

# The relationship between shocks and migration

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# Less developed countries more prone to shocks than developed countries

- ADB Study : recessions longer lasting and caused more losses than among OECD countries
- Latin America more prone to shocks than other regions

# Selected cases of shocks causing economic crises

- Oil price crisis of 1973
- Debt crisis in Chile of 1982 to 1984,
- Nordic countries 1989-1991,
- Mexican peso crisis of 1994,
- Asian financial crisis of 1997-1998
- Russian financial crash of 1998
- Argentine crisis of 2000-2002,
- Turkey 2001- 2002
- 2008 Global economic crisis

# Theoretical framework

- Shock → Financial market vs real economy
- Shock → real economy → labour market  
→ migration
- Shock → demand for labour (regulated LM/  
informal economy)
- Shock → origin country → supply of migrant  
labour
- Policy as variable in adjustments

# Selected cases of shocks & their impact on migration

Cases	Causes/ dimensions	Economic impact	Impact on migration	Impact of migration crisis on political economy	Impact of migration crisis on governance
Oil Crisis of 1973 - 74	ME politics  Global impact of oil price hike	Recession in US, Europe, Japan; Redirection of income flows	Millions of workers to Gulf region	Importance of remit- tances to develop- ment	End of guest- worker programs; growth of irregular migration

# Selected cases of shocks & their impact on migration

Cases	Causes/ dimensions	Economic impact	Impact on migration	Impact of migration crisis on political economy	Impact of migration crisis on governance
Chile 1982-84	Foreign debt 73 % of GDP Limited contagion	GDP -20% Unemploy- ment 30% Poverty 55%of HH below line	Many highly educated flee - mixed causes political/ economic	Not clear; Crisis manage- ment – no longer left to market	Crisis weakened support for authoritaria nism

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Cases	Causes/ dimensions	Economic impact	Impact on migration	Impact of migration crisis on political economy	Impact of migration crisis on governance
Nordic countries 1989-92	Banking crisis Changes in eastern Europe Speculative capital	Finland GDP - 6%; unemploy- ment 17% ; Devaluation 30%; unemploym ent 12%	No significant flows	n.a.	n.a.

# Selected cases of shocks & their impact on migration

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Mexican peso crisis 1994	Overvalued peso; Foreign debt 46% of GDP Capital flight	50% devaluation GDP -9.6% Rural poverty Devaluation led to increased exports, lower imports, structural changes	Migration to US jumped to 500,000 p.a. from 1995 from non-traditional emigration areas, rural poor not absorbed in new employment generated by new exports; internal migration ++	Mexican HH receiving remittances jumped from 665,000 in 1994 to 1.07 million 1996;  Reinforced dependence on remittances for development	More support to rural economy thru PROCAMPO program Increased influence of diaspora communities on Mexican politics

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Asian financial crisis 1997-98	Speculative capital movements; Thailand- Indon- banking crisis	GDP 1998 -10.5% Thailand -13% Indonesia -10.3% Malaysia -6.9% Korea	200,000 ex Thailand to Burma 270,000 ex Malaysia 87,000 ex Korea Sharp increase emigration from Thailand and Indonesia	Credit more scarce Informal sector employment; Rise in income inequality; Growth of exports from Laos	Reduced legal admissions; Reduced public expen- ditures on health, education, environment Local community mobilization

# Selected cases of shocks & their impact on migration

Cases	Causes/ dimensions	Economic impact	Impact on migration	Impact of migration crisis on political economy	Impact of migration crisis on governance
<b>Russian financial crash of 1998</b>	<b>Fiscal crisis T of T decline War in Chechnya Crisis impact Ukraine Belarus Baltic States</b>	<b>GDP -4.9 % Devaluation 66% Inflation 84%</b>	<b>Discourage migration from other CIS countries; Internal “shuttle” migration to new centres</b>	<b>Crisis short- lived Devaluation spurred exports and recovery</b>	<b>n.a.</b>

# Selected cases of shocks & their impact on migration

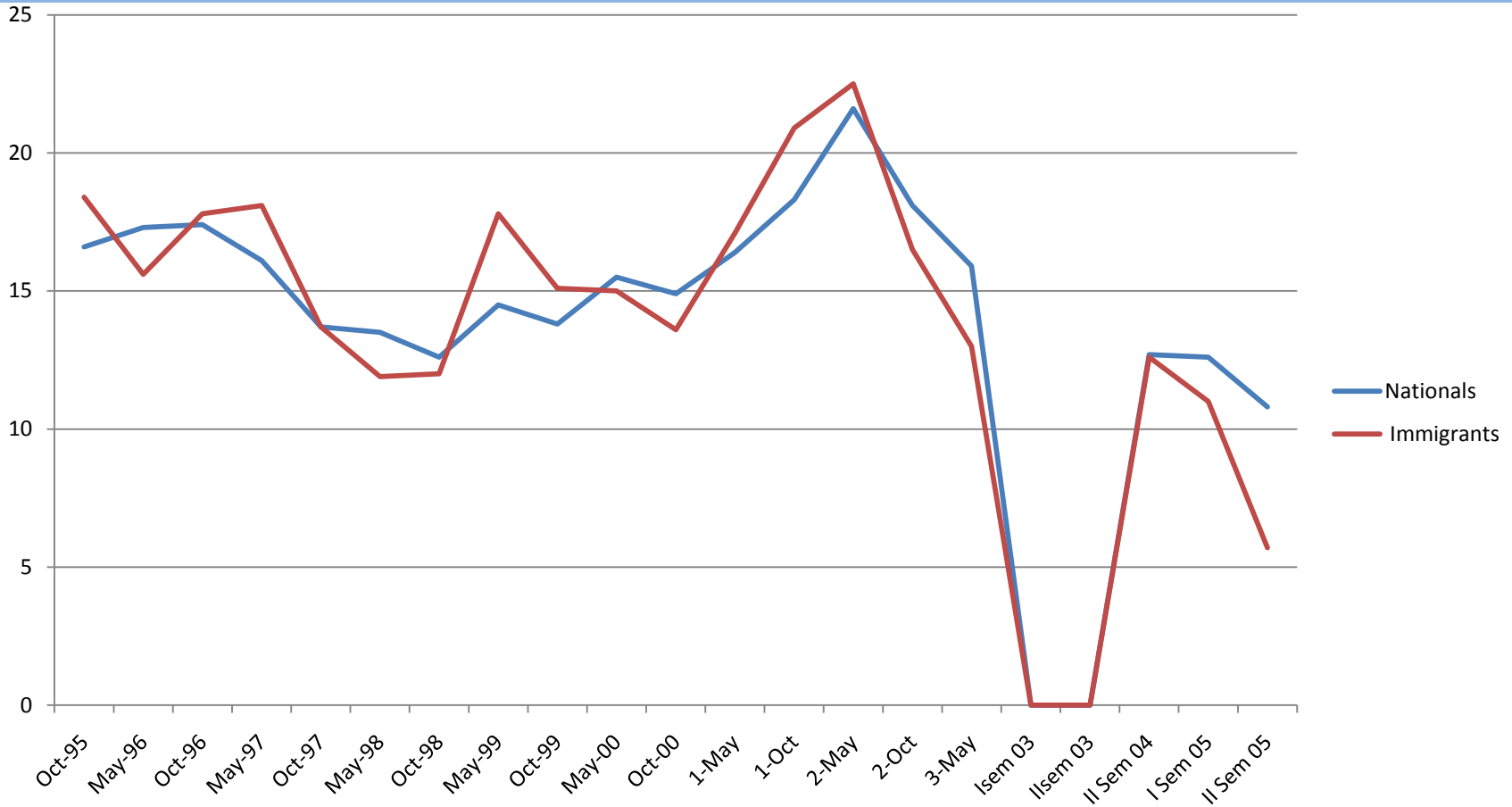
Cases	Causes/ dimensions	Economic impact	Impact on migration	Impact of migration crisis on political economy	Impact of migration crisis on governance
Argentina 1999-02	Fiscal deficit Inability to pay foreign debts and support pegged currency; banking crisis	GDP -11% Inflation over 70% Unemployment rose to 22 % Poverty from 24 to 55 % of HH	250,000 Argentines emigrated between 1999 and 2003; 30,000 migrants from Peru, Bolivia and Paraguay left in first 2 months of crisis	Impact on origin countries not documented In Argentina	Regime change

# Impact of Argentina Crisis in 1999-2002

- GDP declined by 11% from 2001 to 2002
- Unemployment rose to 21.5%
- 55% of HH fell below poverty line
- Study by Roxanna Maurizio indicated that there was very similar evolution and depth of unemployment national and immigrant workers;
- Differences in wage and employment adjustments due to “credentialism”; concentration of immigrants in certain industries

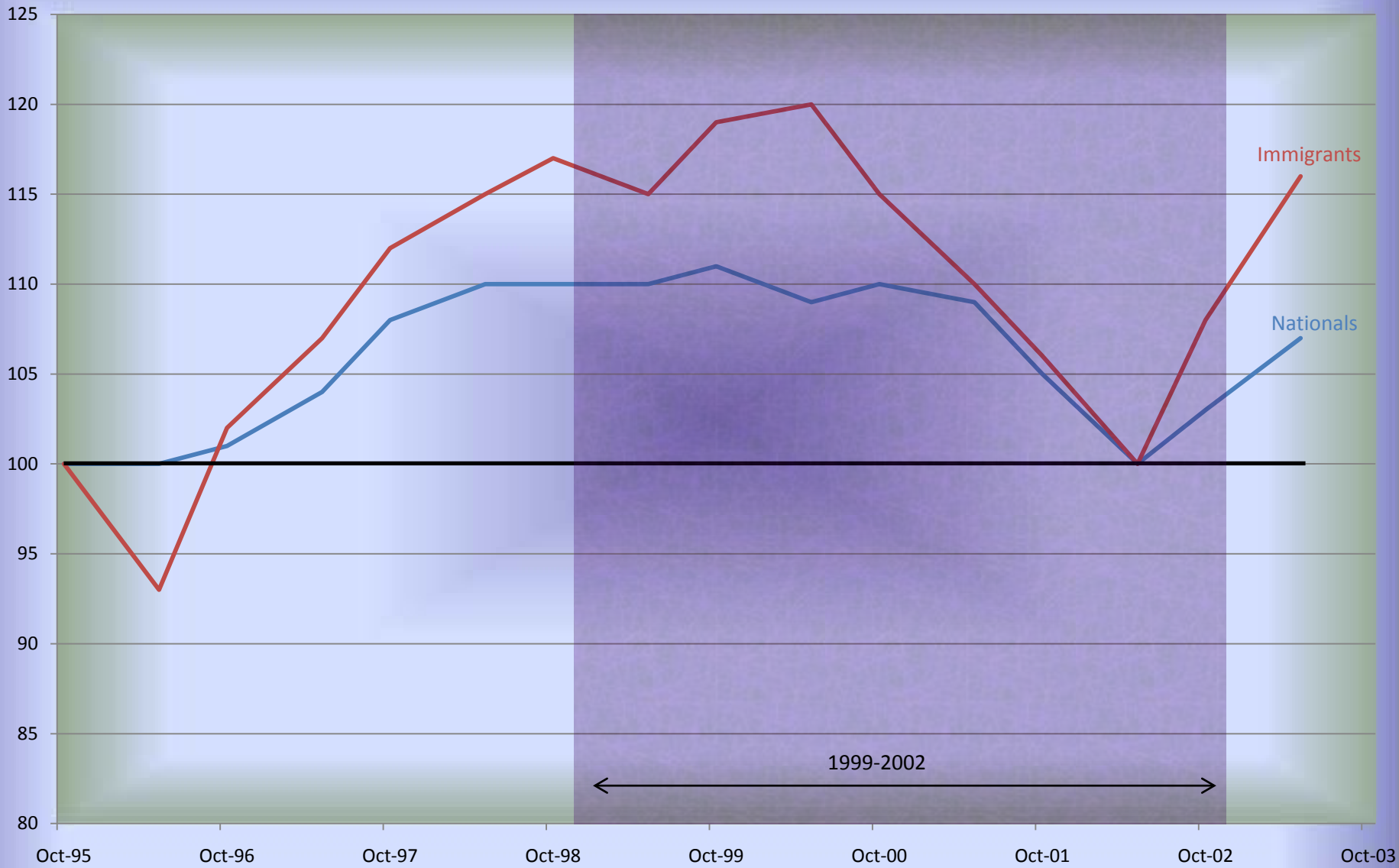
# Argentina: unemployment rates during the crisis based on survey of 28 urban centers

Source: R. Maurizio



Considerable differences of  
employment adjustments at  
industry levels

# Employment Index for All Industries (May 2002 = 100)



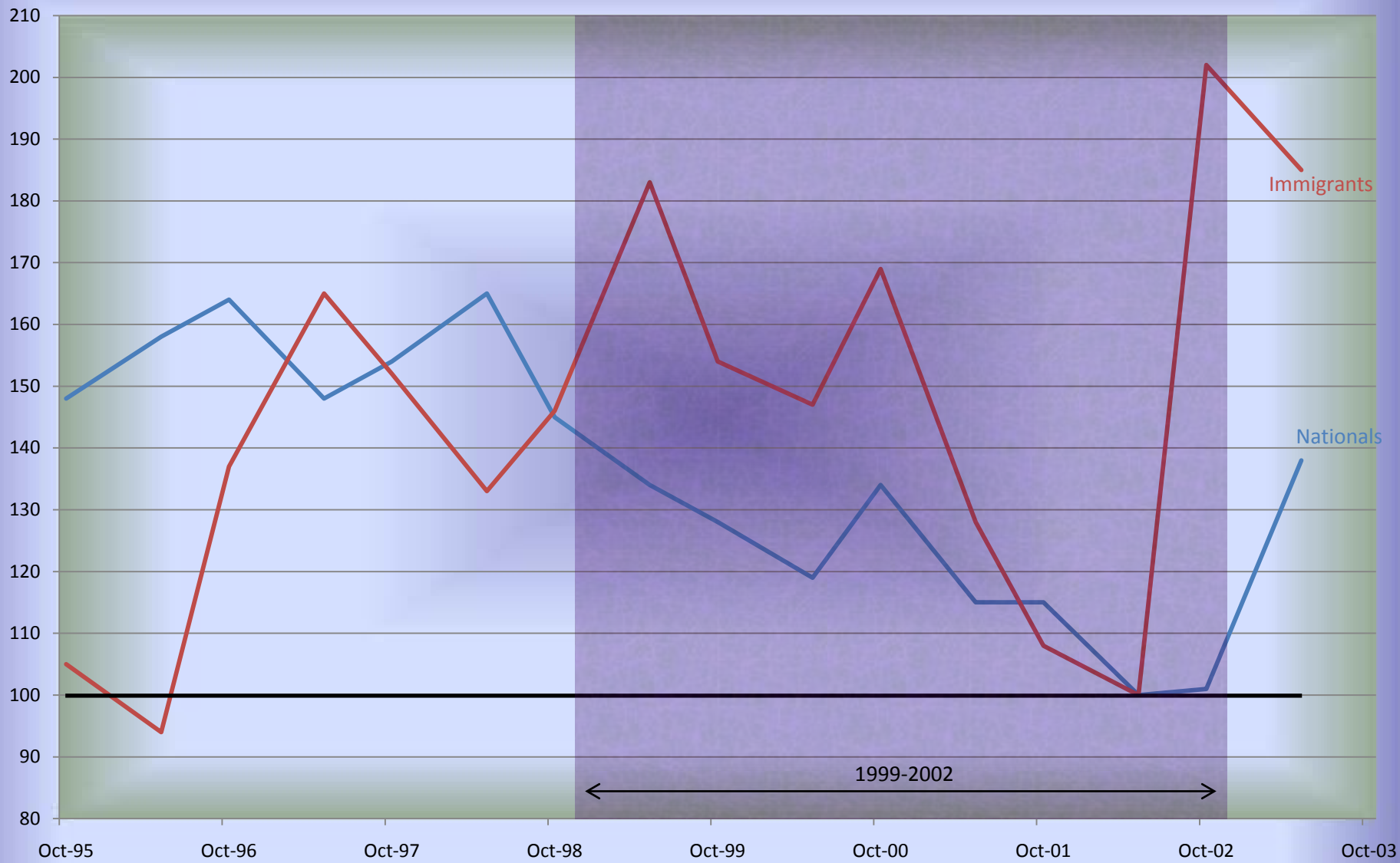
	Oct-95	May-96	Oct-96	May-97	Oct-97	May-98	Oct-98	May-99	Oct-99	May-00	Oct-00	May-01	Oct-01	May-02	Oct-02	May-03
Nationals	100	100	101	104	108	110	110	110	111	109	110	109	105	100	103	107
Immigrants	100	93	102	107	112	115	117	115	119	120	115	110	106	100	108	116

# Employment Index for Food & Drink Industry (May 2002 = 100)



	Oct-95	May-96	Oct-96	May-97	Oct-97	May-98	Oct-98	May-99	Oct-99	May-00	Oct-00	May-01	Oct-01	May-02	Oct-02	May-03
Nationals	99	94	87	101	93	84	84	82	86	81	86	89	85	100	90	96
Immigrants	104	68	68	51	38	54	36	120	134	132	129	117	83	100	85	75

# Employment Index for Textile & Clothing Industry (May 2002 = 100)



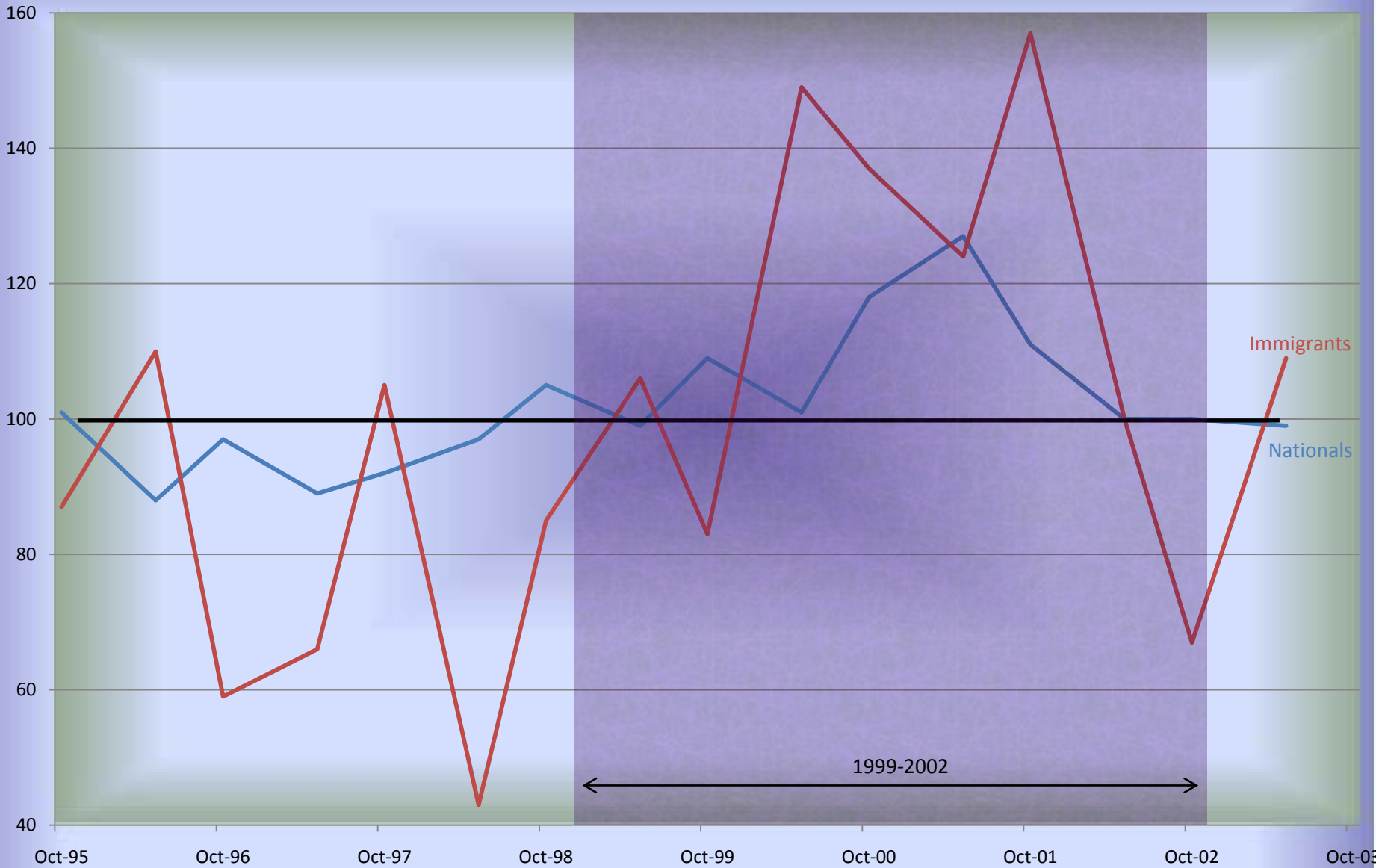
	Oct-95	May-96	Oct-96	May-97	Oct-97	May-98	Oct-98	May-99	Oct-99	May-00	Oct-00	May-01	Oct-01	May-02	Oct-02	May-03
Nationals	148	158	164	148	154	165	145	134	128	119	134	115	115	100	101	138
Immigrants	105	94	137	165	152	133	146	183	154	147	169	128	108	100	202	185

# Employment Index for Metal Products Industry (May 2002 = 100)



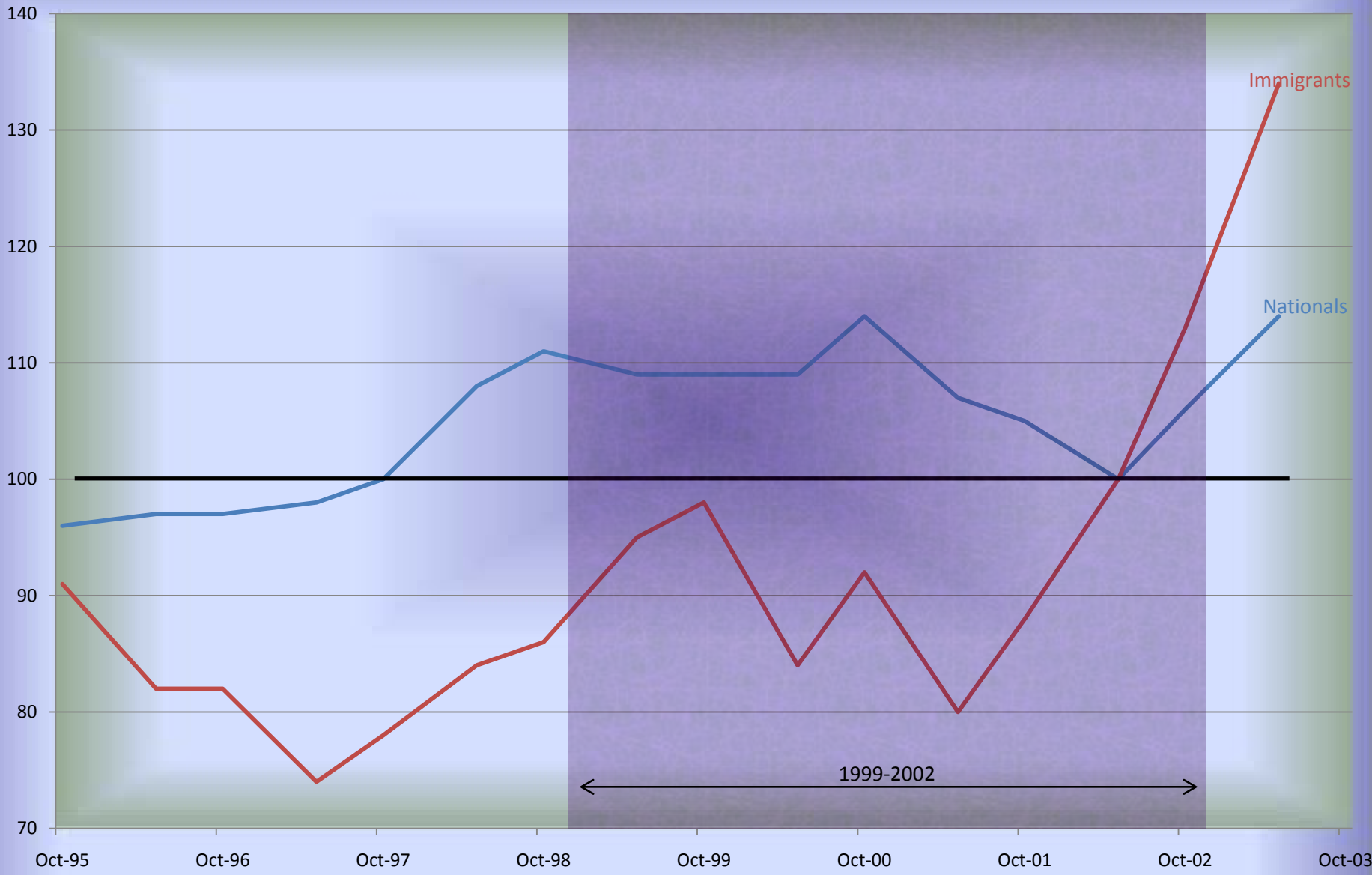
	Oct-95	May-96	Oct-96	May-97	Oct-97	May-98	Oct-98	May-99	Oct-99	May-00	Oct-00	May-01	Oct-01	May-02	Oct-02	May-03
Nationals	147	129	131	141	153	148	136	134	137	125	112	122	119	100	99	111
Immigrants	50	118	122	176	224	172	155	116	106	192	102	111	59	100	76	71

# Employment Index for Restaurant & Hotel Industry (May 2002 = 100)



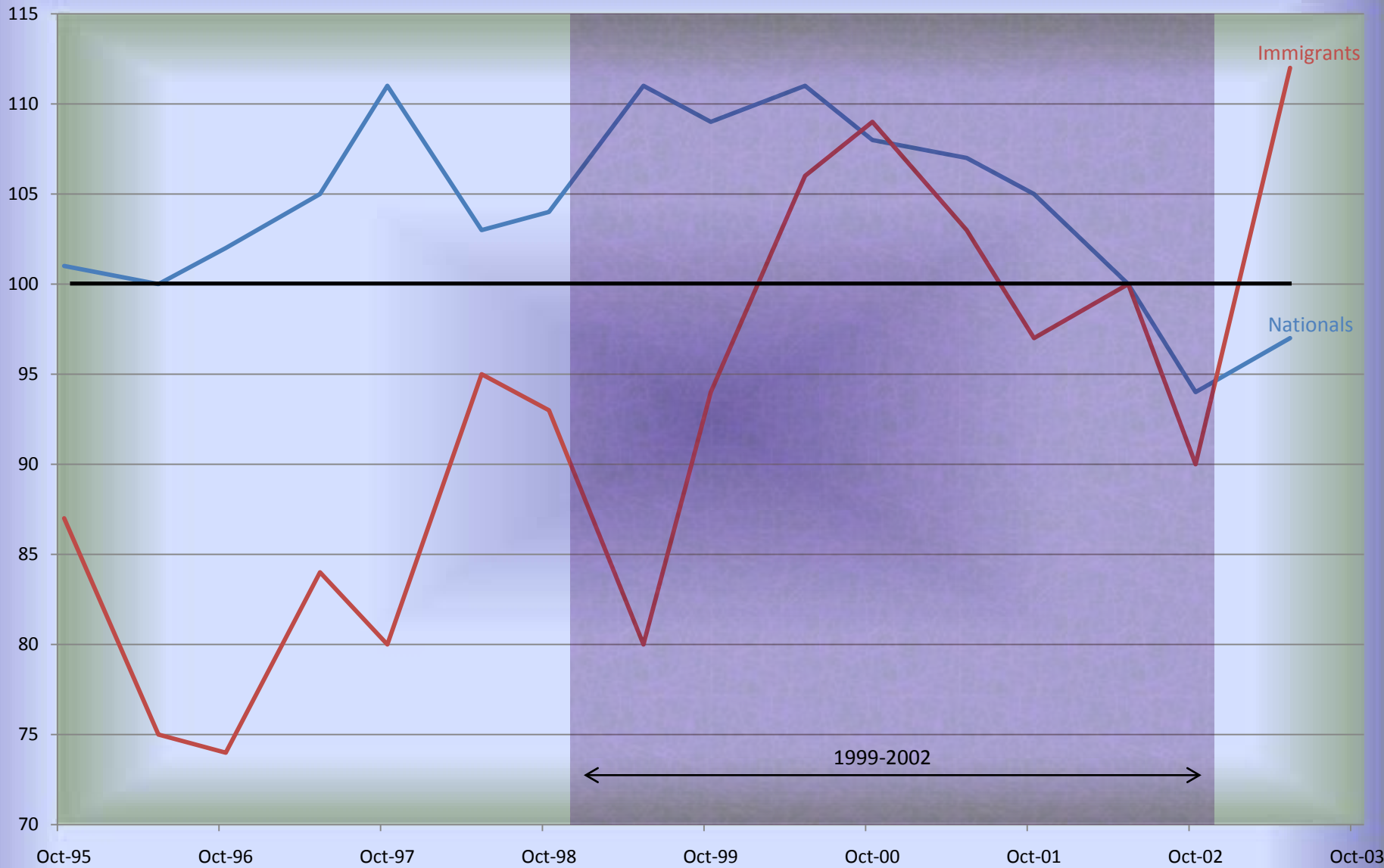
	Oct-95	May-96	Oct-96	May-97	Oct-97	May-98	Oct-98	May-99	Oct-99	May-00	Oct-00	May-01	Oct-01	May-02	Oct-02	May-03
Nationals	101	88	97	89	92	97	105	99	109	101	118	127	111	100	100	99
Immigrants	87	110	59	66	105	43	85	106	83	149	137	124	157	100	67	109

# Employment Index for Retail Business (May 2002 = 100)



	Oct-95	May-96	Oct-96	May-97	Oct-97	May-98	Oct-98	May-99	Oct-99	May-00	Oct-00	May-01	Oct-01	May-02	Oct-02	May-03
Nationals	96	97	97	98	100	108	111	109	109	109	114	107	105	100	106	114
Immigrants	91	82	82	74	78	84	86	95	98	84	92	80	88	100	113	134

# Employment Index for Domestic Services Industry (May 2002 = 100)



	Oct-95	May-96	Oct-96	May-97	Oct-97	May-98	Oct-98	May-99	Oct-99	May-00	Oct-00	May-01	Oct-01	May-02	Oct-02	May-03
Nationals	101	100	102	105	111	103	104	111	109	111	108	107	105	100	94	97
Immigrants	87	75	74	84	80	95	93	80	94	106	109	103	97	100	90	112

