—which often lag one step behind employers’ needs and market reality. See Madeleine Sumption, 2011, *Filling Labor Shortages through Immigration: An Overview of Shortage Lists and their Implications*, Migration Information Source. <http://migrationinformation.org/Feature/display.cfm?ID=828>

⁶ Experts concur that migration into deficit regions is likely to intensify, but not on a scale commensurate with the gap between supply and demand around the world. In short: migration is not a panacea for rapidly aging/shrinking workforces. Developing countries experiencing a youth bulge need to make structural reforms in education and labor force participation in order to be able to “match” the need for skilled work abroad. See: The World Bank, 2009, “Shaping the Future: A Long-Term Perspective of People and Job Mobility for the Middle East and North Africa,” Washington, DC: World Bank.

⁷ Rainer Münz, forthcoming 2013, “Demography and Migration: An Outlook for the 21st Century,” Washington, DC: Migration Policy Institute.

This background paper examines how each actor involved in labor migration can gain more from the cross-border flow of skills and knowledge—thus increasing the positive economic development outcomes for all stakeholders.

II. Addressing Labor Market Mismatches

Generating maximum economic development gains from migration depends on migrants being able to use the skills they have to their full potential. Yet efficiently “matching” supply with demand is challenging. Legal migration channels are often not large enough to accommodate the global desire to move; migrants face information gaps, high transaction costs, and language barriers; and employers face administrative hurdles preventing them from quickly hiring the workers they need. Finally, migrants’ skills and experiences may never be fully recognized because of insufficient language skills, inability to pass “all or nothing” licensing requirements, and employers’ lack of understanding of foreign qualifications—as well as actual skills deficits (for instance relating to different national norms and requirements within a certain occupation).⁸ Better policies can go a long way to making existing skills more easily validated in migrant-receiving economies, and also to rethinking future skills from the ground up—ensuring mobile workers are better prepared to succeed in global labor markets.

A. Facilitating Skills Circulation

Migrants’ valuable human capital is frequently wasted when they perform jobs for which they are overqualified. Within the European Union, for example, immigrants from non-EU-27 countries have overqualification rates that are almost twice as high as those of natives—some estimates suggest that 36 percent of foreign workers not born in the Union were overqualified for their jobs in 2008, compared to 19 percent of natives.⁹ And some even have trouble entering the labor market at all, let alone at the right skill level. Numerous studies have shown that immigrants from developing (non-OECD) countries experience little or no employment, wage, or occupational returns to education (or work experience) obtained in their home countries.¹⁰ Lack of language proficiency and barriers to credential recognition are the principal reasons for this “brain waste,” which comes at a high cost to governments in addition to migrants themselves: One analyst estimated that the economic impact of underutilizing immigrants’ skills came to CAN\$2 billion per year, while in the United States 20 percent of college-aged immigrants languished in unskilled jobs (like taxi drivers or babysitters) because they could not put their skills to use.¹¹

⁸ Madeleine Sumption, 2013, *Tackling Brain Waste: Strategies to Improve the Recognition of Immigrants’ Foreign Qualifications*, Washington, DC: Migration Policy Institute. <http://www.migrationpolicy.org/pubs/credentialing-strategies.pdf>

⁹By contrast, immigrants from other EU-27 countries had an overqualification rate of 29 percent. Eurostat (2011), “Migrants in Europe.”

http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-31-10-539

¹⁰ See for instance: Algan et al., “The Economic Situation of First and Second-Generation Immigrants in France, Germany and the United Kingdom”; *Migrants in Europe- A Statistical Portrait of the First and Second Generation*; Georges Lemaitre and Thomas Liebig, *Labour Market Integration in Australia, Denmark, Germany and Sweden*, Jobs for Immigrants (OECD, 2007), www.sourceoecd.org/employment/9789264033597; Irena Kogan, “Labour Market Careers of Immigrants in Germany and the United Kingdom,” *Journal of International Migration and Integration* 5, no. 4 (2004): 417–447, <http://link.springer.com/content/pdf/10.1007%2Fs12134-004-1022-x.pdf#page-1>; Stephen Wheatley Price, “The Employment Adjustment of Male Immigrants in England,” *Journal of Population Economics* 14, no. 1 (May 10, 2001): 193–220, <http://rd.springer.com/article/10.1007/s001480050165>; OECD, *Settling In*.

¹¹ Jeanne Batalova and Michael Fix, 2008, *Uneven Progress: The Employment Pathways of Skilled Immigrants in the United States*, Washington, DC: Migration Policy Institute. <http://www.migrationpolicy.org/pubs/brainwasteoct08.pdf>

It is therefore crucial to ensure that immigrant workers have opportunities to gain the requisite credentials, language skills, and professional experience so their human capital is both recognized and valued by employers—and that they have access to training opportunities to systematically update these skills. And “skills” are not limited to objective attributes that can be easily assessed on diplomas and certificates; informal, interpersonal, and “soft” skills are increasingly valued in global labor markets. Professionals are also expected to constantly upgrade their skills, relying on a mix of services from private employers and (in some countries) public employment agencies.

The relevant policy approaches are multipronged. On the national level, many policies target either the assessment process (to improve destination countries’ ability to evaluate foreign credentials and experience);¹² training and re-certification (providing additional training to help migrants overcome real skills gaps); and programs to help migrants gain local work experience through which they can demonstrate their competence. Bilateral and regional cooperation can enhance the gains from mobility by ensuring that skills produced in one country are useful in another. While some groupings of countries have established mutual recognition agreements (MRAs) that allow them to automatically accept foreign-trained professionals in certain sectors (such as engineering), these programs are most successful among countries that have already developed a high level of trust (for instance high-income countries with shared educational traditions and even shared language). These types of agreements may also work best as part of a larger package of economic integration (for instance the Professional Qualifications Directive in the European Union, and the EU’s effort to create international benchmarks in engineering—EUR-ACE). They may also benefit from more forward momentum when they target shortage occupations (for instance, a perceived shortage of nurses in Quebec and Australia may have encouraged regulators to open new pathways for foreign-trained medical professionals to those destinations); or where there is a *two-way* flow of professionals. For all these reasons, such agreements can be cumbersome and labor-intensive to replicate and scale up in other regions, where real skills gaps can be significant.¹³

B. Building Human Capital through Partnerships

Rather than trying to anticipate and fill skills shortages *ex post facto* (an exercise that is at best extremely difficult, if not impossible to achieve in real time), governments and employers can make greater investments in preemptively building human capital in sustainable ways that benefit the country or region as a whole. One strategy to make sure students and workers gain the knowledge and skills they will need in the labor market is to target education and workforce development systems themselves to gradually develop common qualifications and, eventually, common standards in key sectors (like engineering or architecture). In India, for example, the Ministry of Overseas Indian Affairs is cooperating with IOM to establish skills training programs with specific “modules” (covering different vocational qualifications) to help workers gain employment abroad.¹⁴

Research shows that in Mexico and Central America, for example, in-demand sectors like health care, agriculture, and manufacturing are likely to need more skilled workers than any one country can produce on its own, yet there is still a widespread lack of linkages between education and training institutions and employers in the region as a whole that could

¹² In Canada, for example, the province of Saskatchewan created an Institute for Applied Science and Technology (SIASST) Skills Passport to aid employers in assessing potential migrants’ skills and language abilities. SIASST provides an evaluation of migrants’ qualifications for interested employers and has signed agreements with the Ukraine and the Philippines to assess the qualifications of migrants from these countries. <http://www.skills-passport.ca/html/skillspassport/index.cfm>

¹³ Madeleine Sumption, 2013, *Tackling Brain Waste*.

¹⁴ Ministry of Overseas Indian Affairs Press Release, 24 August 2011, “Initiative for Skill Training in North East States.” <http://pib.nic.in/newsite/erelease.aspx?relid=74999>

compensate for gaps in domestic training systems.¹⁵ However, there are also new, promising trends including training programs in some developing countries (for example in the nursing sector) that are aligned with licensing standards in developed countries. There are also recent partnerships with two-year colleges and vocational training institutions to provide training for in-demand occupations, like direct-care workers; and partnerships among educational exchange programs in developed and developing countries to encourage development of common competency standards and certifications. In addition, exposing foreign workers *sooner* to local cultural practices in the destination country—for instance through exchanges or traineeships—can go a long way to demonstrate that workers have the skills necessary to do the job.

Relatively well known examples include Mauritius's highly cited circular migration strategy with Canada, covering exchange programs and educational partnerships with foreign universities.¹⁶ Another case is the agreement between the governments of Nicaragua and Costa Rica, signed in 2007, to create a Bi-National Co-Development Project aimed at better managing the flow of Nicaraguan workers into Costa Rica—particularly in the agriculture, agro-industry, and construction sectors. By easing the entry of temporary workers into the formal labor market, the goal is to increase the contribution of these workers to economic development in Nicaragua.¹⁷

Bilateral agreements and MOUs between sending countries involved in the Colombo Process (CP)¹⁸ and receiving countries have proliferated in recent years. As of 2011, CP countries had signed 98 bilateral agreements and MOUs.¹⁹ Afghanistan's Ministry of Labor and Social Affairs, for example, signed an agreement in 2010 with Etisalat, a global telecommunications firm based in the UAE, to hire and train 60 Afghan students, preparing them to fill positions in Etisalat within Afghanistan and globally.²⁰ Etisalat also signed a similar agreement with Pakistan. The Philippines has also been very active in pursuing MOUs with destination countries to govern the recruitment of its citizens for work abroad and protect their rights; however, the effectiveness of these MOUs is generally dependent on their implementation by the receiving countries.²¹

The Republic of Korea has signed MOUs with 15 governments, including many members of the Colombo Process, through its Employment Permit System (EPS).²² Through the EPS, the Korean government has worked with ILO to recruit workers that better match employer needs, provide more support to workers before and during their time in Korea, and assistance for workers returning to their country of origin. The EPS recruits workers directly

¹⁵ Demetrios G. Papademetriou, Doris Meissner, and Eleanor Sohnen, 2013, *Thinking Regionally to Compete Globally: Leveraging Migration & Human Capital in the US, Mexico, and Central America*, Washington, DC: Migration Policy Institute. http://siteresources.worldbank.org/INTMENA/Resources/Shaping_Future.pdf

¹⁶ http://www.gfmd.org/documents/switzerland/marseille/gfmd_swiss11_marseille_session2_A-Kokil.pdf

¹⁷ The process is employer-driven (meaning employers must submit an application to hire foreign nationals and are responsible for providing transportation and housing), and is jointly coordinated by the Ministries of Labor and Foreign Affairs and Immigration Departments of both countries.

<http://www.iom.int/cms/en/sites/iom/home/what-we-do/migration--development-1/migration--economiccommunity-developme/fostering-development-opportunities-in-n.html>;

http://www.gfmd.org/documents/mauritius/gfmd12_mauritius12_rt_1-1-1-inputs-costa-rica_en.pdf;

¹⁸ The Colombo Process is a Regional Consultative Process on the management of overseas employment and contractual labour for countries of origins in Asia. It consists of 11 member countries (Afghanistan, Bangladesh, China, India, Indonesia, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand, and Vietnam) and 8 observers (Bahrain, Italy, Kuwait, Malaysia, Qatar, Republic of Korea, Saudi Arabia, and the United Arab Emirates).

<http://www.colomboprocess.org/>

¹⁹ http://publications.iom.int/bookstore/free/ColomboProcessStudy_final.pdf

²⁰ <http://www.ameinfo.com/250898.html>

²¹ MOUs, unlike bilateral agreements, are not legally enforceable. But evaluations of both have shown that their evaluation is more dependent on the receiving country's implementation than on the legal nature of the agreement.

²² http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_145630.pdf;
<https://www.eps.go.kr/ph/>

through their home governments based on the needs of Korean employers and requires migrants to complete pre-departure and language training. Upon departure from Korea, returning migrants are eligible for additional training, placement services to help them find jobs with Korean companies in their home country, and administrative guidance.²³

In Bangladesh the Bureau of Manpower Employment and Training (BMET) has worked with the Ministry of Expatriate Welfare and Overseas Employment and IOM to create Market Research Units (MRUs) in receiving countries. The MRUs are responsible for gathering information on labor market needs in recruiting countries and reporting these to the BMET so that they can be taken into account when developing future training and educational programs.

While developing these programs, both source and destination country governments should engage with the private sector to determine employers' needs. Employers are not only the ultimate judges of what skills are needed, they are also best positioned to evaluate soft, hard, and "tacit" skills, and to help workers fill in training gaps—as they possess the full package of technical expertise, incentives, and resources necessary to invest in meaningful skills training attuned to the needs and constraints of workers. Active communication between source and destination governments and employers helps to ensure that migration flows are meeting the needs of the private sector. It encourages the selection of migrants with appropriate skills and allows source-country governments to invest in the skills and training their workers need to find employment abroad.

The private sector can also be a key partner in facilitating the transfer of skills for returning migrants. In places where private agencies are involved in recruitment, these same agencies may be able to help migrants find employment upon their return home. In Vietnam, the Overseas Manpower Supply Service Company has begun matching returned migrants in Vietnam with jobs that make use of their new skills.²⁴ Employers with global operations can also be involved in the reintegration process by assisting migrants in finding employment in their operations in the country of origin, such as in programs in Afghanistan or Korea.²⁵ For these firms, the skills migrants bring back are seen as a valuable asset to their operations in the country of origin.

C. Making Migration Safer

Skills circulation also comes with financial and social costs, often accruing to migrants themselves. The difficulty of matching skills across borders often means that migrants and employers rely on intermediaries to facilitate the process, including private recruiters at both the origin and destination, some of whom are unregulated or "black market" actors, charging high fees with little accountability. As costs have shifted from employers to workers (especially on the lower end of the skill spectrum), the recruitment costs borne by migrants are often very high. They may amount to more than \$2,000 for a migrant worker who will make \$200 per month in a three-year period. Such costs limit the positive development effects of migration, and may compel migrants accept abusive working conditions or overstay their visas and become irregular.²⁶

MOUs or bilateral agreements between source and destination countries can help improve both the efficiency and safety of the recruitment process. However, the value and effectiveness of these agreements is completely dependent on their implementation along the entirety of the migration arc, particularly in the destination country. Such agreements are

²³ Also see: <http://www.qfmd.org/documents/switzerland/m4md/BattistellaS5.pdf>

²⁴ http://publications.iom.int/bookstore/free/ColomboProcessStudy_final.pdf

²⁵ <http://www.ameinfo.com/250898.html>; http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_145630.pdf

²⁶ Philip Martin, 2013, How to Reduce Migrant Worker Recruitment Costs, August 2013, DIIS policy brief

more likely to be followed when both governments are actively involved in managing recruitment procedures, and particularly when receiving countries are actively involved in implementation and making sure employers are following the conditions (as in Korea).²⁷

But most governments lack the capacity to fully implement such programs to the scale demanded by the labor market. Korea's program, for example, processes a relatively limited number of workers each year,²⁸ and the government of the Philippines abandoned early efforts to manage recruitment directly due to a lack of capacity.²⁹ In addition, government-run programs may lack the flexibility to respond quickly to employers' needs or may encourage the use of unregulated private recruiters.

Ten out of 11 Colombo Process countries regulate recruitment agencies in their countries through licensing schemes.³⁰ In the Philippines, recruitment agencies must become licensed through the Philippine Overseas Employment Administration (POEA), a government agency, and only Filipino citizens are eligible to act as recruiters. To become licensed, recruiters must agree to disclose to prospective migrants all terms and conditions of their employment, negotiate favorable terms and conditions with employers, and place at least 100 workers in employment within the first year. Agencies must also maintain insurance covering migrant workers for the duration of employment, and place a certain amount of money in escrow to cover potential claims for accidental/natural death and medical evacuation/repatriation, among others.³¹

Sri Lanka also requires recruiters to be citizens of the country (or part of a firm where the majority of shares are owned by Sri Lankan citizens), submit to a background check, and demonstrate adequate financial resources.³² In India, recruiters must get a Registration Certificate from the Protector General of Emigrants, which also maintains a watchlist of recruiters who have violated the rules in the past.³³

Migrants thus need access to information and support along the entire migration route in order to gain the most from their work experience abroad. If they are provided with transparent contractual arrangements, decent working conditions, insurance and reasonable costs, the contribution to their families, communities and countries of origin will usually be greater as well. Exploitation and abuse by intermediaries and employers is thus not only costly for the migrant, but also for the societies involved.

Unfortunately, the demand for jobs abroad is so great that migrants are often drawn to unscrupulous recruiters who make deceptive promises that lead migrants into abusive employment conditions abroad, where their own governments have little power to enforce the laws and regulations that are in force in the country of origin. Recruiters in countries of origin and destination may collude to deceive workers about the wages and working conditions they will face once employed abroad. Recruiters who are shut down for abusive practices may be able easily to pop up again under a different name. In labor markets where demand for jobs abroad exceeds the supply of legal opportunities, the cross-border regulation of recruitment practices requires continuing commitment from authorities on both sides of the exchange.³⁴

²⁷ http://publications.iom.int/bookstore/free/ColomboProcessStudy_final.pdf

²⁸ http://publications.iom.int/bookstore/free/ColomboProcessStudy_final.pdf

²⁹ http://www.migrationpolicy.org/pubs/insight_poea_oct07.pdf

³⁰ http://publications.iom.int/bookstore/free/ColomboProcessStudy_final.pdf

³¹ http://publications.iom.int/bookstore/free/CMReport_Philippines2013.pdf

³² http://publications.iom.int/bookstore/free/ColomboProcessStudy_final.pdf

³³ <http://moia.gov.in/services.aspx?ID1=121&id=m8&idp=120&mainid=73>

³⁴ See Dovelyn Agunias, 2012, "Regulating Private Recruitment in the Asia-Middle East Labour Migration Corridor," IOM-MPI Issue in Brief, No 4, August 2012.

http://publications.iom.int/bookstore/free/MPIIssue4_31July2012_web.pdf

III. Engaging Diasporas to Maximize Positive Development Outcomes

Diaspora populations can play an important role in maximizing the development outcomes from the types of movement discussed above. An “engaged” diaspora, as Kathleen Newland writes, can act as a counter-weight to the emigration of skilled nationals, contributing to job creation, business development, and economic growth—all without migrants needing to permanently relocate back home.³⁵ Their position outside of the country may even facilitate these transfers, providing access to knowledge, resources, and networks they would not necessarily have been exposed to otherwise; and giving them distance from political turmoil or economic uncertainty back home. And because of their cultural (and physical) links to their country of origin, diaspora members may be better able (and more willing) than other investors to take risks in order to access and unlock business opportunities.

Yet even when diaspora members are poised to engage—either by starting their own business or investing in other ways—administrative hurdles and obstacles can often hold them back. Research has shown that governments can adopt certain policies and mechanisms to maximize the potential economic development contributions of diaspora members and reduce unnecessary barriers. These fall into four categories most relevant to this background paper: First, reducing obstacles to trade and investment (e.g. by facilitating progress through the bureaucratic requirements for investment, reducing tariffs for import of raw materials, or by lowering barriers to mobility); second, actively supporting entrepreneurship and job creation (establishing platforms to connect would-be entrepreneurs to business opportunities and mentors); third, creating tools to mobilize diaspora wealth (such as diaspora bonds and improved access to credit); and fourth, connecting the skills and knowledge that reside in the diaspora to needs and opportunities in the country of origin (creating visiting professorships in universities, inviting overseas professionals to train counterparts in homeland institutions, or creating advisory councils of successful business men and women to provide input to national economic strategies).

Both the strengths and weaknesses of diaspora engagement lie in its human core. Diasporas may be more likely to invest time and resources into development projects because of their personal connection to their country of ancestry—also giving them the necessary networks and social capital to engage—but by the same logic they can also have political objectives alongside economic goals (or other “hidden agendas”). They may be less hampered by the bureaucratic inefficiencies that plague formal organizations, but at the same time limited by a lack of institutional capacity and knowledge. Finally, diaspora communities are heterogeneous (not only consisting of current and former migrant workers, and not necessarily speaking with one voice), therefore their potential contribution to development in countries of origin needs fine-tuned policies. For these reasons, it is not always straightforward for governments to identify appropriate partners for collaborative projects; but setting up good channels of communication with the diaspora, providing them with information about investment opportunities, and putting in place simple incentives for investment and entrepreneurship can be an effective (and sometimes easier) way to boost economic development goals. The delicate balance that governments must strike is creating a conducive atmosphere to encourage investment while not dictating the terms of diaspora engagement.³⁶

³⁵ Kathleen Newland and Sonia Plaza, *forthcoming 2013*, “What We Know about Diasporas and Economic Development,” Washington, DC: Migration Policy Institute.

³⁶ For a more complete discussion of the challenges and opportunities inherent to diaspora engagement, see: Dovelyn Rannveig Agunias and Kathleen Newland, 2012, *Developing a Roadmap for Engaging Diasporas in Development: A Handbook for Policymakers and Practitioners in Home and Host Countries*, Geneva: International Organization for Migration.

A. Reducing Obstacles to Trade and Investment

One of the most important actions governments can take is reduce bureaucratic obstacles that may prevent otherwise motivated diaspora members from being able to invest in their country of origin—in other words, cutting through the red tape. This may include lessening tax burdens for foreign investors (as is done for example in Mali) or introducing preferential tariffs on the import of raw materials and machinery (returning nationals benefit from this in Barbados and Burundi among others).³⁷ The Malian Investment Code offers incentives for both foreigners and Malians abroad to invest in business ventures in Mali by shortening the application process and offering income and/or property tax exemptions (for a certain period of time) for new investments.³⁸

Providing legal and political rights to emigrants and removing barriers to circulation between the home and host countries are also important to encouraging diaspora investment in countries of origin. The Philippines has made a concerted effort to keep its diaspora engaged through its several offices and agencies dedicated to migrant and diaspora concerns, particularly the Commission on Filipinos Overseas (CFO). Former citizens and their immediate families are granted visas and allowed to stay in the country for up to one year; and children of at least one Filipino parent are permitted to own land.³⁹ Countries such as India, Poland, Pakistan, Ethiopia, and Ireland have issued identity cards granting special benefits—like visa-free entry, investment privileges, and property rights—to diaspora members that are not available to other foreigners.⁴⁰ The government of India has created several initiatives aimed at capturing investment by Indian expatriates. A special category of bank accounts is available for diaspora members that provide perks such as preferential interest rates or tax exempt status, for example.⁴¹

Pre-departure orientations and other education and outreach programs can be valuable opportunities to make migrants aware of investment avenues and rights in their countries of origin, and ensure they have financial literacy skills. Pre-departure programs can also provide a valuable opportunity to educate migrants about how to handle remittance transfers and savings or investment options. In Bangladesh, financial counseling is included in pre-departure briefings given by the Bureau of Manpower Employment and Training Briefing Center.⁴² Pre-departure programs organized under the Republic of Korea's EPS also include financial literacy education.⁴³ The Indian government has also established the Overseas Indian Facilitation Centre to provide information to overseas Indians about investment opportunities.⁴⁴

The mere presence of diaspora populations abroad can boost trade between the country of residence and origin, as diasporas both consume and create a market for food, “nostalgia” products, and tourism, and lower the transaction costs of trade by providing insider knowledge of foreign markets, laws, and culture. Kathleen Newland and Sonia Plaza cite research showing that the Salvadoran diaspora's consumption of traditional products produced in El Salvador accounts for as much as 10 percent of the country's total exports. A report produced by the Swedish Board of Trade also finds that the presence of diaspora strengthens the trade of goods to and from the country of origin, and the effect is even

³⁷ Results of Sweden's 2014 GFMD government survey

³⁸ http://mali.usembassy.gov/investment_opportunities.html

³⁹ Dovelyn Rannveig Agunias and Kathleen Newland, 2012, *Engaging the Asian Diaspora*, IOM Issue in Brief No. 7. <http://www.migrationpolicy.org/pubs/engagingdiasporas.pdf>

⁴⁰ Dovelyn Rannveig Agunias and Kathleen Newland, 2012, *Developing a Roadmap for Engaging Diasporas in Development: A Handbook for Policymakers and Practitioners in Home and Host Countries*, Geneva: International Organization for Migration.

⁴¹ <http://www.migrationpolicy.org/pubs/engagingdiasporas.pdf>

⁴² http://publications.iom.int/bookstore/free/ColomboProcessStudy_final.pdf

⁴³ http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_145630.pdf

⁴⁴ <http://www.oifc.in/About-Us/Activities>

stronger for services.⁴⁵ Finally, analysts argue that the highly lucrative diamond trade between India and the European Union (representing nearly 15 percent of their total trade) can be attributed to the Indian diaspora in Antwerp and London who directed the supply chain to their home country rather than another low-cost base.⁴⁶ Some governments (as well as private companies) are tapping into their diasporas to penetrate new markets, attract investors, and match potential suppliers with exporters. According to the World Bank, the Ethiopian, Kenyan, and Ugandan embassies in London and Washington sponsor trade forums to make these connections.⁴⁷

B. Actively Supporting Entrepreneurship and Job Creation

Several mechanisms exist to connect diaspora to business, investment, and mentorship opportunities in their home country. Some countries, like India, have established “one-stop-shops” to make it easier for their diaspora to not just send remittances, but make productive investments in their country of origin. Others have established “matchmaking services,” like Chile Global, which connects start-ups in Chile with Chilean “overachievers” abroad who can provide mentorship and technical assistance—thus turning so-called brain drain into an asset.⁴⁸ Seeding and supporting entrepreneurship requires treating diasporas as partners—making it easy as well as beneficial for them to engage, and prestigious rather than burdensome. Successful models offer not just financial assistance, but technical support and mentorship as well, so that programs have a chance of long-term success.

Some governments and private companies have harnessed online platforms to facilitate these exchanges, including by launching business competitions—another promising tool. The African Diaspora Marketplace (launched in 2009) is a competition for entrepreneurs seeking to launch business ventures in Africa that can contribute to long-term economic growth. Supported jointly by USAID and Western Union, and run through the online IdEA platform, this initiative awarded a total of \$2 million in matching grants and technical assistance to 31 entrepreneurs in 2009. A spinoff is the Caribbean Idea Marketplace (CIM), “a business plan competition that encourages local and diaspora entrepreneurs to forge partnerships around innovative projects that generate employment and economic opportunities in fifteen Caribbean countries.” These programs speak to the fact that partners need to provide much more than just capital: since its launch, USAID and Western Union have sought to expand the network of partners that can offer mentoring and technical assistance—crucial to the entrepreneurs’ success.⁴⁹

C. Mobilizing Diaspora Assets

Because not all diaspora members are entrepreneurs, tools to tap into diaspora wealth and encourage investment through other channels are equally important. These may include: diaspora bonds, tax breaks, savings accounts, mutual funds, or access to capital for “necessity entrepreneurs” (those operating on a small scale rather than “opportunity entrepreneurs” who tap into rapidly growing sectors of the knowledge economy and create jobs). The African Development Bank defines diaspora bonds as an instrument issued by a

⁴⁵ Swedish companies report that workers with strong ties to their country of origin can be instrumental in helping penetrate new markets. International firms are heavily particularly reliant on migrants in complex knowledge industries where cross-border exchanges are vital to generating new ideas and products that are globally attractive. Kommerskollegium National Board of Trade, 2013, “Making Trade Happen: Business Perspectives on Cross-Border Movement of Persons.”

⁴⁶ Chinmay Tumbe, 2013, “EU-India Migration & Trade Linkages,” CARIM-India Report 2013/05.

⁴⁷ Dilip Ratha and Sonia Plaza, 2011, “Harnessing Diasporas,” *Finance and Development*, September 2011.

⁴⁸ Yevgeny Kuznetsov, 2010, *Talent Abroad Promoting Growth and Institutional Development at Home: Skilled Diaspora as Part of the Country*, World Bank.

⁴⁹ <http://diasporaalliance.org/what-is-the-african-diaspora-marketplace/>

country to its own diaspora to tap into their assets in the destination country, which can be seen as an alternative to the borrowing money from multilateral financial institutions or other governments. By selling bonds in small denominations (and offering a modest return of 4 or 5 percent—higher than many low-yield bank accounts) governments can tap into the savings of even relatively poor migrants abroad, using the money raised to finance projects that have concrete benefits for families left behind. Diaspora investors—motivated by emotional as well as financial considerations—are less likely than other investors to pull out in case of market volatility. It is estimated that Israel—which has the most successful program—has mobilized close to \$25 billion over the last 30 years.⁵⁰

D. *Harnessing Skills and Knowledge Abroad*

Opportunities for diasporas to transfer specialized skills, new technology, and know-how can potentially be even more valuable than financial transfers. Various governments have created creative mechanisms to infuse countries of origin with new ideas, including through transnational professional networks,⁵¹ short-term returns of talented professionals; mentoring and traineeships; and virtual learning—all of which can help countries of origin tap into the skills of their diaspora abroad. Several universities look to their diaspora alumni to teach courses as guest lecturers or mentor young academics (Russia and China have such programs);⁵² and some have twinning arrangements with universities abroad, often instigated by diaspora members. The Migration for Development in Ethiopia program (MidEth) engages diaspora members to build capacity in public institutions, temporarily bringing skilled members of the diaspora back to Ethiopia for a period of six months or more to lend their skills and expertise to government offices.⁵³ Other programs employ this model for the technology or business sectors: Red de Talentos engages highly qualified Mexican professionals to contribute to Mexico's high-tech sector; and the Mendoza Emprende program matches a group of high-skilled Argentinian professionals to serve as mentors to Mendozan youth developing their first business plans.⁵⁴

In all of these efforts, a good communications platform can be critical to engage positively and productively with diaspora members. First, networks and platforms for engagement can provide valuable information and networking opportunities to migrants abroad, who may not be aware of opportunities in place for them to invest in their countries of origin. The non-profit International Diaspora Engagement Alliance (IdEA) in the United States is one such example (also mentioned above)—providing a platform to connect diaspora communities, the private sector, civil society, and public institutions in collaborative efforts to support economic and social development.⁵⁵

Second, the tone of this communication and engagement can also be influential: Policies that make diasporas feel that engagement is a two-way street can be much more effective than those that seem to treat the diaspora merely as a source of funds or know-how.

⁵⁰ African Development Bank, 2012, "Diaspora Bonds: Some Lessons for African Countries," AdDB African Economic Brief, Vol 3, Issue 13, December 2012.

⁵¹ There are several examples from the medical field: The American Association of Physicians of Indian Origin has programs to help doctors and hospitals in India with skills acquisition; and Ethiopia is relying on the diaspora to train physicians for its ambitious plan to create 13 new medical schools/hospitals.

⁵² See for example Russia's initiative to paid a team of Russian scientists with a diaspora academics who would spend two months in Russia mentoring the team; and also China's "One Thousand Talents Scheme" to actively recruit successful academics, business leaders, and innovators, mostly among the Chinese diaspora. Zhao Litao and Zhu Jinjing, 2009, "China's Talent Schemes: Initiatives from Central to Local Governments," *East Asian Policy*. http://www.eai.nus.edu.sg/Vol1No4_ZhaoLitaoZhuJinjing.pdf

⁵³ Katie Kuscminder and Melissa Siegel, 2010, "Understanding Ethiopian Diaspora Engagement Policy," Maastricht School of Governance.

⁵⁴ See Ezequiel Tacsir, et al, 2013, "How Argentina and Mexico are Leveraging Their Talent Abroad: A Comparative Study of Their Technological Diasporas," in Yevgeny Kuznetsov, ed, *How Can Talent Abroad Induce Development at Home*, Washington, DC: Migration Policy Institute.

⁵⁵ <http://diasporaalliance.org/>

Governments need to make engagement prestigious rather than onerous (Israel has been particularly effective at this). Tools to create a sense of ownership and pride can include providing awards, involving diaspora members in advisory groups, government/business visits etc. Kea New Zealand, a government-supported NGO, aims to connect talented Kiwis living abroad and motivate them to invest and contribute more to New Zealand—communicating that it is a high-value proposition.⁵⁶

IV. Conclusions and Recommendations

Labor migration is one of the most powerful mechanisms to transfer skills and knowledge across borders, contributing to economic growth and even improving the functioning of labour markets themselves (given the right conditions). Contrary to conventional wisdom, research shows that it can also reduce inequality, a key development goal. The ensuing transnational ties between migrants (and their descendants) and countries of origin can in turn foster a new set of mutually beneficial relationships that have the potential to boost economic development outcomes. The right conditions, however, include comprehensive and cautious policies and programs that need to be in place in order for migrants, employers, and countries to take full advantage of the potential benefits.

Facilitating labor market complementarities could make progress toward two major goals that have significant development impacts:

- **Better matching labor supply and demand and building human capital:** Better coordination between source and destination countries can improve skills certification, assessment, and recognition to fill labor market gaps and reduce over-qualification rates; help employers find the requested skills more quickly and efficiently (and at the right levels); and help migrants access work where they enjoy rights and decent working conditions.
- **Fully utilizing the skills and experiences of diaspora communities:** Current research demonstrates that migrants do not have to return home in order to use their financial and intellectual resources productively in ways that improve development outcomes at home. Diasporas can contribute to job creation in the country of origin through the transfer of skills and knowledge, setting up SMEs, boosting larger investments and trade relations, and even catalyzing policy reforms that further facilitate these positive exchanges.

This background paper highlights several key takeaways for policymakers:

1. ***Greater international cooperation on education, training, and credentials is necessary in order to reap the benefits of labor mobility.*** Human capital has become more important than ever in today's globalized knowledge economy, making cross-border cooperation essential to ensuring workers are able to access jobs commensurate with their skill level—and have opportunities to constantly update these skills when they move. Countries must work with educational institutions, NGOs, and employers to go beyond facilitating mobility and instead make sure that skills are used to their full potential. Communication is also valuable to creating the transparency needed in the recruitment process to protect migrant workers' rights.

⁵⁶ http://www.keanewzealand.com/sites/default/files/kea-investment-report-final-7nov_0_0.pdf

2. ***Both source and destination country governments should engage with the private sector to determine employers' needs.*** Active communication and partnerships between receiving and source governments and the private sector can better ensure that migrants are meeting the needs of employers. It allows governments recruiting labor from other countries to select migrants with appropriate skills and allows source country governments to invest in the skills and training their workers need to find employment abroad. Creative and flexible training opportunities provided by (or in close cooperation with) employers can save costs and maximize the productive use of skills.

3. ***Governments can both reduce barriers and actively promote incentives for diasporas to invest productively in their countries of origin—multiplying their economic development contributions regardless of whether or not they return.*** If diasporas are perceived as potential assets rather than losses to their country, government and community partners can invite them to use their knowledge, experiences, and networks to create business, investment and learning opportunities that would not otherwise have been possible. In order to facilitate these exchanges, source-country governments need to create conducive conditions for investment, learning, human capital development, and entrepreneurship; diasporas can provide some of the missing pieces, but they cannot make up for lack of capacity or infrastructure in home-country institutions.

4. ***Diaspora engagement should be a two-way street.*** Governments can and should collaborate with their diaspora on mutually beneficial projects and create incentives to encourage productive investments back home, but these efforts work best when they are truly cooperative, not instrumental. Members of the community abroad have many reasons to invest in their country of origin, and they are more likely to do so if they are persuaded that the governments in both countries of origin and destination regard them as true partners in developments.