



The Private Sector and International Migration Policy

A business roundtable in preparation for
the third Global Forum on Migration and Development

Athens, Greece — August 30-31, 2009

DISCUSSION SUMMARY

INTRODUCTION

On August 30-31, 2009, the Migration Policy Institute (MPI) and the Hellenic Migration Policy Institute (IMEPO) convened senior business leaders and policymakers from Europe, North America, Latin America, and Asia to discuss how the private sector can more effectively engage in international migration policy. The roundtable, which was organized with significant support from the John D. and Catherine T. MacArthur Foundation, provided an opportunity for representatives of the private sector to lend their voices to this important global debate, with an eye toward participation in the third Global Forum on Migration and Development (which will be hosted by Greece in November 2009).

SESSION I: Migration and the Global Economic Crisis

The world is currently facing the worst recession since the Great Depression. Every major world economy has been touched — although some more than others. Unlike previous recessions, this downturn started in the developed world and spread to developing countries as a result of decreasing trade, drops in private investment, and shrinking remittances from migrants.

The recession has had a significant impact on immigrants. Like all low-skilled workers, immigrants with little formal education are especially prone to unemployment and job loss during downturns. They also tend to be concentrated in highly cyclical sectors such as construction and leisure and hospitality. Skilled immigrants also face challenges, such as learning the destination country language, translating credentials, and meeting restrictive professional licensing requirements. And, as recent hires, newcomers are often “the first fired.”

Emerging evidence from Australia, Canada, and Sweden suggests that even skilled workers who migrate during economic downturns face a long-term handicap in terms of wages and occupational advancement — a phenomenon known as “economic scarring.” However, immigrants may adjust more quickly to changes in the labor market, as they are more willing to move in pursuit of employment and may even be preferred by employers in the early stages of recovery because they are perceived as contingent workers.

While national economies have shown modest signs of improvement in the past three months (as measured by month on month GDP growth), jobs are likely to remain scarce for an unknown period of time even after a recovery begins. During the past few US recessions, it took between 15 and 19 months before the unemployment rate began to decline, and four to five years before the unemployment rate reached pre-recession levels. In its most recent projections (July 2009), the International Monetary Fund expects the recovery from the current recession to be particularly slow and shallow.

The economic downturn has affected immigration flows. While some immigration streams are less susceptible to the recession (namely family reunification), others — like flows of temporary and illegal immigrants — have slowed. Since 2007, new illegal migration from Mexico to the United States — one of the largest illegal migration corridors in the world — has dropped to zero. The explanation is simple: illegal immigrants move in pursuit of jobs. If work opportunities disappear, many will choose not to undertake the risky and costly journey.

Yet, there is no evidence that immigrants on average — regardless of their legal status — are reacting to the downturn by returning to their countries of origin. There are several explanations for this:

1. Economic conditions in immigrants’ home countries have often deteriorated more than in destination countries;
2. Given the high costs of immigration, many immigrants are willing to “wait out” the bad times in the hope that the recovery is just around the corner;
3. Immigrants know they will be the first to be rehired because they are typically the least costly and most flexible workers; and
4. Rigid immigration controls mean that if immigrants leave, they may not be able to come back.

This last point explains why we observe more returns from the United Kingdom, Ireland, and, in certain instances, Spain. Eastern European labor migrants return from those countries precisely because they have the right to come back when and if the economic circumstances change. Having a secure right to return allows them to react rationally and to follow economic opportunities as they emerge. The fact that economic opportunities in several Eastern European countries have been more plentiful than in either of the three countries in question in the last few years completes the explanation for such returns.

“Rigid controls only serve to trap immigrants in the destination country. If you want more Mexicans to return to Mexico, give them the right to come back.”

Key Points from Session I

- Immigrants are particularly vulnerable to job loss during recessions.
- We may see economic scarring, as most people who lose their jobs in a recession never catch up with those in their cohorts who manage to keep their jobs.
- On average, the recession has not resulted in large-scale returns, and we are not likely to see immigrants returning *en masse*.
- Rigid immigration controls *prevent* immigrants from leaving (or otherwise adjusting their behavior) in response to economic fluctuations.

SESSION II: Why Migration is Good for Business

The ability to hire talented workers — regardless of where they reside — and integrate them into a firm’s workforce is an important part of any company’s competitive advantage. Access to human resources will become an increasing source of advantage due to several global trends:

1. **Demography.** In many advanced industrial countries, the major demographic dilemma is a combination of accelerated aging and low fertility. The former is due to the increasing numbers of workers reaching retirement age, while the latter leads to a smaller new worker pipeline than is needed to replace retiring workers. This double squeeze is aggravated by broadly ineffective education systems which fail to produce the new workers needed by changing economies.
2. **Skills mismatches.** There are not enough workers with the skills needed by businesses to be competitive. Mismatches (not producing enough workers with the needed skills) and shortages (absolute worker shortages) are found both in highly skilled and less skilled job categories. As countries develop, native-born workers tend to increase their educational attainment. This results in insufficient workers at the bottom of the labor market.

3. **Location mismatches.** Even if a country produces enough of the “right” workers, they may not be in the right place. Talented people may not be willing to relocate in pursuit of available jobs.

“I would caution against segmenting the need for immigration by skill. We need both high- and low-skilled immigrants.”

In the United States (similar to other countries such as Ireland, Spain, the United Kingdom, Canada, and Australia), economic growth has been inextricably linked to immigration. The country has benefited from attracting many of the world’s most talented and hard-working people — both high- and low-skilled. One participant suggested that this historic trend will continue to be true in the future. For example, immigrants play an important role in small-business creation: Half of all new jobs are created by companies less than five years old, and 40 percent of all successful, high-tech companies are created by people not born in the United States.

But it would be irresponsible to take this advantage as a given. Emerging economies and other advanced industrial countries are implementing smarter policies to attract and retain talent. Thus, to retain its advantage, the United States cannot continue to rely on the past. For these reasons, immigration in the years ahead needs to be viewed primarily as an issue of competitiveness and economics.

“Immigration needs to be viewed primarily as an issue of competitiveness and economics.”

Under the right circumstances, immigrants and businesses can grow together. The Spanish food service company Grupo Vips offers a compelling example of how private sector investments in immigrant integration can benefit immigrants and the broader destination country society, and “make sense” from a self-interested business perspective. Over the past decade, Grupo Vips has experienced extraordinary growth, creating 8,000 new jobs in Spain between 1999 and 2008 — which would not have been possible without immigrants.

The company developed a three-pronged strategy to recruit talent wherever it was located: It leveraged training subsidies from the Spanish government to prepare workers for jobs before they arrived in Spain; offered immigrants the opportunity to develop long-term careers with the company (including the prospect of moving from entry-level to managerial positions) if they worked hard; and relied on family references to find new workers (this both facilitated integration and expedited visa processing). Now, 67 percent of Grupo Vips’ workforce is foreign born and hails from 85 countries; diversity is considered a strategic business objective.

For Grupo Vips, seeking and training foreign talent created a “triple win” situation as:

1. Workers benefited from career development in their countries of origin, when learning was optimal and there were strong incentives to develop good training habits;
2. Business gained a steady supply of trained workers, which it was able to maintain by leveraging informal social networks; and
3. Foreign workers came on permanent contracts and therefore did not exacerbate the already grave immigrant unemployment levels in Spain.

The private sector’s investments in training and skill recognition make “business sense,” but they also benefit the broader society. As such, these investments justify support from policymakers. In the area of credentialing, the focus should not just be on official credentials, but on how to recognize and optimize existing skills. For example, immigrants often need technical on-the-job training to “top off” their existing skills and fit them to the local labor market. Much of this training — for example, extra hours of hospital training for new doctors — is not something they can get from traditional academic institutions. There may also be a need for standards in credential assessment so that employers “know what they are getting” in terms of qualification evaluations. Many of these challenges can be addressed best at the local level.

Key Points from Session II

- **Robust demand.** There will continue to be robust demand for immigrants in the future, based on evolving demographics, and skills and location mismatches.
- **Competitive advantage.** Access to the “right” workers forms part of any company’s competitive advantage and allows businesses (and a country’s economy) to grow.
- **Flexible training.** Companies need to think creatively and flexibly in order to identify, recruit, and maintain a trained labor force. This includes: a) offering hands-on (rather than academic) training; b) training and educating workers in their country of origin; and c) improving credential and skills recognition.

SESSION III: Why Migration is Good for Development, and Why Development Is Good for Business

The previous session presented a clear case for the private sector's interest in migration, but what interest does the private sector have in development? The discussion identified several possibilities:

1. **Migration versus outsourcing.** Businesses have often claimed that if they are unable to access the appropriate workers, they will simply move production to where the workers are. There is much truth to this assertion, but it is also important to recognize that migration and outsourcing are complementary to a certain degree. In the computer software industry, for instance, a small mobile managerial workforce (about 2 to 3 percent of the workforce) that can move between production sites is necessary for outsourcing and off-shoring to be most effective. So, the rise of protectionism in either area is a mortal threat to businesses.
2. **Developing-country businesses compete for talent, too.** Migration also presents a real challenge to businesses in the developing world. As one participant noted, "There are too many people in the wrong place with the wrong skills." Magsaysay Shipping has had to match salaries for managers in the Philippines to managers in more prosperous Singapore to retain talented workers. Particularly in high value-added industries that are characterized by high levels of innovation, there is an enormous difference in productivity between "good" workers and "great" workers. On the other hand, the challenge of attracting and retaining technical talent can push businesses operating in developing countries to offer greater incentives for technological innovations that increase their overall competitiveness.
3. **Migrants can help identify new business opportunities.** The examples of the Indian technology sector and diaspora investments in Chile and elsewhere show how migrants have identified new business opportunities and expanded markets.
4. **Migrants as customers and the business of mobility.** Migrants can help open up new markets for the private sector. The movement of people also creates upstream and downstream business opportunities in such sectors as transportation and logistics.

“There is an enormous difference in productivity between good workers and great workers.”

The global maritime industry provides a compelling example of how global standards have allowed an industry to secure access to the workers it needs while protecting workers' rights. According to one participant, the shipping industry "was global before there was global." An essential factor to being a global player is the common standards for training and certification, which are established under the aegis of the International Maritime Organization (IMO) and are recognized around the world. All IMO member states must comply with these standards, and as a

result, workers have true *choices* in selecting an employer. The industry has developed a successful circular worker flow with standard ten-month contracts (eight months at sea and two months of leave). This helps attenuate some of the social problems caused by land-based contracts, where people are away from their families for too long.

Given the general consensus that both migration and development are good for business, roundtable participants confronted the question of why the private sector does not engage the issue more proactively. Many business leaders fear public backlash or are concerned that they may lack influence with policymakers. As one participant noted, “The closer we get to elections, the less politicians are willing to talk about international migration, because it means competition for jobs.” The roundtable participants identified several strategies for overcoming the private sector’s reluctance to engage in discussions on international migration:

1. **Articulate needs to policymakers.** An initial step would be for the private sector to better articulate its needs to policymakers. That said, it is important to recognize the incredible diversity in private sector actors: their needs may not always align perfectly. Fortunately, labor markets and economic development plans are often local, so local politicians are likely to respond to the needs of employers in their jurisdictions.
2. **Learn from success in other global campaigns.** The private sector could learn from the efforts of other global advocacy campaigns (such as the environmental movement) and attempt to replicate their successes. Businesses that get involved, speak out, and frame their recommendations smartly can actually be heard. Business advocates must be clear about their audience, as there is a difference between recommendations made to national governments and those made at the international level. “Mobility” and “demand-driven migration policies” are not sound-bites that sell well at the local level.
3. **Recognize the broader issues.** While for business leaders migration may be primarily an issue of economics and competitiveness, others see it differently. For instance, children of immigrants (the so-called second generation) make up a significant portion of the unemployed population (particularly in Europe). The general public views migration in terms of the costs and contributions of both immigrants and their children, and is concerned about how fast their communities are changing. The private sector risks losing everything if it does not recognize these issues.

“The general public doesn’t see migration in terms of economics and competitiveness; they see it in terms of the costs and contributions of immigrants and their children.”

Key Points from Session III

- There is **general consensus** that migration and development are good for business. Convincing politicians and the general public about openings to migration is the challenge.
- **Making a business case for change.** Businesses need to make a compelling case for how migration will improve their bottom line and ability to compete.
- **Positive framing.** Migration should be recast as *mobility*, something that can be a positive development for the private sector, governments, and the migrants themselves.

SESSION IV: Designing Business-Friendly Migration Policies

This session expanded upon the previous discussion on why the private sector does not typically engage in migration policy debates, and began to outline several policy priorities and options for the business community.

First, several participants mentioned that under the current system companies are struggling to comply with immigration laws that are complex and often confusing. Also, there are few rewards for employers who try to do things right. Business and government could consider working together to create a certification process so that good-faith employers can get a near “blank check” for hiring foreign workers and relocating employees as needed, without getting mired in bureaucracy.

Second, there is a slow but steady trend toward recognizing that migration policy is not only about *controlling immigration*; it has to meet other needs as well. Participants saw a clear need to create expanded opportunities for movement by developing more flexible policies, so that migration can occur legally. The current slowdown in demand for immigrant workers should not be considered indicative of future trends. As the global economy emerges from the downturn, governments that have established more legal and organized regulations of mobility will have a comparative advantage. And governments who have seized the opportunity to invest more heavily in human capital development will experience more dynamic and sustainable growth in the years ahead.

Business leaders expressed a clear preference for demand-driven migration systems. No committee can predict the exact number of workers needed in specific sectors, deduct the number of native workers who will enter the field, and come up with a useful target for immigrant admissions. Labor market needs are the *needs of individual employers*.

“We must get rid of the perspective that migration is a relationship between receiving and sending states. It is actually about establishing a relationship between an employer and an employee.”

Yet, in most countries, politicians and other members of society do not trust business leaders to self-regulate in terms of wages and working conditions. In response to these concerns, some roundtable participants suggested that companies should be given the liberty to recruit the workers they need, as long as they a) first try to fill available jobs with native workers; and b) act responsibly toward all their workers.

Sweden provides an interesting example, as it became more business friendly since 2004 and recently shifted its labor immigration policy to a demand-driven model. This “moment of enlightenment” allowed politicians to advocate for increased immigration levels — even during a period of increasing unemployment. This evolutionary process was possible through a dialogue with labor unions (who did not contest the reforms); efforts to link migration to development in source countries; and an emphasis on social solidarity. The strategy was successful, in part, because the government began to think about migration more broadly than ever before: the political discussion became about the need to foster greater *mobility*, and to see migration as something very positive rather than a more simplistic discussion of “us versus them.”

As a small country with a difficult language and harsh climate, Sweden recognized that it needed to offer simple and transparent admission procedures in order to boost its attractiveness to migrants (and businesses) and stay competitive. One important lesson that Sweden took from its previous, more restrictive immigration system was that temporary labor programs only work if the need for labor is truly temporary. If employment extends beyond a limited time frame, then the system needs to allow for adjustment to longer-term immigration status. However, there are also limits to the Swedish model. Sweden is a small country with a strong welfare state that frowns upon cheating; few other countries are able to replicate these conditions.

“Temporary labor programs only work if the need for labor is truly temporary.”

Several roundtable participants proposed more specific strategies to overcome barriers to mobility that harm businesses:

1. **Shifting political perceptions.** The mindset should be shifted away from politics to economics. Migration should be reframed as a positive development with an emphasis on mobility.

2. **Building a comprehensive framework.** Countries need to adopt best practices to facilitate mobility for global workers and establish appropriate standards for treating migrant workers. Governments must make themselves more attractive to migrants by offering training and flexibility, and creating internationally recognized credentials and identification cards, so that migrants have the normalcy they get in their own countries.
3. **Addressing the root causes of migration.** Both business and policymakers must accept that changing demographics will become a major challenge to growth in the years ahead. And this challenge will confront both aging societies as well as those with enormous surpluses of young workers. There is a real need to determine why workers overstay visas and seek fraudulent documents, as well as to question deeply why some countries have failed to generate sufficient quality jobs for their populations.
4. **Effective and transparent communication.** The private sector must communicate its needs to governments more effectively (for instance by collecting and presenting relevant data). Business leaders must recognize that they have the potential to serve as powerful thought leaders whose opinions resonate with policymakers. But this can only be effective if they speak with a coherent voice. To date, the business community has not weighed in on what kinds of mobility make most sense for its needs and under what circumstances. Legislators do not yet trust the private sector enough to move toward a market-driven system.

Key Points from Session IV

- ***Demand driven systems.*** Employers prefer demand-driven immigration systems, but policymakers are typically unwilling to allow employers to regulate themselves.
- ***Corporate social responsibility.*** Demand-driven systems are more palatable to politicians and the broader society when employers are responsible corporate citizens.
- ***Reward good behavior.*** Governments should reward responsible employers with easier access to immigrant workers.

CONCLUSIONS

The private sector's interests in migration are clear. For businesses, access to human capital is a question of both survival and competitiveness. Productive and innovative workers create an invaluable advantage for businesses, allowing them to grow and expand. This is true for both "highly skilled" and "less skilled" workers. The current recession may encourage policies that limit migration, but business leaders could confront this by underlining the importance of private sector competitiveness for any country in an increasingly globalized economy. Now more than ever, businesses need the agility to respond to rapid changes in the demand for their goods and services.

Development is less of an immediate policy concern to the private sector. Rather, job creation and improving living standards are a consequence of private sector growth. As a result, many policymakers in both developed and developing countries court businesses and seek to make their countries attractive to the private sector. In this regard, the private sector is a key linkage — an actor that drives migration and can lead to development.

But politics often get in the way. Migration is an emotional issue in many societies and business leaders are often unwilling to risk becoming involved in these bruising debates until the issue emerges as an existential threat. This reticence cedes the debate to social actors who may not recognize the importance of the private sector to a country's well-being. Politicians often view migration from a political economy perspective, whereas corporations view it from a purely economic perspective.

The private sector needs to emphasize the message that good economics is indeed good politics, and effectively communicate that another failure in immigration reform will result in a *loss* of jobs and competitiveness. The focus should be on the bottom line: how migration will help businesses grow, boost productivity, create jobs, and improve living standards.

“Whenever a country fails to recognize the impact of demography on its ability to compete, to grow, and to create jobs, it will do so at its own peril. The flip side is that any country that gets it right will have a huge advantage.”

Despite fears to the contrary, policymakers will listen when business leaders speak up in a thoughtful and determined way. Roundtable participants provided examples of how major multinational companies have pressured governments in Southeast Asia to combat human trafficking and migrant labor abuses, and how business leaders in the US have spoken directly to Members of Congress regarding their preferences for immigration reforms. At the same time, participants agreed that it would be smart for the business community to demonstrate a greater sensitivity to the social consequences of immigration. On balance, all stakeholders would benefit

from being more cognizant of each other's concerns: economic and social arguments must go hand in hand.

In order to ensure access to the workers it needs, the business community needs to engage more proactively in the global migration debate. The unfortunate reality, as one participant remarked, is that neither business leaders nor politicians are good at articulating and implementing a long-term vision. The private sector is an extraordinarily diverse group with diverse human resource needs. Identifying a coherent common agenda to present to government policymakers (much less to the 160+ governments that will attend November's Global Forum on Migration and Development) will be exceedingly difficult. One participant suggested several possible themes that private sector leaders might consider as the basic elements of a common agenda. Two among them are most consistent with the overall conversation:

1. Reducing *mobility* is an impediment to business. Mobility should be distinguished from more traditional conceptions of migration. There is a need for clear rules on the movement of people. In most countries, interior ministries are responsible for migration issues. Business leaders might be in a strong position to advocate that the migration portfolio be transferred to skills development or social integration ministries.
2. *Skills forecasts* provide essential guidance for policymakers and business planners, and raise awareness of the capacity and skills that will be in demand. Although any attempt to forecast future human resources needs and skills will inevitably be flawed, it is still a necessary exercise. Better data and better communication between the private sector and government is essential to making any forecast effective.

The human capital investments needed by the private sector will continue to grow. Yet, as the experiences of several roundtable participants illustrated, neither the private nor the public sector alone can be expected to bear the full burden of training and educating workers. There must be some degree of collaboration. But as governments face growing budgetary pressures in the years ahead (as the debts incurred during the recent round of countercyclical government spending come due), there may be room for reaching common ground on priorities.

**“Business wants to be involved in the solutions
for the ethical movement of people and
is willing to pay for some of the costs.
But it wants government to work on an intelligent
regulatory framework for legal movement.”**

Overall, the conclusions targeted two timelines:

1. The short-term objective of ensuring that the private sector's views are represented at November's Global Forum on Migration and Development. To this end, it was suggested

that a new roundtable be introduced during the Forum’s Civil Society Days to focus on how the private sector and the rest of civil society could work together with the governments to define and advance a common agenda related to migration and development. The representatives of the Onassis Foundation—who participated in the conference and who are organizing the Forum’s Civil Society Days—agreed with this idea and are developing a roundtable for the Forum entitled “Building Alliances;” this will feature analyses on the issues from the perspectives of the private sector (written by participants of this conference) and by civil society actors.

2. The longer-term objective of developing mechanisms that regularly factor inputs from the business community into the decisions of government policymakers. Multiple roundtable participants committed to long-term engagement toward this goal.

Both objectives offer the potential of concrete gains for businesses, and as a result, countries and individuals will benefit as well.