Towards an Equitable Sharing of the Benefits of International Migration

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International migration and refugee movements are nowadays more global in scope and also more diverse than ever before, in spite of the restrictions imposed in Western Europe upon labor immigration since the mid-1970s. At present, more countries are sending and receiving external migrants than at any time previously. The mounting population pressures in the developing countries — as well as the economic disparities between them and the industrialized countries — imply that international movements of people will tend to increase in the foreseeable future.

International migratory flows — especially those of a persistent and large-scale nature — give rise to important consequences for the countries of origin, for the countries of immigration, and not least for the migrants themselves. For each party concerned, there are both gains and disadvantages involved. The various effects are by no means evenly or equitably distributed between the parties concerned. It is often claimed that the countries of emigration are most adversely affected, or at least do not gain as much as the immigration countries do, by international migration. This view is even reflected in some of the vocabulary: the outflow of skilled migrants from developing countries to developed countries is also characterized as the reverse transfer of technology.

The issue of an equitable or balanced distribution of the gains (and losses) accruing from international migration is of major importance, especially for those parties that feel disadvantaged by the phenomenon. The definition and measurement of the effects has proved to be very problematic, which is one of the reasons why no proposed solution so far has been implemented into practice.

Previous proposals

Since the early 1970s a number of proposals have been made by both scholars and policymakers in order to grant compensation to the countries of origin for their losses of productive human resources due to emigration. The main types of such proposals are briefly described below.

Perhaps the best-known proposal is that advanced by Jagdish N. Bhagwati in the mid-1970s: that a surtax should be levied on the income earned by skilled migrants in developed countries, to be transferred to their developing countries of origin (e.g. Bhagwati 1976). According to another proposal, such taxes should be levied by the country of origin on their nationals abroad (Pomp and Oldham 1978). An alternative approach would be to share revenues between the countries concerned. Thus, a part of income taxes paid by the immigrants in the host country would be transferred by that country to the country of origin (Majava 1974; UNCTAD 1983). According to Roger Böhning (1982) the government of the host country would make the country of origin a lump-sum payment for each immigrant on the basis of a once-and-for-all assessment at the time of the entry.

Various less articulated proposals have been made by leading statesmen from the developing world in international fora (see UNCTAD 1987). Thus, Crown Prince Hassan bin Talal of Jordan proposed in 1976 the establishment of a labor compensatory facility for providing assistance to countries suffering from labor emigration. Hosni Mubarak, President of Egypt, suggested in 1983 the establishment of an international fund for vocational training. It would assist emigration countries in training substitute manpower to replace skilled emigrants. Edward Seaga, Prime Minister of Jamaica, advocated in 1984 the setting up of an international fund for manpower resources to facilitate solving recruitment problems concerning skilled manpower.

Although most of these proposals have been specified in many details of justification, implementation, amount, etc., none of them has so far been translated into practical action. A major reason for this may have been the fact that the proposed measures require at least some co-operation with the countries of immigration, which so far have shown little interest in them. It may be assumed that a fundamental precondition for implementing a benefit-sharing scheme is that the interests of all the main parties be taken into account in a balanced way. That is a core idea underlying the proposal outlined in this article.

Premises

Any workable scheme for resolving problems of an equitable sharing of the benefits of international (labor) migration must be congruent with certain fundamental features of the phenomenon. Hence, the present proposal is based on the following premises derived from numerous studies on international migration:

— International migration of economically active persons constitutes a transfer of productive resources. Such transfers primarily take place in response to labor requirements of employers in immigration countries, and with the approval of their governments.
— International labor migration gives rise to manifest economic gains to the employers of foreigners, while the cumulating social costs involved are usually borne by the host society.
— Immigration countries gain on the whole from labor immigration, especially in the short run: e.g. the cost of rearing and educating the immigrants has been borne by the parents and society of origin. In the long run, however, the gains may be offset by growing social costs, and sometimes by ethnic conflicts, as immigrants turn into settled minorities.
— The effects of international migration in the countries of origin are more varied, and the gains, if any, are usually small and indirect.
— On average individual migrants may gain even considerably by moving abroad in terms of their material level of living, as their income rises. However, the effects on income and welfare seem to vary a great deal as between the migrant groups, even in the same host country.
— A sizeable proportion of the migrants move abroad with the intention of returning after having reached, for example, a certain concrete savings target. Often the target proves, for various reasons, hard to attain, and the return is postponed

or never takes place: even a high propensity to return is nullified by the lack of real opportunities for successful repatriation.

— Many gainfully employed migrants send substantial remittances to their families in the countries of origin; these are mostly spent on consumption and contribute little to strengthening the economy of those countries.

— The net benefits of international labor migration are not distributed between the various parties involved in any optimal or balanced way; the attainment of an equitable distribution of the gains is a widely expressed political goal, especially in developing countries of emigration.

Administrative and political requirements

Quite a number of different proposals have been advanced since the mid-1970s to formulate policies and measures to stop the brain drain in particular and to mitigate its adverse effects in developing countries, as well as to let them share the benefits of the reverse transfer of technology with immigrant-receiving developed countries. Most such proposals have proved hard to implement, if not for political opposition by other interested parties, then for the major administrative and technical problems involved. An ideal scheme dealing with the problems of sharing the benefits of migration should meet, among other things, the following requirements:

— The scheme should be straightforward, based on clear criteria which are easy to interpret and apply, requiring no costly enquiries, elaborate statistics or hypothetical estimates for application.

— The required data may preferably be obtained as by-products of ongoing administrative procedures, which may be carried out at the grass-roots level on a case-by-case basis.

— Possibilities for abuse or misuse should be minimal.

For it to be politically feasible to implement, an ideal scheme should bring obvious advantages to all the parties concerned (or at least should not put any of them at a disadvantage). In addition to material aspects, psychological considerations should also be taken into account in formulating a relevant model of operation and in translating it into a practical application.

The recompense scheme for migrants

The proposal outlined in this article has some elements in common with the proposal made by Roger Böhning of the ILO in 1982, especially in regard to its justification. Böhning used the term »recompense» in describing his scheme. The same word may be an equally apt characterization of the scheme sketched here.

A proper full name for the proposed scheme might be a recompense scheme for international migrants by savings and investment. It is proposed that the basic scheme be obligatory to those foreigners who are admitted to a country of immigration for the purpose of gainful employment and who thus need a work permit. It could be supplemented by a voluntary scheme, perhaps providing some extra benefits. The main features of the scheme could be formulated as follows:

— A certain proportion (e.g. 10—20 percent) of the monthly (weekly etc.) wage or salary (or a fixed monthly sum) would be regularly deposited by the migrants on a barred account during a specified period (say, 3—5 years). In practice, the deposit could be withheld from the wage by the employer for transferral to the account in question. After the stipulated period has been completed, it could be possible to continue the arrangement on a voluntary basis.

— During the stipulated/agreed period, the savings could not be used; and if their use were permitted in cases of emergency, the accruing benefits would be cut in corresponding measure.

— The governments of the immigration countries should allow such deposits to be deducted from taxable income, thus providing the immigrants with a persuasive inducement to join the scheme; at the same time, such a deduction would soften the impact of savings on the immigrants' current consumption.

— The deposits, and the interest on them, should likewise be exempted from taxation in the countries of emigration (provided that they eventually are used for productive purposes).

— The interest rate on these deposits should be equivalent to the highest current rate on long-term bank deposits. Moreover, the deposits should be granted a full guarantee for possible losses due to fluctuations in exchange rates, and for changes in the value of money (inflation).

— The deposits should be transferred from the country of immigration to the country of emigration, to be put to productive use there through, for example, a special fund or the ordinary banking system (if the migrant eventually decides to stay in the country of immigration and wants the use of his/her savings in the host country, the money should be freely transferable to him/her).

— If the migrant chooses to use his/her savings accumulated under the scheme, e.g. in connection with his/her repatriation, for a productive purpose (e.g. as owner or shareholder in a business venture) or for some other preferred purpose (e.g. housing construction), he/she should receive some extra benefits, such as supplementary interest or a loan on attractive terms (possibly graded progressively according to the amount of deposits and the duration of the savings period).

— The savings scheme could be terminated by the migrant at any time in cases of repatriation, and the return migrant could use the accumulated savings in the home country in the same manner as if he/she had completed the whole period covered by the scheme.

— If the immigrant decides to terminate the savings scheme on other grounds (e.g. in connection with changing his/her citizenship, or due to moving to a third country), he/she would be entitled to do so — but the privileges associated with the scheme would be lost. Otherwise, e.g. due to unemployment, training, parental leave or the like, participation in the scheme could be postponed while the migrant is not in gainful employment.

— In order to avoid misuse by fake moves back to the country of origin or by brief stays there, it might be advisable to stipulate that the accumulated savings will not be made freely available to the returnee until a certain period (e.g. one year) has elapsed since repatriation; however, the deposit could be used as collateral for loans.

— If the migrant decides to stay in the country of immigration, he/she may continue the savings activity on a voluntary basis or freely use the accumulated savings after the completion of the original scheme; while the privileges (a higher rate of interest, for example) would be maintained though the money is used in the host country, the drawn savings could be regarded as income in taxation if the original deposits had been deducted from it.

All these points need to be elaborated upon in order to spell out technicalities, and special cases. Pilot studies and experiments would be useful for developing the scheme for practical implementation.

Coverage of the scheme

The objective of the proposed scheme is to cover, in principle, all gainfully employed foreigners in the developed countries. The scheme might, however, be best suited to the needs of developing countries and those of their emigrant citizens who may be regarded as professional, technical and kindred personnel, i.e. as the so-called brain drain.

The scheme has been worked out with the ordinary workforce and regular employment in mind. Nevertheless, it is conceivable that the scheme could also cover temporary migrant workers, especially when working abroad recurs regularly, as in the case of seasonal workers.

Refugees are a special case, even when they are gainfully employed in the countries of asylum. However, if and when conditions in the home country change for the better, many of them will willingly return, and in such cases a nest egg would considerably improve their chances of successful repatriation. Therefore, refugees could be allowed to join, on a voluntary basis, a savings scheme for migrants. However, the deposits should in such cases be kept in the country of asylum until repatriation takes place.

A recompense scheme is designed to serve primarily those international migrants who enter the countries of immigration after the scheme has started operating. However, there should be nothing hindering those immigrants who have arrived earlier and who contemplate return from joining the scheme voluntarily.

The recompense scheme briefly outlined above is based, in principle, on the self-interest of the migrants rather in a sense kindred to the conception of the »invisible hand» by Adam Smith. However, as there are many factors and circumstances hindering migrants from fulfilling their plans to return, that self-interest needs to be encouraged and guided by active measures on the part of the governments of the host countries and of the countries of emigration.

Implications for the parties concerned

The central idea of the present proposal is to provoke the interest of invidual migrant workers in improving their opportunities for successful repatriation by means of committing themselves to making savings and investments. During their stay in the host country, migrant workers will have to be content with a somewhat lower level of consumption than which they would attain without the savings in question. On the other hand, the reduction in the level of living that commonly occurs after repatriation would be correspondingly smaller. Moreover, profitable investments of the savings made abroad would facilitate attaining a higher level of living in the home country later on.

Emigration countries would gain by receiving rather substantial amounts of foreign currency available for productive investments. As the foreign currency would be flowing in through official channels and in a regular fashion, it would be possible to make rather realistic plans for its use in development projects.

Immigration countries are assumed to gain from the ensuing rotation of immigrants by avoiding some of the social costs caused by permanent settlement. The only party not to gain directly from the scheme might presumably be the employers hiring foreigners; however, their present gains would not be significantly affected, either. Although the scheme would not be tied to employment by a given employer, the result might turn out to be a predictable turnover of migrant workers.

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