

# **Managing Labor Migration in the 21<sup>st</sup> Century**

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# 3 Themes

- Migration low, pressures rising. Policy response--adjust migrant rights
- Managing migrants at the top and bottom of the job ladder
- Recruiters: the glue in the international labor market?

# Caveats

- **“Man [woman] is the most difficult luggage to move over borders.”  
Adam Smith**
- **Unanticipated consequences of migration policies**
- **The perfect is the enemy of the good.**

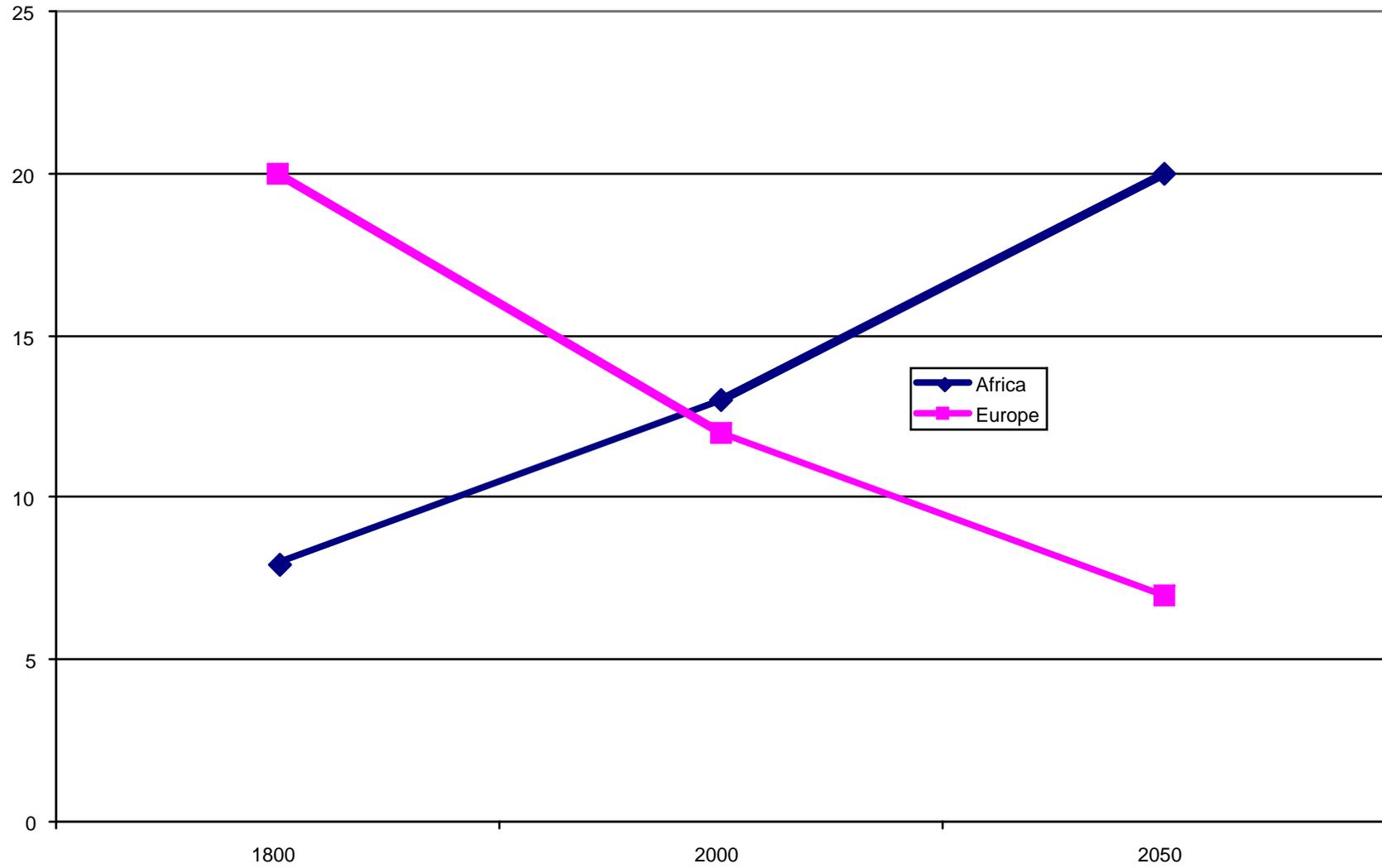
# **Why so little migration?**

- Inertia: most people stay near family and friends**
- Governments regulate entries and stays**
- Economic development and convergence reduce incentives to migrate**

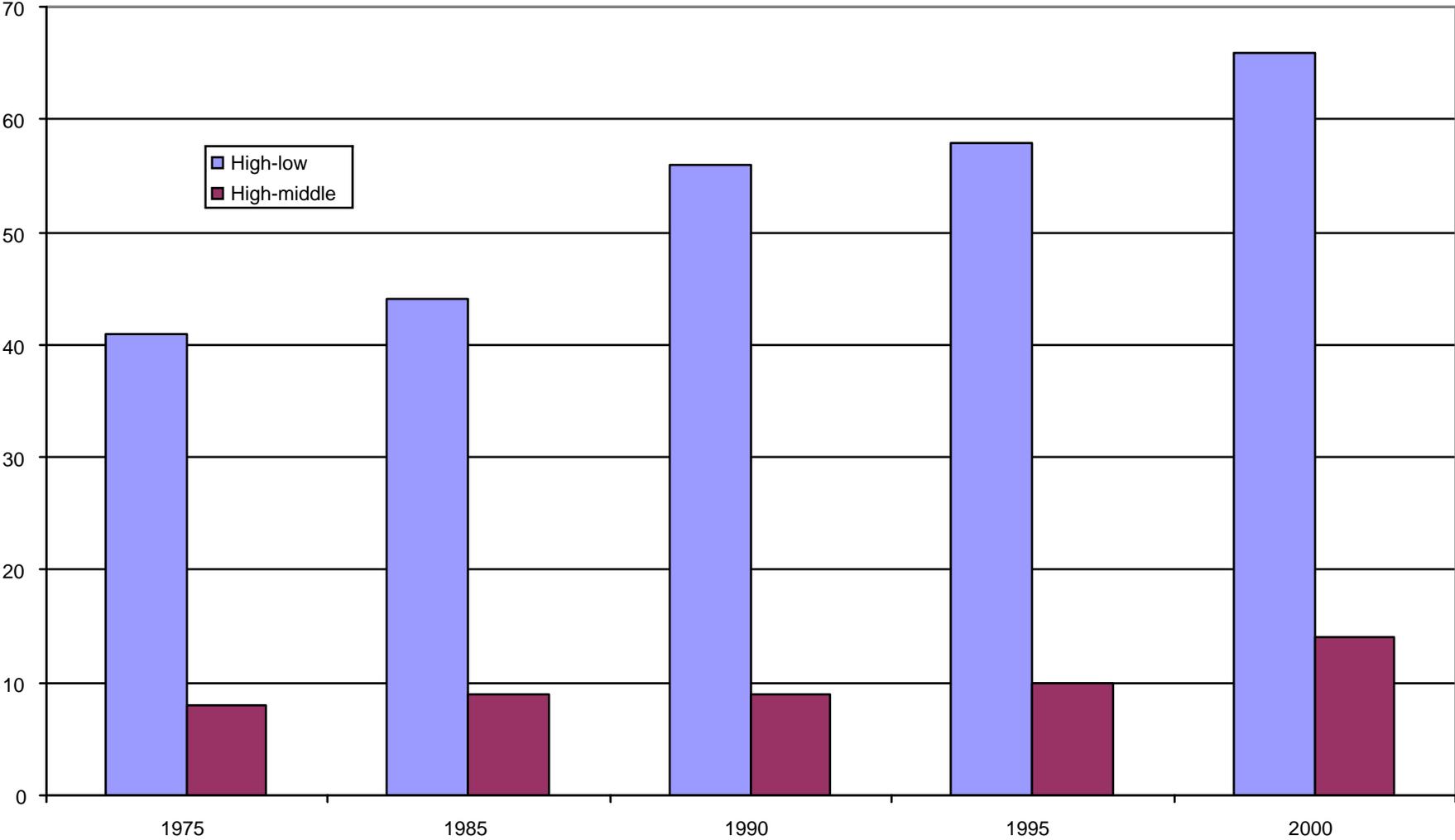
# Why so much migration?

- **Demographic differences:**  
Europe vs Africa global population shares, 1800, 2000, 2050
- **Economic differences:** Average per capita, \$5,000: range, \$100 to \$40,000
- **Other differences, networks, and 3 revolutions**

Shares of Global Population, Africa and Europe, 1800, 2000, 2050



**Ratio of Per Capita GDPs, High to Low and High to Middle income countries,  
1975-2000**



# Other and 3 Revolutions

- **More countries: 43 in 1900, 191 in 2000, and migration to get the “right people” inside the “right borders”**
- **Revolutions in communications, transportation, and rights**
- **Policy: Manage migration by adjusting rights**

# Professional Migrants

- **Educational selectivity and cumulative loss**
- **Advantages to receiving countries:**
  - **Fill vacant jobs that require training quickly**
  - **Reduce wage-inflation pressures**
  - **Increase productivity on diverse teams**

# **Dealing with Professional Migrants**

- **Keep in touch with Diaspora**
- **Human capital replenishment funds**
- **Permit private financing of education in countries sending professionals abroad**

# Other Guest Workers

- **From 1960s macro to 1990s micro programs**
- **Recruitment stops and irregular migration amidst high unemployment**
- **“Labor shortages” in particular sectors and areas**

# Why not let wages rise?

- **Help industries to adjust to new global competition**
- **Jobs are seasonal or in remote areas**
- **Increase productivity of complementary local workers, e.g. second shift and new equipment in meatpacking**

# Distortion and Dependence

- **Distortion: employers learn rules and depend on migrants**
- **Dependence: migrants, their families and regions depend on foreign jobs and remittances**

# Add Economic Incentives

- Give migrants unique tax numbers:
- Refund migrant payroll taxes to encourage returns and provide savings that can be matched for investment
- Use employer payroll taxes to help the industry adjust to fewer migrants

# Keys to success

- Cooperation between sending and receiving countries to promote adherence to program rules
- Partnerships between government and employers to plan adjustments, as with processing tomato industry
- Minimize irregular migration and eventual earned legalization

# Recruiters: labor market glue

- Job Matching: from direct employer recruitment and public employment service to networks and fee-charging recruiters
- Tendency: employers pay recruitment costs for professionals, other migrants pay recruitment costs
- Issue: how to reduce recruitment costs

# Reducing recruitment costs

- Educate migrants on recruitment services and allowable fees (usual 1month's wage)
- Regulate recruiters directly with licenses and bonds; joint liability?
- Encourage competition to increase options and lower costs--encourage multinationals like Manpower to participate

# Managing Labor Migration

- Issue: make guest worker programs work closer to goals and thus keep doors open to migrant workers
- No magic bullet or one-size-fits-all guest worker program
- Economic incentives can reinforce program rules









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