The Economics of Migration and Remittances Under Globalization

Atif Kubursi

Introduction

One of the most widely accepted claims by economists is that international free trade generally augments the welfare of trading partners, and the gains from trade are positive and beneficial for all participants. It would seem then natural and logical to believe that they would support measures that encourage labor mobility within and between nations to increase the efficient use of labor resources. There might be some justifiable concerns about cities becoming too crowded, or about remote areas becoming depopulated, or about brain drain from poor regions, but these seem generally to be regarded as exceptions to the general idea that labor mobility within and between nations can and has facilitated desirable economic growth, and that it represents one of the most important mechanisms for interregional and international risk-sharing.[1]

Except perhaps for a few specialists in regional economics; however, there are only a handful of economists who are willing to speak out in favor of migration across national borders. Generally, even many of the politicians who would never dream of advocating trade restrictions for economic reasons do not hesitate to condemn "economic" migration as a threat to the employment and other prospects of their electorates.

The obvious question for the economist then is whether any model can possibly justify this stark contrast between the apparently widespread desires to promote trade on the one hand, while restricting migration on the other. To the extent that steps toward free trade are really beneficial, is there anything fundamentally different about migration that

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* Professor of Economics, McMaster University Hamilton Ontario Canada.

[1] See, for instance, the papers by Barro and Sala-i-Martin (1991, 1992), as well as by Blanchard and Katz (1992).

prevents it from conferring similar benefits? On the other hand, if international migration is likely to harm the economic interests of some existing residents of a nation, why is it any different from free trade, which can also harm the interests of those holding significant stakes in industries destined to become uncompetitive or obsolete?

Cross-border mobility in all its forms is the essence of economic globalization, but the international movement of labor remains a rather limited and restricted phenomenon in the emerging global economy. If goods and capital may migrate at will, effortlessly crossing national boundaries, why are obstacles placed on the movement of people? Wealthy and industrialized capitalist countries, where the rules of politics and economics necessitate that money and goods move unrestricted around the world do not extend similar options to labor. These countries acknowledge the inevitability of globalization with respect to finance and commodities while deploying enormous efforts on maintaining barriers to the free entry of labor. Sovereign nation-states acquiesce to the benefit of capital, yet they erect rigorous barriers when migrating underprivileged workers seek parity with the populations of rich countries.

Historical perspective

Migrations are as old as human history. It has been said that a Roman Emperor had complained some 2000 years ago that the Tiber River in Rome was overflowing with the Orontes (a small river in eastern Lebanon near Baalbeck), in reference to the large numbers of Phoenicians migrating to Rome. However, starting from the 1600's and the emergence of European colonial and mercantile interests, as well as the conquest of the New World (the Americas), free or cheap labor in the form of slaves and indentured workers were shipped between continents to work plantations, mines and construction projects. Industrialization and economic expansion in Western Europe, Australia and North America in the last two centuries facilitated new movements of people to build railways, ports and cities, and work in the new factories. Thus, during the 19th and early 20th century, mass movements of workers to the countries of the North were encouraged because the lands of the ‘New World’ needed people and labor.

Immigration to North America slowed down during the depression era of the 1930's, but a very sharp increase was noted again in the post World War II period when immigration laws were relaxed, enabling a greater flow of migrants. This also coincided with the migration stream from the newly decolonized countries to their former colonialist states (i.e. French Africa, such as Senegal, Algeria, Morocco to France, and Zaire to Belgium). Later, in the last half of the twentieth century "global trends favored the controlled movements of temporary workers on a 'guest' basis, with entry for immigrants restricted to highly skilled workers, business investors, or those with family already in the country of destination" (Hirst and Thompson 2000, p. 276).

Within the regions of free trade agreements such as the European Union, where in principle many constraints on labor mobility across national boundaries have been removed, relative labor migration rates remain rather low. In North America, although NAFTA explicitly excludes freedom of movement of persons (with some exception for high skilled university graduates), this has not curtailed the enormous flow of illegal migrants between Mexico and the USA.

Demographic trends

The United Nations Population Fund Annual Report (UNFPA, 2004) has shown people migrating on an unprecedented scale. Although most international migration flows occur between neighboring countries, interregional migration directed to developed countries has been growing. It is estimated that one out of every 35 persons is an international migrant. This is equivalent to about three percent of the world population. According to the UNFPA report, these numbers are "expected to grow as migration pressures, created by the development gaps between poor and rich countries and fuelled by the process of globalization and demographic dynamics, will result in further migration" (*Ibid*, p. 2).

It is also estimated that the number of international migrants in the world in the new millennium is in excess of 175 million, and is expected to reach 230 million by the year

2050 (*Ibid*, p. 12). While most migrate for economic reasons and in pursuit of a better life, about one third of the total migrants were forced to leave for other reasons, such as natural disasters, environmental destruction, and persecution.[2]

Europe was the largest host of international migrants, with 56 million migrants in 2000, followed by Asia, and Northern America. Indeed, these three regions hosted most of the international migrants (84%) in the world. In the USA alone, there were 16.7 million immigrants between 1970 and 1995 followed by 13 million in the Russian Federation and 7 million in Germany (UNFPA Report 2004).

Foreign workers have also flowed in recent years into the newly industrializing countries in East and Southeast Asia. In the 1980's alone, the Pacific Economic Cooperation Council (PECC) economies were estimated to have experienced a net outflow of over 1,764,000 people (Stahl and Appleyard 1992). For the whole of Asia in the same decade, an estimated net outflow of 3,341,000 persons was experienced (Arnold 1989). The Middle East with its huge oil industry was the pulling force, with Saudi Arabia hosting 3.4 million migrant workers between 1970 and 1995. In the United Arab Emirates 74% of its population are foreign workers and in Kuwait over half of its residents are non-nationals (Stalker 2000).

Other main recipients are Japan, and the newly industrialized economies of Singapore, Hong Kong, Taiwan, and South Korea. In 1995, Singapore hosted 350,000 foreign workers, representing about one-fifth of its labor force (*Ibid*.). Although these movements are constant, numbers however remain fluctuating, depending on the political and economic climates of both sending and receiving countries. Nonetheless, it is expected

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[2] According to UNHCR, there were some 12 million refugees worldwide in 2001. Asia remains the major host region for refugees worldwide, followed by Africa and Europe. Most refugee host countries are safe neighboring countries of countries in conflict (i.e., Iran and Pakistan bordering Afghanistan, Guinea bordering Sierra Leone, Tanzania bordering the DR Congo, etc.), other countries, such as the United States and Canada, have well established refugee resettlement programs, or a tradition of hosting refugees such as Germany.

that more workers will continue to flow through porous borders in search of stability and income.

Migration and Economic Efficiency

The study of migration is at the core of labor economics because the analysis of labor flows—whether within or across countries—is central to labor market equilibrium. Workers respond to regional differences in economic outcomes by voting with their feet. These labor flows improve labor market efficiency. For example, suppose there are two regional labor markets, one in a Northern country and one in the South, and that these two markets employ workers of similar skills. Suppose further that the current wage in the North exceeds the wage in the South. Under some conditions, the wage differential between the two regions will not persist once the economy attains a competitive national equilibrium. After all, the wage differential (in excess of transport cost) encourages some Southern workers to move to the North, where they can earn higher wages and presumably attain a higher level of utility. The flow of Southern workers into the North would raise the Southern wage and depress the Northern wage. If there were free entry and exit of workers in and out of labor markets, the national economy would eventually be characterized by a single wage (See Figure 1).

The single wage property of competitive equilibrium has important implications for economic efficiency. The theory of labor demand demonstrates that the wage equals the value of marginal product of labor in a competitive market. It is this parity between the real wage and marginal physical product that attains profit maximization for employers in a purely competitive market. As workers move to the region that provides the best opportunities, they eliminate regional wage differentials and allocate labor to where they make their maximum contribution. There will be no incentive for labor to move, and the economy would have attained its maximum output as workers of given skills will have the same value of marginal product of labor in all markets. This allocation of workers to employers, which equates the value of marginal product across markets is said to be a *Pareto efficient* allocation because it maximizes national income and because no other redistribution can raise national income.

An Economic Model of Migration

In 1932, Sir John Hicks argued that, "differences in net economic advantages, chiefly differences in wages, are the main causes of migration". Practically, most modern studies of migration use this hypothesis as the starting point and view the migration of workers as a type of human capital investment (Sjaastad, 1962). In this restrictive human capital approach, workers calculate the value of the opportunities available in each of the alternative labor markets, net out the cost of making the move, compare likelihood of finding employment, and choose whichever option maximizes the net expected present value of lifetime income (Todaro, 1969; Todaro and Maruszko, 1987).

Suppose there are two labor markets where a particular worker can be employed. The worker is currently employed in region i and is considering a move to region j. The worker, who is t years old, earns W_{it} dollars. If he were to move, he would earn W_{jt} dollars. It costs m_{ij} dollars to move from i to j. These migration costs include the actual expenditures incurred in transporting the worker and his/her family, as well as the dollar value of the "psychic cost"—the pain and suffering that inevitably occurs when one moves away from family, neighbors, and social networks. These costs are netted out from the destination wage either as a one-time payment or as lasting psychological cost that must be taken into account each year t. It is possible for m_{ijt} to be negative. This could be the case of persons running away from oppression and violence in their place of origin. In that case, m_{ijt} becomes an advantage rather than a cost to migrating to the new destination. Like all other human capital investments, migration decisions are guided by the comparison of the present value of lifetime earnings in the alternative opportunities.

The net gain to migration from origin i to any destination j is given by:

$$(1)\quad NetGain = \sum_{k=t}^{T} \frac{\left((1-u_{jk})(W_{jk} - m_{ijk}) - (1-u_{ik})(W_{ik})\right)}{(1+r)^{k-t}}$$

Where r is the discount rate and T is the age of retirement, W is the net wage rate (net of transfer cost) and u is the unemployment rate. The worker moves if the present value of the net expected gains is positive[3].

A number of empirically testable propositions follow immediately from this framework[4]:

1. An improvement in the economic opportunities available in the destination increases the net gains to migration. This includes either a higher wage or a lower unemployment rate, and raises the likelihood of worker movements.
2. An improvement in the economic opportunities at the current location decreases the net gains to migration, and lowers the probability of worker movements.
3. An increase in migration costs, both financial and emotional, lowers the net gains to migration, and reduces the likelihood of a move.

In sum, migration occurs within this narrow neoclassical framework when there is a good chance that the workers will recoup their human capital investments. As a result, migrants will tend to gravitate from low-income to high income regions, from high unemployment to lower unemployment regions and the larger the expected income differential between the regions or the cheaper it is to move, the greater the number of migrants.

It must be noted that income maximization and utility maximization are not equivalent. If migration is sought to maximize utility, it will introduce a number of interesting twists into the study of migration decisions. For instance, equation (1) ignores *why* there are regional wage differences in the first place, implicitly assuming that the international or national labor markets are in disequilibrium, in the sense that different regions offer

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[3] The terms in equation (1) are often multiplied by another probability (one minus the probability of getting caught) in order to take account of undocumented migrants.

[4] Many empirical studies have been carried out to test some of these hypotheses. For a comprehensive account of some of this work consult Douglass Massey et.al. 1994.

different opportunities to the same worker. However, wage differences may partly reflect compensating wage differentials that reward workers for the varying set of amenities that different regions may offer (Roback, 1982).

The wage can be expected then to be relatively lower in more pleasant localities. Even though a particular worker might face different wages in different labor markets, the worker's utility would be constant across labor markets. The wage differentials that are the focus of the human capital approach, determining the migration decision in equation (1) are the ones that persist after the analysis has factored in regional differences in the value of amenities and deficiencies.

The New Economics of Migration

Neoclassical migration theory is rooted in labor market disequilibria that produce expected wage gaps across national boundaries. A new paradigm, however, has emerged indicating that migration stems from market failures outside the labor market. When prospects of future markets are non-existing, or if markets are incomplete, imperfect or inaccessible as is typically the setting in many developing economies, households who cannot access viable incomes and capital markets in the home country tend to send a member or more abroad as insurance against risks and/or to assure access to capital. If wages and opportunities abroad are higher and plentiful, international migration offers a particularly attractive and effective strategy for minimizing risks and overcoming capital constraints (Stark 1991; 1986). This immediately takes the emphasis from the individual (the core of neoclassical economics) to the household (society) and away from absolute income correction to relative income determinants where "relative deprivation" is a greater incentive for migration than the wage gap (Stark and Taylor, 1989).

Furthermore, the linkage between the migrants and the sending community contradicts the neoclassical human capital model assumptions and outcomes. In the neoclassical model, migrants relocate permanently wherever they can maximize net expected lifetime incomes, and they play little or no role in the economic life of the sending community.

Remittances have no place in the neoclassical model but are key variables in the new economic model of migration. They are a major objective for the sending emigrating member and the receiving family.

Family Migration

The neoclassical discussion of immigration has generally focused on the behavior of a single worker as he or she compares employment opportunities across regions and chooses the location that maximizes the present value of expected lifetime earnings. Most migration decisions, however, are not made by single workers, but by families. The migration decision, therefore, should not be based on whether a particular member of the household is better off at the destination than at the origin, rather whether the family as a whole (nuclear and even extended) will benefit (Mincer, 1978).

Suppose that the household is composed of more than two persons, a husband, a wife, a child, parents and even grandparents. Let the change ΔPV_H be the change in the present value of the husband's earnings stream if he were to move geographically from region *j* to region *i*—net of migration costs. And let change of ΔPV_W be the same change for the wife, and let change ΔPV_C be the change in the present value of the child's long term earning stream and welfare, whereas ΔPV_P represents the change in the present value of the earning stream of the parents. If the husband was single, he would migrate if the "private gains" of ΔPV_H were positive. If the wife was single, she would migrate if ΔPV_W were positive. The nuclear family unit (that is, the husband, the wife and the child) will move only if the net gains to the *nuclear family* are positive, or if the sum of $((\Delta PV_H + \Delta PV_W + \Delta PV_C) > 0)$.

The optimal decision for the nuclear family unit is not necessarily the same as what is optimal for a single person. Suppose, for example, that the woman would move on her own if she were single, for she gains from the move (that is, $\Delta PV_W > 0$), but that the husband's loss exceeds her gain (so that the sum of $(\Delta PV_H + \Delta PV_W) > 0$). Hence it is not optimal for the nuclear family to move. The wife is, in effect, a *tied stayer*. She will

sacrifice the better employment opportunities available elsewhere because her husband is much better off in their current region of residence and vice-versa if the situation was reversed.

In the case of the extended family, the condition becomes the sum of (($\Delta PV_H + \Delta PV_W + \Delta PV_C + \Delta PV_p) > 0$).). It could be the case that the nuclear family may have to accept migration in order to support remaining parents or other family members by sending remittances that would augment the parents' earnings even when their own net gains may decline by immigration.

Individuals, Families and the Nation

Typically, the migration decision is made by persons or families, but there are also societal and national consequences to consider. It can be easily seen that nations lose when the individuals that migrate have not paid fully for their education and skills. This gives rise to the brain-drain phenomenon where poor sending countries subsidize rich receiving countries. It is certainly a problem when one considers the increase in welfare of individuals and families through migration but neglects the welfare losses to societies and nations. Remittances sent back by migrants may fall short of the total human capital loss incurred by society at large, giving rise to the issue of the asymmetry of losses and gains from migration of individuals versus societies.

Network Theory

Kinship ties, friendship and shared community origins are hypothesized to increase migration flows because they reduce the psychic and risk costs of immigration. These network connections constitute a valuable social capital that migrants can draw upon to gain access to foreign employment, and better wages and working conditions (Boyd, 1989). Several historical and empirical studies of immigration have recognized and confirmed that the concentration of particular nationality and ethnic groups in certain cities facilitated the migration of the same groups to these cities (Levy and Wadycki,

1973). There is a rich literature on the immigrant multiplier effects where family members secure the entry of other family members. By allocating immigration papers along family ties, American, Canadian, and Australian laws reinforce and validate the operations of migrant networks (Jasso and Rosenzweig, 1990).

Segmented Labor Market Theory

Both neoclassical migration theory and the new economic theory conceptualize migration decisions as the outcome of rational economic calculations by individuals or families responding to objective market forces or constraints. Segmented labor market theory of migration takes, however, a different perspective, where immigration responds to demand driven forces within structural imbalances of advanced economies (Piore 1979). Capitalism gives rise to segmented labor markets where a primary market which generates high paying secure jobs coexists side by side with a secondary market that is typically generating insecure, low paying jobs, and hazardous and unpleasant working conditions. Immigrants become desirable and are sought to fill jobs in the secondary market where residents shun away from certain occupations. Immigration policies in North America are perfect examples of engineered barriers to mobility for unauthorized migrants, therefore substantiating segmented labor markets.

Substantial evidence from Canada and the USA indicate that the returns to education rise with the length of stay in the country (Chiswick and Miller 1988). In this respect, segmented labor markets theory is a complementary theory to both the neoclassical theory and new economics theory of immigration.

World Systems Theory

An international division of labor has emerged in the wake of globalization forces and the extension of capitalism into distant regions. Labor-intensive production is characteristic of developing countries and capital intensive production is now concentrated in a few cities in advanced countries. Non-capitalist structures and patterns of social and economic

organization have crumbled. Large groups of people have lost their secure patterns of living and working and have become a large pool of potential migrants. Unskilled workers saw their wages fall as the demand for their skills dimmed, while skilled workers experienced major wage increases as the demand for their skills escalated. Globalization according to the world system creates large pool of highly mobile labor in developing countries while simultaneously creating the linkages and connections to advanced countries' labor markets (Rumbaut 1991).

Available evidence suggests that industrialization and agricultural development as indicators of capitalist market development are instrumental in inducing migratory flows according to the world systems theory, particularly when they occur under unfavorable demographic and economic conditions, and where the communities affected are connected to the larger world markets and centers (Ricketts 1987).

Factors in Labor Migration

In recent years, the issue of foreign labor has become increasingly serious economically, politically, and socially. Rich and industrialized countries are magnets for labor migration. In response to declining populations, increasing labor shortages and relative high wages, ever-larger numbers of foreign workers are entering and often times illegally engaging in unskilled work under poor and even dangerous working conditions. Many of these countries strictly prohibit the entry of foreigners for unauthorized work while opening doors more widely for highly skilled and specialized workers.

Resistance to movement of people is thus driven by economic and political policies designed to enhance local labor quality by attracting a select group of workers, while erecting barriers to others. The combination of slow demographic growth, earlier retirement age, and a dwindling pool of high school and college graduates in effect guarantees that many industrialized nations will face labor shortages at various points during economic cycles, thereby creating the demand to supplement their human resources (Johnston 1991).

High Skilled Labor

Consequently, borders have been open by rich and industrialized states for professional, technical and skilled immigrants, in contrast to a dwindling acceptance rate of semiskilled and unskilled workers. These trends have been noted in all countries of the North, such as Canada, Australia and Europe. In the United States, the greatest proportional contribution to the skill level of the immigrant intake is made by those in the independent, business and employer migration categories and business migration programs (Massey, Arango, Hugo, Kouaouci, Pellegrino and Taylor 1994).

Movement of skilled labor manpower reflects the 'workers-to-work' trend, in contrast to unskilled labor manpower movement of 'work-to workers'. Many developing countries are unable to create the sufficient numbers and types of jobs to employ these educated workers, leading to a growing pool of professionals that are willing to emigrate in search of better opportunities (Hugo 1990). For example, comparing university graduates, China and Brazil rank third and fifth respectively in the world in the number of science graduates; Brazil, China, Mexico, Republic of Korea and the Philippines are ahead of France and the United Kingdom in the number of engineering graduates (Johnston 1991). India has a large emergent information technology industry with over four million technical workers, second only to the USA (Embassy of India website 2001). These high skilled workers can potentially be part of an international labor market in which they share common skills, a common language (usually English) and common values.

The exodus of skilled labor, a phenomenon often referred to as the 'brain-drain', has sparked passionate debates; some countries embrace it as an alternative solution to the social problem of being unable to provide high skilled people with qualified jobs, a way to reduce chronic unemployment, and a provisional solution to alleviate economic problems. It is also deemed to be an important source of foreign currency and national income. According to a World Bank report, it is estimated that remittances from overseas resident and nonresident workers have reached $126 billion in 2004, 65 percent of these

funds are sent to developing countries. Since 2001, remittances to developing countries have increased by $41 billion (World Bank 2005).

The International Organization for Migration confirms that "remittances to developing countries represent a large proportion of world financial flows and amount to substantially more than global official development assistance, more than capital market flows and more than half of foreign direct investment flows to these countries" (Sorensen 2004, p.3). The United Nations Population Fund Annual Report indicates that remittances substantially augment GDPs for countries such as Albania, El Salvador, Eritrea, Lebanon, Jordan, Nicaragua, and Yemen. These remittances represent 138.2% of official development assistance (UNFPA 2004).

Remittances: Top recipient countries (2001)

Country	Billions US$
India	10,0
Mexico	9,9
Philippines	6,4
Jordan	2,2
Pakistan	1,6

Source: Danish Institute for Development Studies (2004)

Remittances as a % of GDP for selected countries (2003)

Country	Percent of GDP
Lesotho	26.5 %
Jordan	22.8%
Albania	17 %
Nicaragua	16.2%
Yemen	16.1%
Lebanon	13.8%
Philippines	8.9 %

Source: Danish Institute for Development Studies (2004)

The money sent home supplements income and the industrial skills and experiences these workers bring back to their countries of origin can represent an important source of technology transfer. Therefore, employment of foreign workers plays a useful role in supplementing the revenues and technical knowledge of labor-sending countries. Supporters of liberal capitalism view such migration as a normal part of the economy, where skilled labor gravitates to places and opportunities, benefiting both sending and receiving countries. Others however, including some international organizations and many labor exporting countries, view the concept of the brain-drain as a liability, where the exodus of educated people represents wasted human resources for the sending countries and is a part of the ongoing pillage of poor countries by rich, industrialized, and colonialist driven nations (Gaillard 2001).

Unskilled Low Wage Labor and Illegal Migrants

High skilled workers, however, make up only a small percentage of economic migrants. The bulk of guest workers are low skilled laborers in pursuit of a better life in greener pastures. They are also the ones who receive most attention by the media and social agencies. They are usually illegal migrants who clandestinely enter a given national territory. Stories abound of Chinese immigrants discovered in Seattle or Vancouver in a container, or others suffocating to death in the back of a truck passing through the British Channel port of Dover smuggling human cargo. There are also many accounts of raids on employers in the southwestern United States seeking illegal Mexicans, or in German construction firms employing undocumented Turkish workers.

This type of migration is contributing to growth in illegal employment or non-standard job contracts that elude regulations and government authority and create a hotbed for abuses. Illegal workers run the risk of unfair exploitation and human rights violations. Since their employment is illegal, neither they nor their employers notify the authorities that they are working. This means that it is virtually impossible to keep track of them, or afford them any protection. Moreover, many of these illegal workers are at the mercy of underground brokers who find them jobs and dictate their terms of employment. This leaves them exposed to a variety of potential abuses, including restrictions of their freedom of movement, violation of their contracts, and embezzlement of their wages. These workers are vulnerable because of their illegal status, and their ability to make complaints about unfair treatment is further limited by their lack of knowledge about their host country and their inability to speak the local language. Women are particularly vulnerable and are often prey to illegal traffickers who force them into sweatshop labor, domestic servitude, or sexual slavery. According to the US State Department between 45,000 and 50,000 women and children are trafficked into the United States every year (International Labor Organization 2002)

In spite of this, however, the numbers of illegal or low skilled migrants are not decreasing. This is due in part to globalization and the growing disparities between rich and poor countries, which continue to exert pressures for massive labor migration (Stalker 2000). A basic premise of globalization is the capital's search for ever-cheaper labor and cost effective production. Economic demands intersect with social contexts, giving rise to specific forms of labor needs. Employers may not be able to lower wages to increase their profits because they are likely to meet resistance from labor unions and other organizations, hence they work around it by hiring low cost labor, which often time consists of unskilled or semi-skilled foreign workers. Indeed, as Stalker observed, "virtually all the international labor flows in this century have been deliberately initiated by the industrialized countries (1994, p. 29).

For some industries like agriculture, allowance can be made to import cheap labor from third world countries for a temporary period. Canada has a 'Foreign Worker Recruitment' program designed to allow employers to recruit foreign workers without adversely affecting employment and career opportunities of Canadians. Traditionally, these indentured laborers come from Mexico or the Caribbean Islands for a few months every year, earn minimum wage, and live in substandard housing provided by their employers. They are not taking jobs from local citizens because the work they perform is considered 'undesirable' and therefore it does not undermine the local supply of the labor market. Proponents of such programs view it as a from of aid to developing countries, whereby temporary legal migrants are offered work and wages, thus alleviating poverty and unemployment in their own countries. Conversely, others regard it as exploitation at its best. Rich countries profiting from the human resources of the developing world through exploitative practices by pilfering the skilled workers of the sending countries, offering them lower remuneration compared to wages offered to local citizens, and avoiding the expenses both of educating workers and of providing for their retirement.

The New Paradigm

The risk of the internationalization of labor markets is often associated with the exploitation of human resources within the context of labor force expenditure. At the

macro level, the significant factors for changes in the movement and composition of population migrations include industrial structural changes and diversification, trade liberalization and technology, which are driving regionalization and globalization into a borderless economic system. The negative aspect of the increasing relocation or redistribution of jobs in a global economy and, particularly in a climate of high unemployment in developing countries, has created concerns over the "delocalization" of jobs rather than of people (Arthuis 1993). The globalization of transnational corporations, increased foreign investment and a new capitalism have focused on bringing work to workers, not out of concern for the unemployed in developing countries, but for the purpose of increasing profits and having maximal returns on investments. This is achieved through the payment of lower wages to these workers, and in minimal expenditures in lax health and safety standards that are prevalent in these countries. It results in workers exploitation, as well as producing serious destabilization of societies even within national context. This is evident, for example, in rural to urban migrations, which is causing demographic explosions and increased poverty in third world cities. Even within developed countries, internal migrations of workers seeking employment in urban centers are changing the face of demographics and distributions of wealth in these countries.

Therefore, in countries of the North, the increased importation of labor-intensive products, such as textiles and clothing, has replaced the importation of labor (Matsunga 1992). This is in sharp contrast to protectionist measures – reflected in heavy customs levies on imported goods – that were the norm in the pre-free trade era. Conversely, during these periods, migration of people was a simple boat-ride to countries such as Canada, Australia, and the USA. The goal in this paradigm shift is to accommodate capital’s need for expansion in new markets and increase profits by reducing overhead. For example, according to Stalker, global exports in 1996 amounted to about 29 percent of world gross domestic product, while only 2.3 percent of the world's population migrated in search of better work prospects (Stalker 2000).

The Benefits of Labor Migration

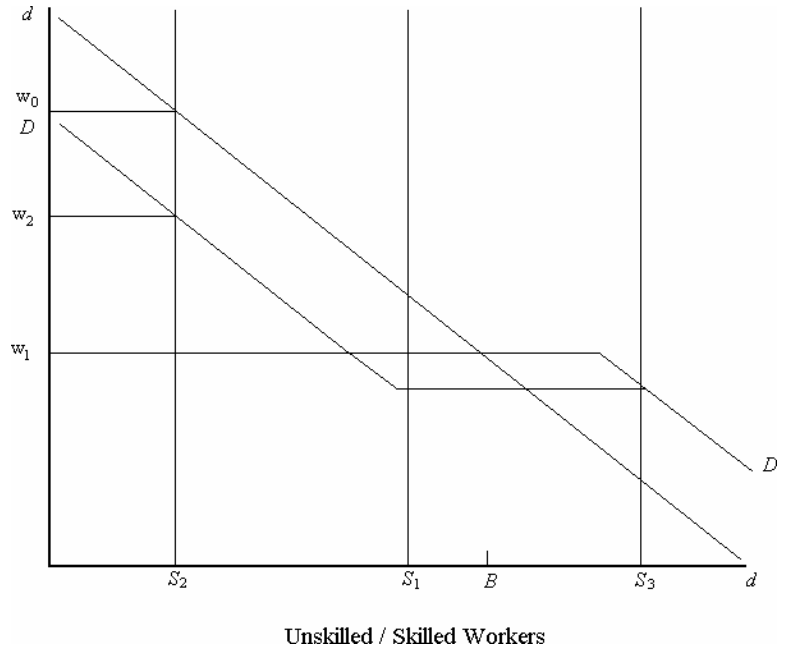
Nonetheless, international transfers of labor can provide a number of benefits. First is the opportunity to take advantage of quantitative and qualitative complementary distribution of labor resources. Not surprisingly, this is particularly beneficial to the recipient economy, allowing it to mitigate bottlenecks and mismatches in labor resources by importing the types of labor that are in short supply. This would contribute to an increased production and a more efficient economic performance in the recipient country. It will also enhance economic development at the broader, regional level. The complementarity of labor force among different – especially neighboring – states benefits both sending and receiving countries, as well as the broader region as a whole.

The degree and effectiveness of laws and regulations regarding migration of labor vary widely from country to country. Economic needs often dictate that authorities turn a blind eye to illegal movement of people. Illegal migrations have contributed to the creation of a large black market of labor in many industrialized countries. Often it is socio-political pressures driven by protectionism, racism and colonialist ideologies that lead to tighter controls and stricter enforcement. Clearly, migration is affected by international as well as national politics; international factors interact with domestic structures and policies, influencing labor migration flows, and who gets to be invited or barred. In spite of this however, the question remains as to why no regime has developed a system to regulate migration that is comparable to the liberal regulations for trade, money, and finance. According to Hollifield, "[t]he answer maybe obvious: liberal states have had few incentives to cooperate in controlling migration, because states and employers were able to obtain foreign labor without international cooperation" (1992, p. 2). Moreover, the political-economic characteristics of labor, as a factor of production, are as different from those of capital, goods and services as to prohibit most types of international regulation. As Myron Weiner aptly states, "migrants differ from other international transactions in one fundamental respect: migrants themselves have their own will" (1990, p.75). Yet, they are also an expendable commodity and are often treated as disposable pawns in a global economy.

Conclusion

The international movement of labor should, theoretically, be welcomed for its potential benefits for both the sending and the host country. But so far, globalization has been very one-sided and truncated. World trade is increasing but it is mainly concentrated among rich countries. Meanwhile, the labor force of low-income countries is growing at a fast rate, and if enough adequate jobs are not available, many workers will look for them elsewhere in the global village. Governments in the industrial north should couple the liberalization of trade and capital movements with relaxing the rules of labor migration by making allowance for the inevitability of people's movement. Foreign workers do benefit their host as well as their sending countries; and unless governments and nations address this issue, it will continue to generate many undesirable problems and the polarization effects of globalization.

Figure 1
Effects of Trade and Migration on Wages



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