

Numbers vs Rights: Tradeoffs and Guest Workers

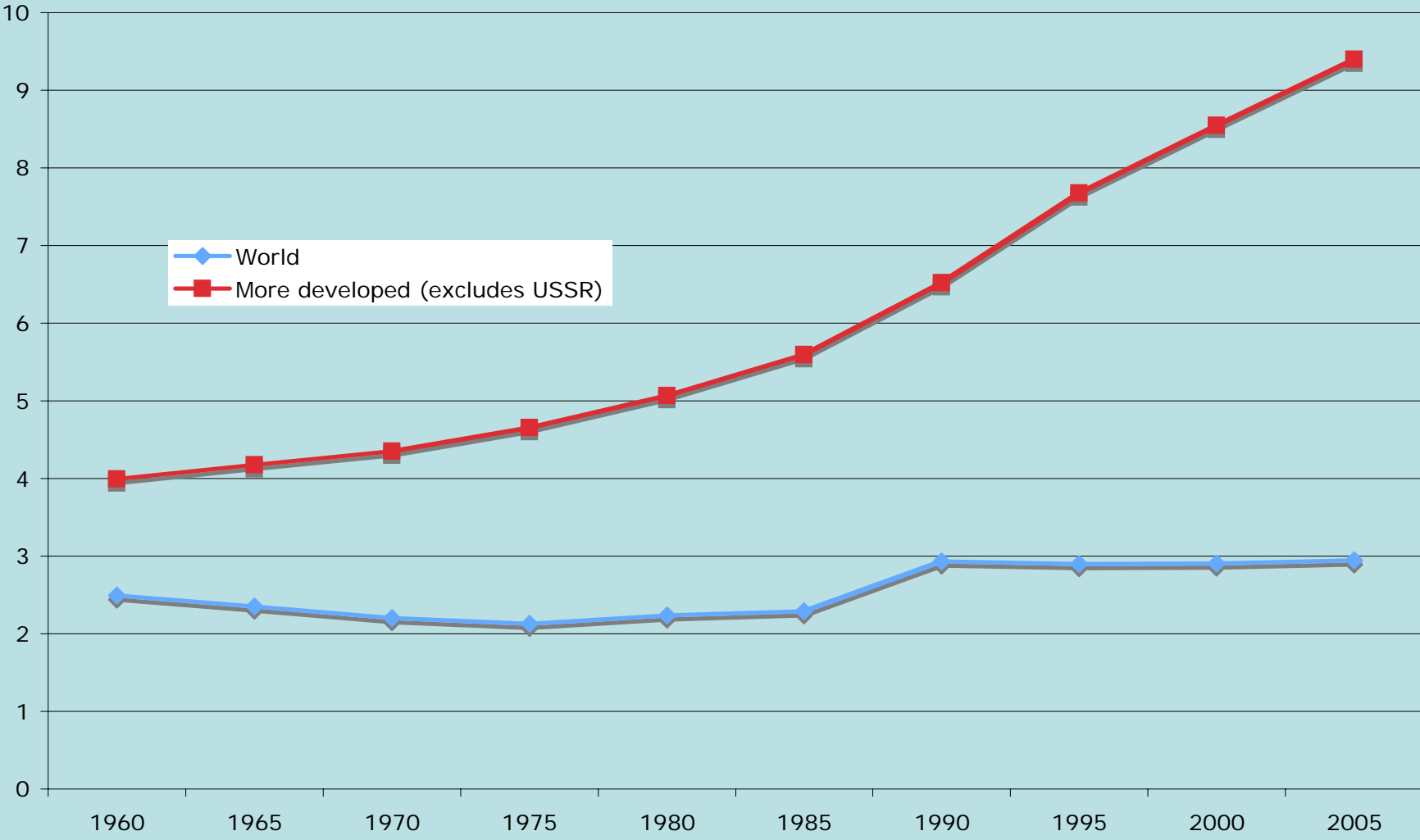
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3 Themes

- Wage gaps and benefits of migration greatest for low-skilled migrants in high-income countries
- Rules often contradict the incentives of employers and migrants--nothing more permanent than temporary workers
- Trade offs between numbers vs rights, ILO and UN Conventions vs GATS

International Migrants, Share of Population(%), 1960-2005



Source: UN Trends in Migrant

Why International Migration?

- Differences: demography, economics, security
- Networks: communications, transportation, rights
- More countries and more borders to cross--from about 45 to 200 countries in 20th century

Huge Economic Gains

- Winters et al (2003): If OECD adds 8 million skilled ldc migrants and 8.4 million unskilled, global GDP of \$26 trillion (1997) rises by \$156 billion: 64% of gain to migrants, 44% to owners of capital
- Hamilton and Whalley (1984): sufficient migration to equalize worker VMPS doubles or triples world GDP
- Wages fall in receiving country and output rises (like migration's effects in a one-country world)

Why not open up?

- Assumptions: full employment, workers' wages reflect their VMP, and world income increases by the difference between wages in S and R countries
- Why not unify in West Germany?

Migration: who benefits?

- Standard macro demand and supply of labor, supply shifts out
- Most of the gains accrue to migrants, #2 is owners of capital in receiving countries
- Net benefit triangle created for receiving country

Biggest Gains, Toughest Issues

- Wage gaps largest for low-skilled workers
- But #1—Local low-unskilled are a governmental concern in receiving countries and foreign low-skilled are hardest to integrate
- But #2—Employers prefer high-skilled foreigners, even if they fill low-skill jobs

Guest Workers: Between no borders and no migrants

- Purpose—add workers temporarily to the labor force, but not settlers
- Universal legacy—nothing more permanent than temporary workers
- Why do guest worker programs get larger and last longer—rules vs. incentives

3 Questions in R-countries

- What must employer do to employ migrants?
- What are the rights of migrants while in host country?
- What are rules on worker returns?

Do incentives contradict or reinforce rules?

- Contradiction: Employers learn the rules, assume that migrants will continue to be available, as when farmers plant trees in remote areas
- Should migrants fill vacant jobs or change jobs (then how to fill vacant jobs)
- Rotate or retain—why send home a trained migrant after 1 or 2 years?

Incentives in Guest Worker Programs

- Use employer payroll taxes to promote labor-saving innovations— it can be hard for one employer to mechanize in isolation
- Charge employers higher taxes/levies if they want to retain migrants
- Refund migrant payroll taxes to encourage migrants to return

Getting Guest Worker Incentives Right

- Hiring a migrant worker and going abroad to work are economic decisions that need economic regulatory mechanism
- Ensure that economic regulations reinforce—not contradict—rules

Guest Worker Programs-- likely to expand

- Guest workers—seem to be ideal 2nd best solution
- Benefits—immediate, concentrated, measurable in economic terms
- Costs—deferred, diffused, and very hard to measure
- Ray Marshall—late 1970s—European labor ministers--would not do guest workers again

Migration and Development

- Is exporting workers a shortcut to development?
- Benefits—provide jobs and remittances, new skills and energy
- Costs—who leaves, and who captures the wage wedge that motivates migration

3 R's of Migration and Development

- Recruitment—virtuous and vicious circles
- Remittances—money for investment vs dependency and Dutch disease
- Returns—to reinvigorate local economies or rest and retire

Numbers vs Rights

- ILO-UN-NGOs: equal rights for migrants--protect local workers by protecting migrants, avoid a race to the bottom
- GATS—developing countries want easier access for migrant service providers
- What is the proper balance between numbers and rights? Core rights?

LDC demands

- Trust employers: eliminate economic needs tests, make tests transparent, reduce local worker recruitment requirements
- GATS Service Provider Visa: one-stop
- Credential recognition: mutual recognition from regional (EU) to global level, allow experience to substitute for credentials
- Payroll taxes--exempt migrant service providers

Thinking about Migration

- Migration: a process to be managed, not a problem to be solved
- Migration: analysis of choices between competing goods, not bads and goods (food prices and farm wages)
- Avoid extremes: no borders and no migrants

Three Predictions

- More migration and more debate
- Best policy for unwanted migration is economic development; receiving countries need to develop economic mechanisms to improve migration management
- Until then: anyone with a solution does not understand the problem; anyone who understands the problem does not have a solution

Thank You

- More information:
- <http://migration.ucdavis.edu>

Negatively sloped demand

