

## GMG Issues brief no. 2: Improving the labour market outcomes of migration

### Introduction

Increased human mobility, rapid globalization, technological advances and demographic challenges have contributed to the emergence of an increasingly global labour market. Substantial social and economic inequalities are also causing jobseekers to pursue opportunities internationally. Men and women migrant workers play important roles in labour markets and contribute to economies and societies of countries of origin and destination. They can spur development through the creation of new enterprises, strengthen ties between both sets of countries through the transfer of, technology and skills, and their remittances generally improve the health and well-being of migrant families. On the other side of the coin, labour migration can also have negative socio-economic development outcomes because of the long-term separation of families and in the case of lower-skilled migrants who may often remain vulnerable to abuse, receive inadequate wages, experience poor working conditions, and be subject to discrimination.

There is increased dialogue within government and between governments and other pertinent stakeholders on labour migration issues with a view to:

- improving the responsiveness of migration policies to meeting labour market needs, including through private-public partnerships;
- addressing the concerns of employers and workers (and their representatives) within both the high and low-skilled sectors of the economy; and
- ensuring the adequate protection of the human and labour rights of migrant workers, in accordance with international standards, throughout the migration process, including through increased transparency and fairness in recruitment.

It is important to emphasize at the outset that these concerns can only be effectively addressed by a “whole of government” approach, involving all pertinent ministries (e.g. interior/home affairs, foreign affairs, justice, labour, social protection, health, education, etc.), and other stakeholders, such as the private sector,<sup>1</sup> employers’ and workers’ organizations, and migrant diaspora associations. Furthermore, coherence between national and regional labour migration or overseas employment policies with other policies relating to employment,<sup>2</sup> vocational training, education and social security can greatly improve labour market outcomes for migrant workers as well as origin and destination countries, thus optimizing the development impact of migration.

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<sup>1</sup> More thought needs to be given to how best to mobilize the “private sector” in order to obtain a representative employer view in discussions on the development-migration nexus.

<sup>2</sup> The ILO *Multilateral Framework on Labour Migration* (Geneva, International Labour Office, 2006) underscores the importance of ensuring “coherence between labour migration, employment and other national policies, in recognition of the wide social and economic implications of labour migration and in order to promote decent work for all and full, productive and freely chosen employment” (Guideline 4.2). In this regard, a good practice example is the draft National Employment Policy of the Republic of Mauritius, which ILO is assisting the government to develop.

## Global labour market trends and international labour migration

In discussing labour migration outcomes, it is first necessary to consider global labour market forecasts. ILO observes that the world labour force is currently increasing by over 40 million per year. However, the rate of increase is gradually declining and by 2020 will be about 37 million and 31 million by 2030. Yet, even with this decrease, to keep pace with the growth of the world's labour force some 470 million new jobs will be needed between 2016 and 2030.<sup>3</sup> Social and economic inequalities, both within and between countries and skill mismatches will add to migratory pressures to match jobs and workers. Indeed, international migration for employment continues to increase. New figures to be released by the UN Population Division indicate that there are an estimated 232 million international migrants in the world today, a nine per cent rise of the 214 million in 2010 of whom just over 50 per cent are likely to be economically active.<sup>4</sup> Moreover, almost half of international migrants are women, increasingly migrating to work on their own, and an eighth are youth between the ages of 15 and 24.<sup>5</sup> While the recent economic crisis impacted on certain sectors of the economy (e.g. construction, manufacturing) in which many migrant workers are found and also reduced migration flows, particularly to those countries adversely affected, global migration stocks have not decreased<sup>6</sup> and the OECD predicted that economic recovery would increase international labour migration.<sup>7</sup>

Second, there is no longer a simple bipolar division between North and South – or developed and developing or indeed between “origin” and “destination”. The global economy is increasingly geographically diversified and many non-OECD countries and emerging economies offer new opportunities for high and lower-skilled migrants, including for workers from more developed countries, which is also reflected in South-South migration being almost as common today as South-North migration equally representing a third of the global total of international migrants.<sup>8</sup>

Finally, these trends are taking place in an environment where education and vocational training systems in many countries of various levels of development are failing to produce the skills needed and recognized by employers, which is not helping to alleviate the high rates of youth unemployment globally. This is a problem compounded by issues related to the lack of recognition of foreign credentials among different countries that create obstacles to labour market integration. The “talent” often mentioned in the context of highly skilled migration represents a small share of workers. Without a concerted effort to increase skill levels in certain contexts and rationalizing labour supply and demand worldwide, the situation will become critical. Employers in developed countries could face a shortage of 16 to 18 million university-educated workers in 2020 while a gap

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<sup>3</sup> *Jobs and Livelihoods in the post-2015 development agenda: Meaningful ways to set targets and progress*, ILO Concept No. 2 for the post 2015 development agenda, p. 2, available at: [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/genericdocument/wcms\\_213309.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/genericdocument/wcms_213309.pdf) (accessed 27 August 2013).

<sup>4</sup> ILO estimates based on the 2010 figure of 214 million international migrants. See ILO, *International Labour Migration: A rights-based approach*, International Labour Office, Geneva, 2010, p. 18.

<sup>5</sup> UNDESA, Population Division, *International Migration in a Globalizing World: The Role of Youth*, Technical Paper No. 2011/1, UN, New York, 2011.

<sup>6</sup> IOM, *World Migration Report 2011: Communicating Effectively About Migration (Geneva, 2011)*

<sup>7</sup> OECD, *International Migration Outlook 2009*, Paris, 2009, p. 9.

<sup>8</sup> “Migrants by origin and destination: The role of South-South migration”, Population Facts No. 2012/3, UNDESA, Population Division, June 2012.

of 23 million university-educated workers is projected in China.<sup>9</sup> The European Commission has estimated that by 2020, 16 million more jobs in the European Union will require high qualifications.<sup>10</sup>

### **How can countries of origin and destination work together in key labour-shortage sectors (e.g. engineers, IT, health services, construction, agriculture, domestic work) where temporary or permanent mobility can respond to mutual labour market needs?**

There is a critical need to better understand labour market shortages and skills gaps, particularly in sectors characterized by significant numbers of migrant workers such as agriculture, construction, and services, including domestic work. Countries can meet this need more effectively by facilitating labour market needs assessments which help to identify labour demand and supply gaps, improving their capacity for job matching, and evaluating potential for skills recognition and standards across occupations.

Harmonization of employment policies and labour migration policies that build in labour market needs assessment and social protection mechanisms can improve development outcomes. Better protecting migrant workers, reducing abuse in recruitment and employment, and matching jobs with skills can help to ensure more optimal conditions of work, higher wages, and a greater potential for the positive contribution of labour migration to development in both countries of destination and origin. It also helps to achieve better development outcomes for migrant workers, their families, and home communities.

Countries face additional challenges. The internationalization of labour markets is increasingly leading countries to draw from the same pools of highly skilled workers.<sup>11</sup> Therefore, the need to enhance local education, science and research capacities, and to facilitate the mobility of highly skilled persons and students across borders, becomes more evident. Countries generally seek to maximize this human capital in three ways: (1) investing in education and training; (2) enhancing their research and development, and science and technology capacity; and (3) eventually, attracting skilled workers. At the same time, as countries focus on policies that encourage up-skilling, this can exacerbate seasonal or structural labour shortages in certain key lower-skilled sectors and occupations such as agriculture, construction and domestic work. Further, local workers often find employment in these sectors unattractive in terms of salary, conditions of work and status, even in times of high unemployment.

#### ***Highly skilled migration and student mobility***

When analysing how to best attract and retain highly skilled workers, the factors that shape migration decisions and the choice of destination relate to the opportunities for highly skilled workers and their family members. Some of these factors are employment-related such as career opportunities for highly skilled workers and their spouses, income differentials, employment security, and the availability and quality of project financing and research facilities in high-tech occupations. Others relate to quality of life and inclusion, such as access to pathways to a more

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<sup>9</sup> R. Dobbs, et al., *The world at work: Jobs, pay and skills for 3.5 billion people*, McKinsey Global Institute, June 2012, p. 2.

<sup>10</sup> European Commission, *EUROPE 2020 – A strategy for smart, sustainable and inclusive growth*, COM(2010) 2020, 3 March 2010, p. 18.

<sup>11</sup> See C. Kuptsch, (ed.), *The internationalization of labour markets*, International Institute for Labour Studies, International Labour Office, Geneva, 2010; *World Migration 2008: Managing Labour Mobility in the Evolving Global Economy*, Geneva, IOM, 2008.

secure residence status and citizenship, access to social benefits, labour market access for family members, and availability of language training.

Another key factor in attracting highly skilled workers is access to and portability of social security benefits, which affects not only labour market decisions, but also the capacity to face social risks. For example, the achievement of retirement income security for migrant workers may be hindered by nationality-based restrictions on participation in social security schemes, minimum residence requirements, minimum required periods of contributions (disproportionately affecting temporary workers), and restrictions on exporting benefits, among other considerations. These elements may factor into the long-term planning of workers and affect their decision of whether to migrate or to which country.

Improved material and social conditions for family members are often determinants for the migration of highly skilled workers, and influence the choice of destination. For example, a recent survey by Permits Foundation found that in 69 per cent of households of highly skilled migrants, spousal careers or employment opportunities were an important decision to relocate, and 58 per cent of respondents would be unlikely to relocate to a country where it was difficult for a spouse or a partner to obtain a work permit.<sup>12</sup>

Most policies on highly skilled migration in destination countries combine measures to recruit foreign professionals and international students and promote their socioeconomic integration in the host society. In countries of origin, highly skilled migration policies often focus on harnessing highly skilled persons' human, intellectual and financial capital. For example, policies may promote the transfer of skills and knowledge, investment and remittances, or seek compensation for the loss of skills, as well as the retention and improvement of a country's skills base. The design of specialised migration schemes for the highly skilled, however, is one among many other options to address skills shortages. Flexible demand-driven systems (see below) and the improvement of domestic conditions in terms of wages and career opportunities for the highly skilled may constitute more straightforward solutions to address skills shortages.

Regarding the recruitment of highly skilled migrants, some experts have categorised migration policies in supply and demand terms. In demand-driven systems designed to respond to identified labour market needs, employers play a more prominent role because work permits are predicated upon the existence of a genuine job offer. However, in supply-driven systems workers are invited to apply for admission to a host country, and are selected according to specific criteria, such as level of education, work experience, age, and knowledge of the official language/s, regardless of the existence of a job offer. Supply-driven systems also include bilateral or regional free movement regimes, which facilitate the direct encounter between workers and employers with less state intervention.<sup>13</sup> The mechanisms for the selection of highly skilled workers include "points-based" systems, quotas, labour market tests, shortage occupation lists, and special visas for job-seekers.

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<sup>12</sup> *International Survey of Expatriate Spouses and Partners*, Employment, Work Permits and International Mobility, Final Report, 2nd ed., Permits Foundation, The Hague, 2013, p. 6, available at: <http://www.permitsfoundation.com/wp-content/uploads/2013/04/Spousal-Survey-Full-RS.pdf> (accessed 27 August 2013).

<sup>13</sup> Some schemes, however, such as free movement of workers in the EU are open to all workers from participating countries regardless of their skill level.

Generally speaking, government-led provisions in destination countries to facilitate the recruitment of highly skilled labour include expediting the issuance of work permits and creating fast-track admission procedures, relaxing immigration quotas and allowing international students to remain and work upon graduation. In addition, measures designed to “attract” qualified foreigners include financial and social incentives (such as tax incentives, dual citizenship, access to and portability of social benefits, language training opportunities, integration provisions for workers and their families including access to the labour market for spouses and integration of children). Retention and circulation strategies in countries of origin usually aim to improve the infrastructure for innovation, facilitate high-tech entrepreneurship, and achieve greater coherence between employment and education/training policy encouraging the participation of employers.

Although many of these factors fall within government domain, employers are increasingly involved in the attraction of highly skilled migrants and their retention. Employers and industry groups, together with trade unions and regional/local authorities, play an important role in identifying labour market shortages<sup>14</sup> while the private employment and recruitment industry facilitates the filling of these gaps by matching international job seekers with opportunities. Also in collaboration with local and national authorities as well as settlement services, private sector employers may facilitate the integration process by addressing the social needs of migrants and their families. Such holistic approaches to integration involving multilateral collaboration among governments, the private sector, trade unions and civil society organizations are largely viewed as more effective in meeting the needs of migrants and their communities.

### ***Lower-skilled labour migration***

As observed above, migration of lower-skilled workers is often a response to structural or seasonal labour market shortages in key sectors seemingly unaffected by rising domestic unemployment rates. These shortages are particularly pronounced in seasonal occupations (such as agriculture, tourism and fishing) but also in non-seasonal and cyclical sectors such as the construction, service industry and sectors dominated by women, including domestic work. One of the criticisms of many labour migration programmes is that they focus on higher skill occupations or “talent mobility” but largely overlook shortages in lower-skilled occupations. The assumption is that job vacancies requiring lower levels of formal education or on-the-job training can be readily filled by local residents who simply need to be mobilized or encouraged to accept these positions. However, this is not necessarily the case as there are a multitude of factors that affect every job-seeker’s willingness to accept lower-skilled work, particularly in advanced economies. There are a number of reasons why the national labour force may not be able to fill the labour demand in these sectors. These include low levels of unemployment, opportunities in higher-paying occupations, and preference for full-time year-round work over seasonal work or for work with sociable hours. Therefore, these structural labour shortages in certain sectors and occupations call into question whether or not the need is genuinely “temporary” in nature.

When considering lower-skilled labour migration, however, the policy preference has traditionally been to make these programmes temporary or “circular” – such as the seasonal agricultural worker programmes bringing workers from the South Pacific to Australia or New Zealand – and to ensure

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<sup>14</sup> However, care has to be taken to ensure that labour market shortages are assessed on the basis of a range of criteria and sources and not merely on the basis of employer surveys or reports.

their return home once the labour market need is no longer apparent. The result is a paradox where employers may have cyclical or long-term labour market needs for lower-skilled workers who have reduced access to a more secure residence status because current policies fail to recognize the structural nature of these labour market gaps. This can result in a situation where migrants find themselves to be “permanently temporary” in the sense that they work in the same occupation – sometimes even for the same employer – year after year, but without many of the rights afforded to migrants with a more secure or permanent residence status. Critics of these programmes argue that they increase worker vulnerability to employment-related abuse and exploitation because migrant workers are often unable to change jobs and thus become more dependent on their employers. They may also be denied fundamental rights, such as the right to join trade unions, and access to social protection may be circumscribed.<sup>15</sup> Access to and portability of social security benefits is just as important for lower-skilled migrant workers, who may be particularly disadvantaged in the context of certain types of temporary labour migration schemes, especially seasonal migration. In this regard, adoption of bilateral social security agreements between destination and origin countries, on the basis of recognized international standards, and initiatives through regional integration, are essential.<sup>16</sup>

Moreover, although the workers are de facto semi-permanent members of the host communities, their temporary status often means that they are ineligible to participate in integration programming designed for permanent residents. Employers complain of the increased administrative burden and cost associated with having to re-apply for work permits, re-train new workers, and, in demand-driven regimes, to demonstrate the need for foreign labour, year after year. The end result is a reduced capacity for human resource planning by employers because they cannot rely upon a continued relationship with their trained and experienced workers and instability for lower-skilled migrants whose employment, including income capacity and residence remain precarious.

### **How can public-private partnerships in labour matching promote fair and ethical recruitment practices and language and skills training for migrants?**

In the effort to effectively match people with job vacancies, international labour recruitment – whether performed by private employment agencies, public employment services, or directly by employers themselves – is critical to meeting labour market demands. Indeed, it can be argued that in most cases, recruitment is one of the first steps in the labour migration process. The consequences of unethical recruitment range from exorbitant recruitment fees, false promises of jobs, and misleading terms and conditions of employment resulting in contract substitution at destination to, in extreme cases, forced labour<sup>17</sup>, debt bondage, and human trafficking. The end result encompasses a number of negative outcomes, including an overall increase in the vulnerability

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<sup>15</sup> See e.g. P. Wickramasekara, *Circular Migration: A Triple Win or a Dead End*, Global Union Research Network (GURN) Discussion Paper, No. 15, International Labour Office, Geneva, 2011.

<sup>16</sup> With the assistance of the ILO project “Building capacity for coordination of social security for migrant workers”, Moldova signed between 2008 and 2011 social security agreements with Austria, Bulgaria, Estonia, Luxemburg, Portugal, and Romania. The entry into force of the agreements was followed by administrative arrangements for their implementation in four countries. Between 2012 and 2013, Moldova continued negotiations with Hungary, Latvia and Lithuania, and social security agreements with Lithuania and Hungary are likely to be signed this year.

<sup>17</sup> 43% of individual trafficked persons assisted by IOM during 2012 were trafficked for the purpose of forced labour, *IOM 2012 Case Data On Human Trafficking: Global Figures & Trends, April 2013*

of workers and violations of human and labour rights. Unethical recruitment increases the human, social and financial costs of migration as well as instances of overstaying and other breaches to immigration systems. It reduces development gains for countries and communities of origin, and applies downward pressure on labour markets in destination countries.

In response to increased labour migration, governments in both countries of origin and destination are enacting legislation and other means of regulating the activities of international recruiters. States are aligning their policies with existing international conventions, such as the ILO Private Employment Agencies Convention, 1997 (No. 181),<sup>18</sup> and recognized best practices. Some governments, for example the Republic of Korea through its Employment Permit System, prefer to facilitate admission of migrant workers through arrangements between public employment services, while others, such as Ethiopia and the Philippines, make recruiting agents jointly liable with foreign employers for violations of migrant worker contracts, enabling aggrieved workers to file a complaint against the recruiter after returning home. The Tenth Forum of Central American and Dominican Republic Employment Directors has agreed to strengthen and coordinate public employment services to facilitate orderly labour mobility through the provision of reliable information to migrant workers and the labour force needs to employers. With this purpose, the Directors recommended the production of a *Common Catalogue of Occupations* that could facilitate the exchange of information between participating countries.<sup>19</sup> Additionally, groups representing the recruitment industry (such as the International Confederation of Private Employment Agencies (CIETT) and the Regional Association of Recruitment Agencies in Asia) have developed codes of ethical conduct in attempts to self-regulate the industry and mitigate the negative impacts of unethical recruitment practices. These efforts have contributed significantly to the regularization of industry norms and to reductions in worker vulnerability. The benefits of targeting unethical international recruitment practices are extolled by stakeholders as critical to reducing the economic costs of migration, enhancing worker protection and improving governance of labour migration. Socially responsible employers who want to ensure migrant workers are fairly treated have echoed that praise. Abusive recruitment practices can also be reduced if governments, trade unions, employers' organizations and others adopt mechanisms to provide accurate information on the labour migration process, and working and living conditions in destination countries.<sup>20</sup>

Responding to current and future demands for skilled workers, policy attention to technical and vocational education and training (TVET) is increasing worldwide with an emphasis on competency based training (CBT) to create a more flexible and adaptable workforce. This trend is complemented by a growing involvement of the private sector, both in terms of predicting skills shortages and in creating strategies for remedial action. As a means of moving towards sustainable, demand-led skills development and engaging the involvement of all stakeholders, many countries have chosen to create sector councils to promote skills development in a specific occupational sector, and to ensure

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<sup>18</sup> ILO Convention No. 181, ratified by 27 countries, calls on employers to pay all recruitment costs and encourages governments to operate no-fee labour exchanges.

<sup>19</sup> For more information, see: [http://www.ilo.org/sanjose/programas-y-proyectos/formacion-orientacion-insercion-laboral/WCMS\\_179749/lang-es/index.htm](http://www.ilo.org/sanjose/programas-y-proyectos/formacion-orientacion-insercion-laboral/WCMS_179749/lang-es/index.htm) (accessed 27 August 2013).

<sup>20</sup> Both ILO and IOM support the establishment of Migrant Resource Centres to provide information and services to migrant workers. See respectively the ILO TRIANGLE (Tripartite Action to Protect Migrants within and from the Greater Mekong Region from Labour Exploitation) project, which has helped to establish MRCs in Cambodia, Thailand, Viet Nam, and Penang, Malaysia providing information on worker protection but also employment opportunities; and P. Tacon and E. Warn, *Migrant Resource Centres: An Initial Assessment*, Migration Research Series No. 40, IOM, Geneva, 2009.

that training in that sector meets the needs of employers as well as any government objectives. A European Commission-funded TVET Reform Project in Bangladesh exemplifies these best practices by creating a competency-based national qualifications framework, supported by sector councils with the goal of harmonizing accreditation frameworks that promote skills attainment for work at home and abroad.<sup>21</sup> In areas particularly vulnerable to high rates of outward irregular migration, governments have been working with international agencies to mitigate youth unemployment through the drafting of national action plans to target the needs of youth seeking to enter the labour market, to provide vocational training to enhance their employability and to monitor migration impacts on the labour market<sup>22</sup>.

Other examples of private-public initiatives to improve vocational language skills – such as those in Portugal, Canada and Sweden – improve labour market outcomes of migrants, increase development gains of countries of origin and destination, and assist them to better meet their labour market needs.

## Conclusion

Increased mobility of migrant workers at all skill levels, particularly in the context of a future global economic recovery, is likely to generate significant development benefits for both countries of origin and destination and contribute to the global skills and knowledge base. However, in order to ensure improved labour market outcomes of migration for both migrant workers as well as origin and destination countries, consideration needs to be given to the following:

- In the context of the growing internationalization of labour markets, countries are likely to draw from the same pools of highly skilled workers. Comprehensive policies to attract highly skilled migrants need to take account of development objectives in countries of origin and be accompanied by efforts to improve national education systems and labour markets. A greater commitment to the creation of job-relevant human capital remains crucial to overcoming the future skills shortages that are projected to affect most countries.
- The primary challenges regarding lower-skilled labour migration relate to the creation of sufficient regular migration channels to meet labour market needs in the sectors concerned, and ensure the adequate protection of migrant workers' rights in both temporary and permanent migration schemes, while preventing the erosion of wages and labour protections for both local and migrant workers in countries of destination.
- The challenges for policymakers from a diverse range of government institutions will be to work together with all pertinent stakeholders, in particular the private sector and employers' and workers' organizations, to
  - nurture a constructive debate on labour migration and the positive contribution of migrant workers to national economies and societies that moves beyond addressing short-term political objectives and interests;
  - better harmonize employment policies with gender-sensitive labour migration policies in order to incorporate assessment of labour market needs at all skill levels,

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<sup>21</sup> This EU-funded project is an initiative of the Government of Bangladesh, assisted by ILO. See: [http://www.ilo.org/dhaka/Whatwedo/Projects/WCMS\\_106485/lang--en/index.htm](http://www.ilo.org/dhaka/Whatwedo/Projects/WCMS_106485/lang--en/index.htm) (accessed 27 August 2013).

<sup>22</sup> In 2012, IOM implemented such projects in various countries, including Albania, Bosnia Herzegovina, Costa Rica, Ecuador, Egypt, Serbia and Turkey.

- both domestically and internationally, and to ensure greater social protection; and to ensure these can become part of development strategies moving forward;
- examine more carefully educational attainment and occupational shifts when formulating policies aimed at capitalizing on national and international pools of human capital; and
  - improve protections for migrant workers, particularly for lower-skilled workers, in respect of the provision of accurate and reliable information before their departure, recruitment, wages and working conditions at destination, and social protection, including through facilitating portability of social security benefits such as health insurance.
- Realizing policy coherence also requires harmonization of labour migration/mobility policies with other important related areas of governance, such as employment, social protection, education and training policies.