

Is there a Goldilocks solution to development friendly labor mobility?

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Outline of the presentation

- (At the margin) the gains from labor mobility from poor to rich countries are *orders of magnitude* larger than the best available development interventions
- (At the margin) There are positive net benefits to receiving countries from low-skill labor mobility (no job/wage loss, fiscal is what design makes it be)
- In spite of this, very little global academic or advocacy in development devoted to labor mobility
- The *politics* of development friendly labor mobility (rotational, rights-respecting, low skill movement) are terrible.
- The current global pressures are “too cold”—lots of “safe” and “orderly” with little “more”
- A concrete Goldilocks proposal

Essence of “Goldilocks”

- A “coalition of the willing” —get started with partners already engaged in large (bilateral) flows
 - “Pluri-lateral” membership: include as “members” both states and non-states
 - A “fee for service plus” model of association dues that generate a flow of organizationally autonomous revenues
 - “Service” is assistance with negotiating and then assisting with implementation of bilateral agreements on labor mobility (which can be win-win for senders and receivers)
- (the service is “adaptive” in that it does not dictate the form or content of agreements (just broad principles) and hence allows the practices to emerge—hard agreements is “too hot”)
- “Plus” is creating the global research and advocacy for more development friendly labor mobility

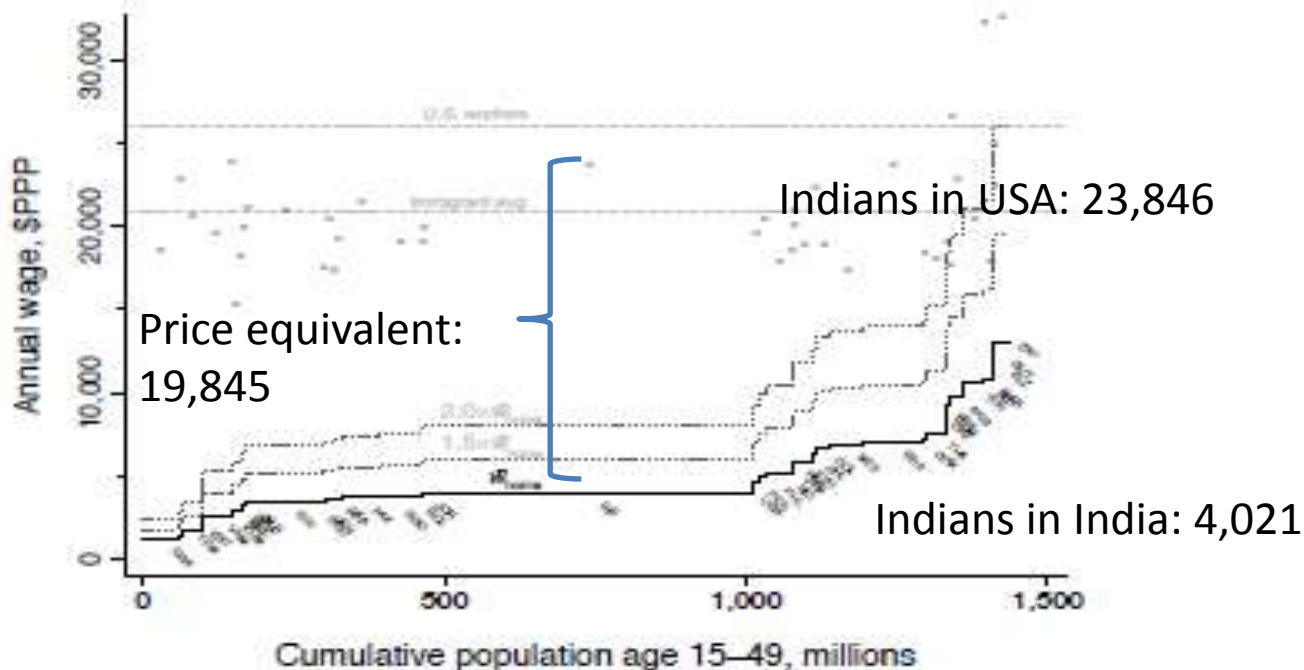
Gains from low skill labor mobility are huge compared to anything else on the development agenda

The “price equivalent” of border based restrictions

- The tariff of 10 percent on a specific product (say, sugar) would be expected to raise the domestic price of the product by 10 percent.
- Suppose that instead of a tariff the government imposed a quota that limited imports to 10,000 tons of sugar. We could ask: “how much higher is the price of sugar due to this quota?” There is some tariff on imported sugar such that the demand would be 10,000 tons. That is the “price equivalent” of a quota of 10,000 tons.
- In 1987 the supply price of sugar to the USA was 18.5 cents/kg the domestic price was 48.1 cents/kg and hence the “tariff equivalent” was 29.6 cents/kg or *ad valorem* tariff of 160 percent.
- Now suppose that instead of a simple and transparent quota of a certain tons of sugar there was a complex regime that banned all imports except those that received a special license. How would we estimate the “price equivalent” of this complex set of restrictions? Compare the price in supply countries to the same in the receiving country

The estimated upper bound of global supply curve of equal productivity labor, adjusted for selectivity of movers

Figure 5: Upper envelope of wages-forgone curve (\bar{w}_j) by working-age population



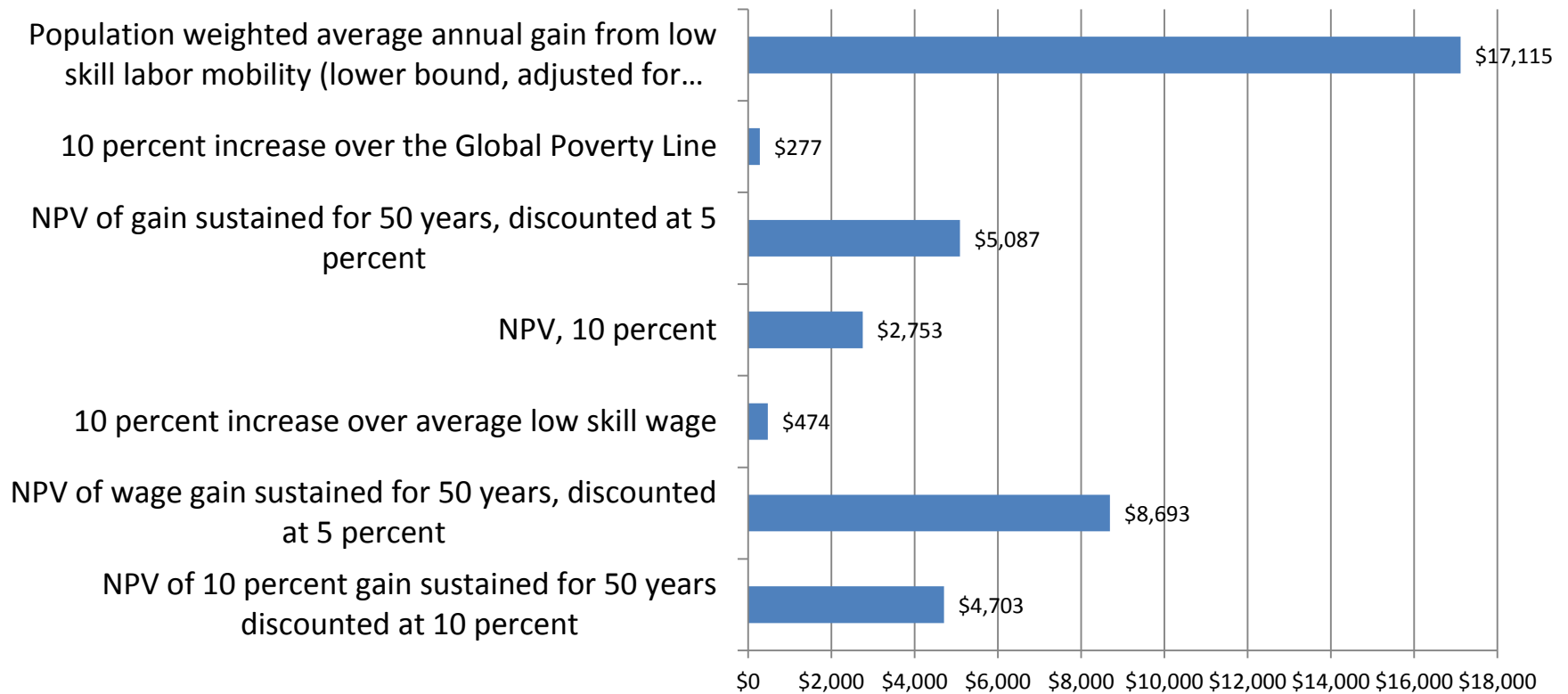
For 16-59 year-old male workers with 9-12 years of schooling acquired in the home country. Upper envelope of wages-forgone (\bar{w}_j) estimated using lower bounds on R from Table 1 col. 2: $\bar{w}_j = w_{US}/R_j^{1,11-13}$. Single dash is wage if immigrant in U.S., born and educated in each country specified directly below that dash. "Immigrant avg." is unweighted mean across country-of-birth for immigrants in U.S. "U.S. workers" is mean for U.S. born.

Table 1: The income gains from allowing an additional low skill worker (male, 35 years old, urban, formal sector) to move to the USA from various countries are between \$10,000 and \$20,000 a year (in purchasing power dollars)

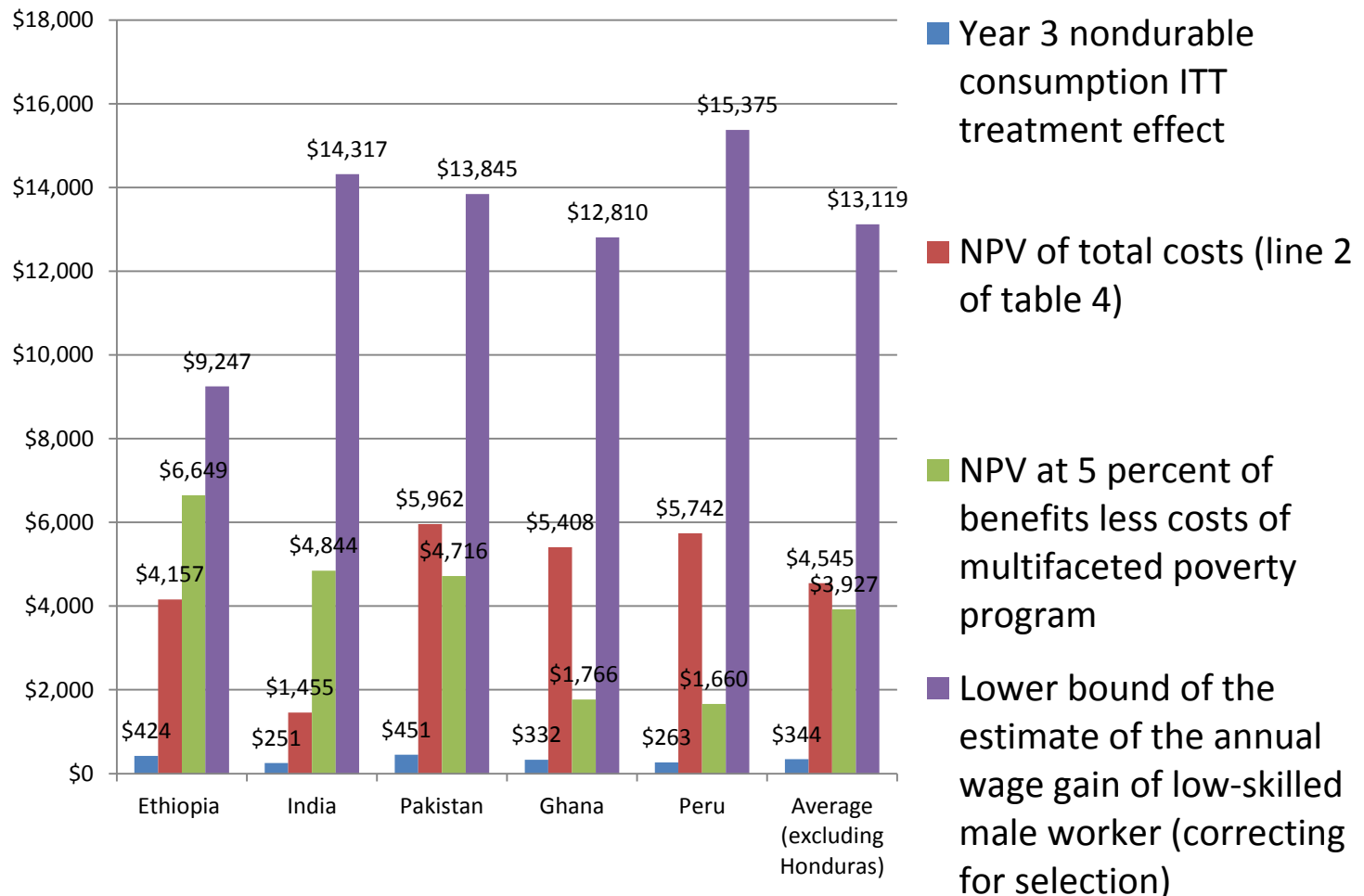
Country	Income in USA	Income in home (selectivity adjusted)	Difference	Pop'l
India	\$23,846	\$4,021	\$19,825	545
Indonesia	\$21,194	\$3,423	\$17,771	117
Brazil	\$23,818	\$7,005	\$16,813	97
Bangladesh	\$19,315	\$3,804	\$15,510	67
Pakistan	\$21,662	\$3,705	\$17,957	65
Nigeria	\$18,689	\$1,186	\$17,503	57
Mexico	\$17,511	\$6,849	\$10,662	54
10 largest	\$20,266	\$4,286	\$15,981	1,156
Population weighted average, 40 countries	\$21,855	\$4,740	\$17,115	1,435
Wages per hour (assuming 2080 hours)	\$10.51	\$2.28	\$8.23	

Source: Author's calculations from results in Clemens, Montenegro and Pritchett 2016.

A 10 percent return off of a low base is a small number—the *annual* gain from labor mobility is better than lifetime NPV of good interventions



The “graduation” approach to raise incomes of the ultra poor generates \$344 in year 3 income with \$4545 in year 2 costs (rigorous RCT evaluation across six countries)



(At the margin) Receiving countries are
(small) net beneficiaries of migration:

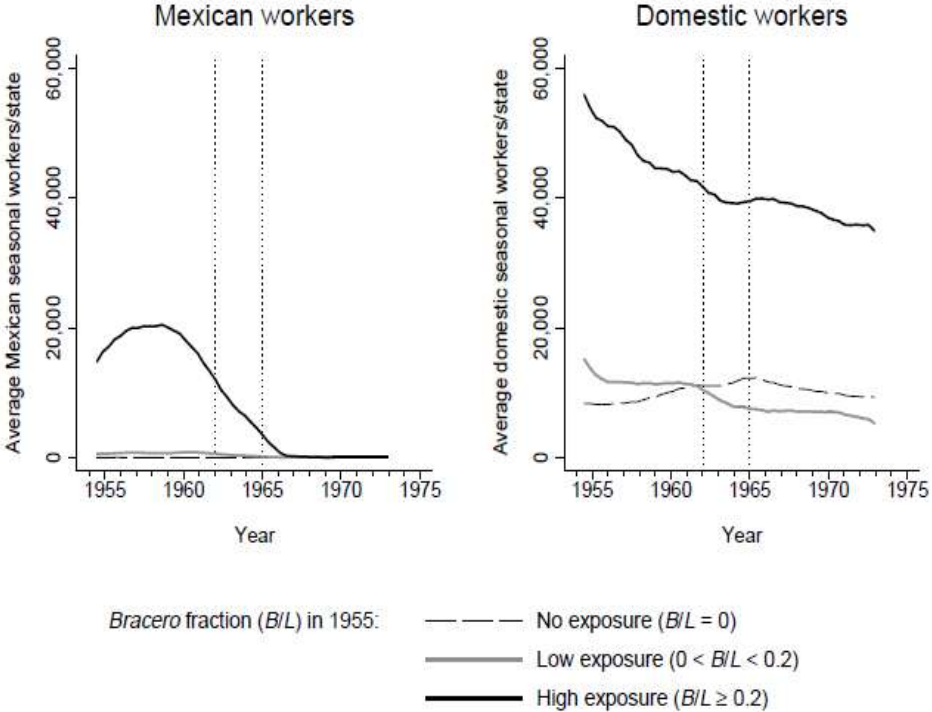
No net job loss

Doesn't lower low skill wages (much)

Fiscal impact is design

New evidence from elimination of *Bracero* in the USA

Figure 3: Number of seasonal farm workers employed, state averages grouped by exposure

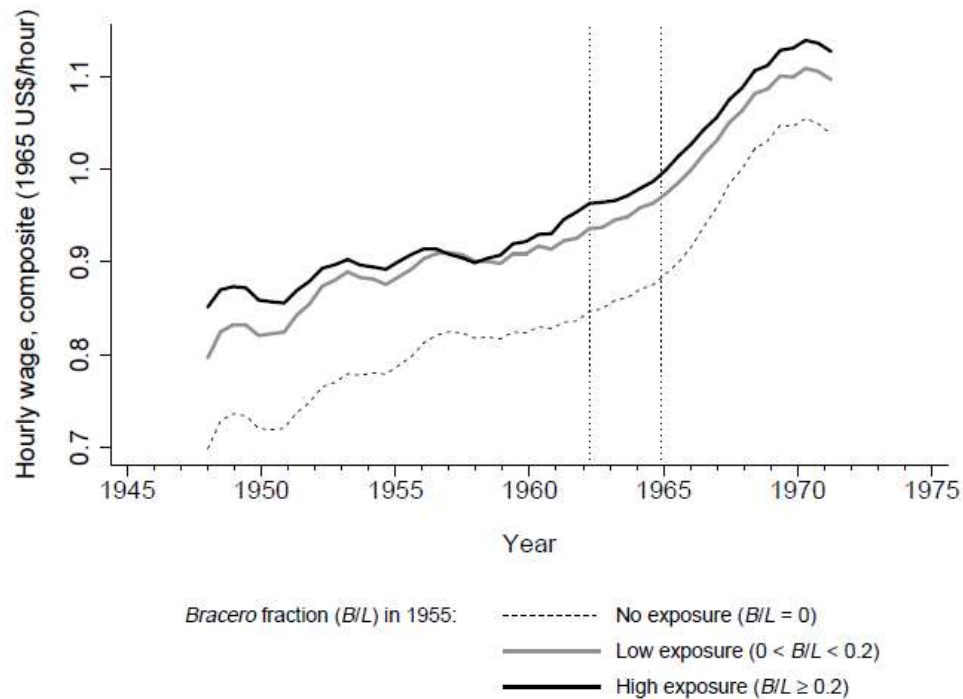


The elimination of 20,000 low skill seasonal farm workers from Mexico had zero positive impact on domestic employment (really zero)—mostly output fell, crops changed, technology adopted

Fan-Gijbels (1992) local linear regressions of monthly state-average number of workers employed on month-by-year, Epanechnikov kernel, bandwidth 9 months. Vertical dotted lines show the beginning of major government efforts toward *bracero* exclusion (March 1962) and near-complete exclusion at the termination of the program (December 1964).

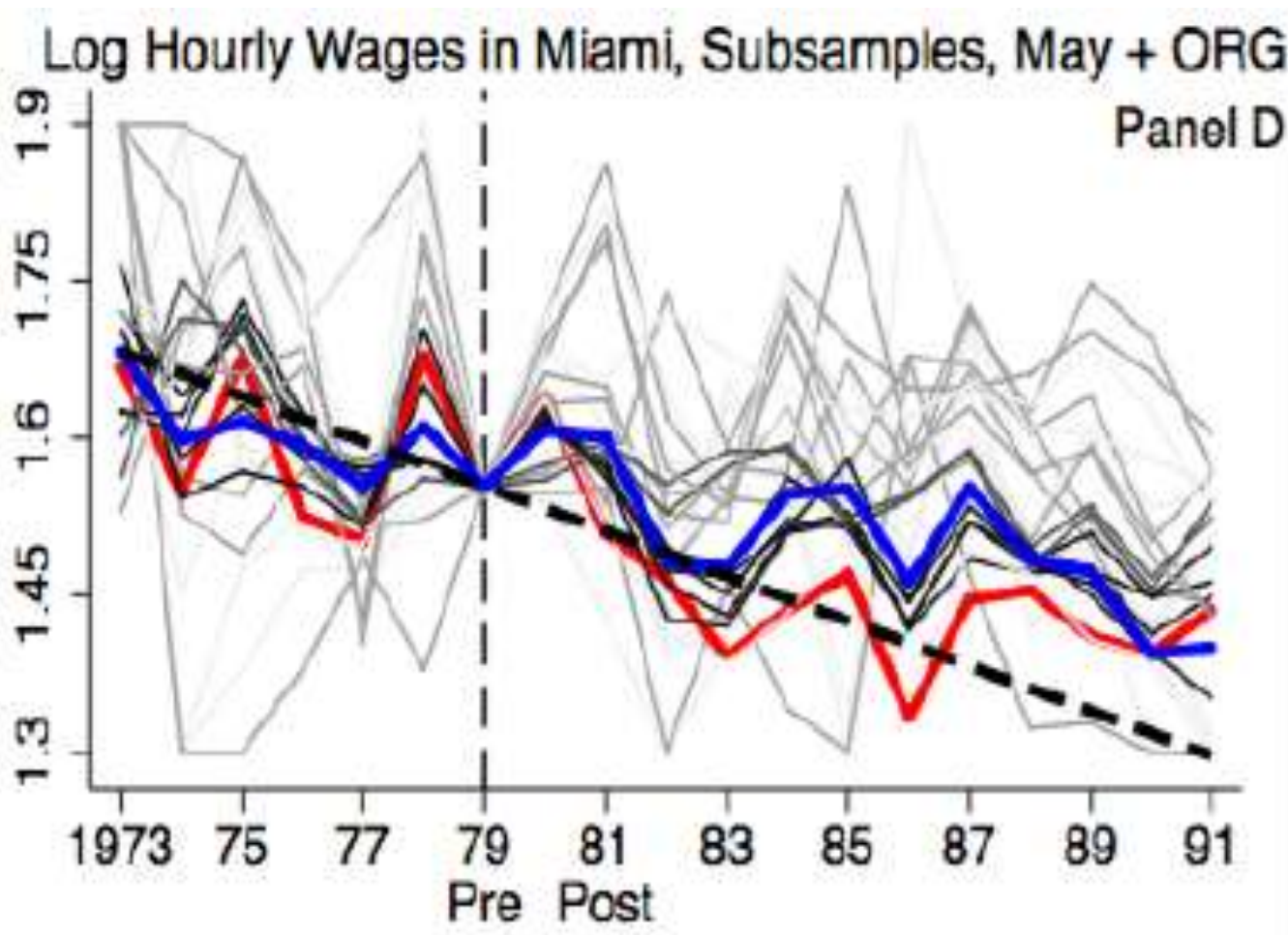
New evidence from elimination of Bracero (Clemens, Lewis, Postel 2018)

Figure 2: Quarterly average real farm wages in states grouped by exposure to *bracero* exclusion



Fan-Gijbels (1992) local linear regressions of quarterly state-average hourly wage on quarter-by-year, Epanechnikov kernel, bandwidth 2 quarters. Real wage adjusted by national Consumer Price Index. Vertical dotted lines show the beginning of government efforts toward *bracero* exclusion (March 1962) and near-complete exclusion at the termination of the program (December 1964). High-exposure group is AZ, CA, NE, NM, SD, TX. Low-exposure group is AR, CO, GA, ID, IL, IN, MI, MN, MO, MT, NV, OR, TN, UT, WA, WI, WY. No-exposure group is AL, CT, DE, FL, IA, KS, KY, LA, MA, MD, ME, MS, NC, ND, NJ, NY, OH, OK, PA, SC, VA, VT, WV.

Even for super-low-skill (less than HS) there is no evidence of wage loss from Mariel Boatlift (massive, rapid, concentrated, inflow of low skill labor)



What about fiscal impacts?

Labor mobility across national borders is mostly ignored in development discourse, both academic and multi-lateral and global organizations

And yet it is completely off the development agenda

- *UN post-2015 agenda*: SDG 10.7 - “Facilitate orderly, safer, regular, and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies.”
- *World Bank*: Focus on remittances and diaspora; not a single lending project on migration
- *World Trade Organization*: Doha round never concluded, Mode 4 commitments few.
- *Academic development economics*: Top ten most cited papers by thirteen top development economists finds that only one of those 130 papers deals with international migration as a primary topic
- *Development advocacy/NGOs*: 73 known organizations working on human trafficking, one actively advocating more migration

GLOBAL COMPACT ON MIGRATION

- Positive steps in many ways.
- Brings a “pro-migration” force to bear within the

But there is still hope

- There are notable examples of advocacy movements that have succeeded even though they went against the interests or desires of powerful interests in rich countries and their citizens
 - Expanding access to HIV therapies at low cost
 - Jubilee movement on debt

So what can we learn about these movements

- Committed core
- Diverse coalition
- Something for people to do at multiple levels (leadership, analysis, frontline action)
- Issues involving bodily harm and/or legal equality of opportunity
- Multiple approaches of activity

What does this look like practically?

Too Hard: Legally binding global agreements on labor mobility (a la the WTO)

Too Soft: Status quo, playing at the margins with remittances and diaspora while remaining agnostic on labor mobility

GLOBAL COMPACT ON MIGRATION

- Positive steps in many ways.
- Brings a “pro-migration” force to bear within the UN.
- But...fear that the need for the UN to act with consensus will make it “too soft” and focus on the “mitigate” strategy.
- Our view is still need a strong advocate outside the existing multi-lateral agencies.

Just Right?

A “just right” approach to global advocacy for development-friendly labor mobility might be an organization which is:

- (i) pluri-lateral in its membership,
- (ii) a platform for voluntary agreements of many types passing a threshold of acceptable practice,
- (iii) designed to promote more and better labor mobility through practice, research, and advocacy.

So what does this look like in the our world?

Proposed Functions of a labor mobility organization

An organization would then serve three functions:

- A *forum for the negotiation and/or slating* of voluntary labor agreements among the nation-state members of whatever scope the nation-state members choose
 - Repository for the text of all agreements
 - Formalize the negotiation process
 - Independent third party mediator
- An *implementation support and dispute-resolution* forum to deal with the registered agreements.
- The *evaluation of the benefits* of the agreements, research into labor mobility, and advocacy for development friendly

Possible Examples of Application—existing large bilateral flows and/or existing sectoral programs

- GCC countries and Nepal/Bangladesh/India
- Europe and the Middle East/North Africa (MENA)
- Singapore and Indonesia
- Canada and Caribbean
- New Zealand and Pacific Islands
- Philippines and Korea

Revenue Model: A “fee for service plus” model of sustainable financing—a tiny fee on existing flows

Possible contributions from the total value of corridor flows

Corridor	Estimated number of movers	Estimated annual wage gain per worker	Annual gain from mobility to movers	1% of value (in US\$)	0.1% of Value (in US\$)
Mexico-US	1,160,000 ¹	10,000 ²	11,600,000,000	116,000,000	11,600,000
Bangladesh-KSA	2,500,000 ³	4,000 ⁴	10,000,000,000	100,000,000	10,000,000
Sri Lanka-UAE	300,000 ⁵	4,000 ⁶	1,200,000,000	12,000,000	1,200,000
Morocco-Germany	127,000 ⁷	10,000 ⁸	1,270,000,000	12,700,000	1,270,000
Malaysia-Australia	135,600 ⁹	15,924 ¹⁰	2,159,294,400	21,592,944	2,159,294.4
Total	-	-	26,229,294,400	262,292,944	26,229,294

Revenue Model

Budgets of prominent think tanks

Organization	Total Expenses
Brookings	99,568,985
Urban Institute	77,587,409
World Resources Institute	65,763,955
American Enterprise Institute	35,435,906
Center for Global Development	14,621,307
Peterson Institute for International Economics	13,654,540
<i>Sources:</i> Figures from each organization's most recent IRS form 990, obtained from the Foundation Center	

Comparable Organizations

- International Air Transport Association
 - Represents some 250 airlines or 84% of total air traffic
 - Offers public goods in the form of international aviation policy reporting, market outlook, and industry manuals, as well as advocacy
 - Subsidizes these activities via margins on fees charged for services (accreditations, data management services, business intelligence and statistics, etc.)
- International Chamber of Commerce
 - Hundreds of thousands of member companies from over 180 countries and various sectors
 - Three main activities: rule setting, dispute resolution, and policy advocacy
 - Main revenue source is fees paid for services (dispute arbitration and resolution, mediation, fraud and anti-trust investigations) which then subsidize research and advocacy

RELEVANT ACTORS

- Receiving countries get cooperation from sending countries in regulating the flows (e.g. enforcing screening in host, return)
- Sending countries get cost-effective mode (compared to using diplomats) for protecting their citizens abroad and a third party enforcer.
- Employers using temporary workers get legitimacy from adhering to international standards
- Existing labor brokers lose a bit if illegitimate (as things become transparent) but good ones gain from the overall public goods.

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