



LaMP

Labor Mobility Partnerships

**Simply Irresistible:
The Future *is* Labor Mobility and
The Future *of* Labor Mobility**

November 28, 2019

Kathmandu, Nepal

There are two big aspects of the global economy that make labor mobility a simply irresistible part of the future (and one big question)

- The inverted demographic pyramid of the developed countries, paired with the broad pyramid of developing countries.
- The Place Premium and the lack of convergence of spatial productivity
- (Contingent) The bias in the trajectory of technology and the social and political limits of automation

Since the future *is* labor mobility, the future *of* labor mobility is important

- “more” mobility of people across national borders that movement needs to be “better”
- The industry of moving people *can* be an industry for good and a good industry (but can also be exploitative and abusive)
- An international, pluri-lateral, association of people who move people can work towards more and better mobility

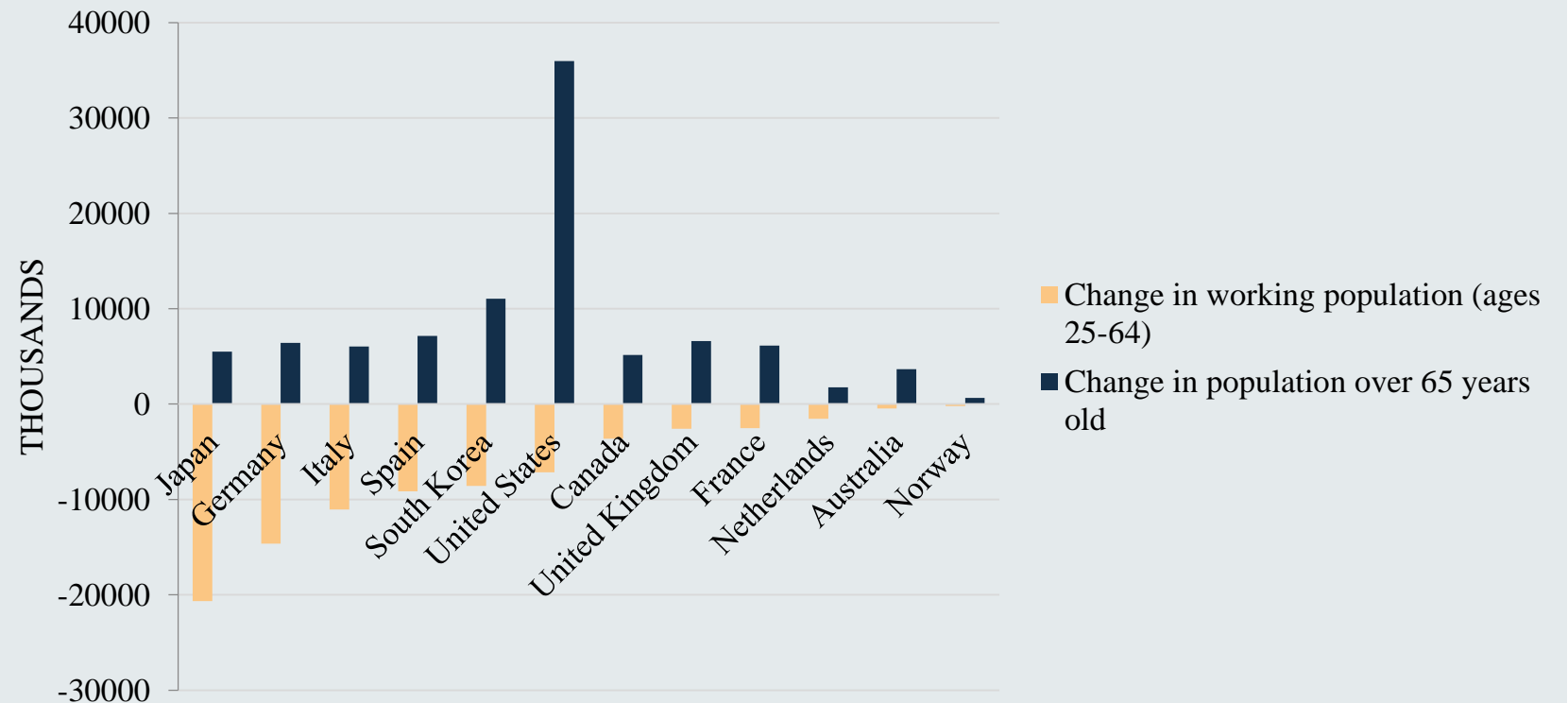
Irresistible Force #1 – The working age population in most OECD countries is declining but the number of elderly is growing

By 2050, OECD countries will

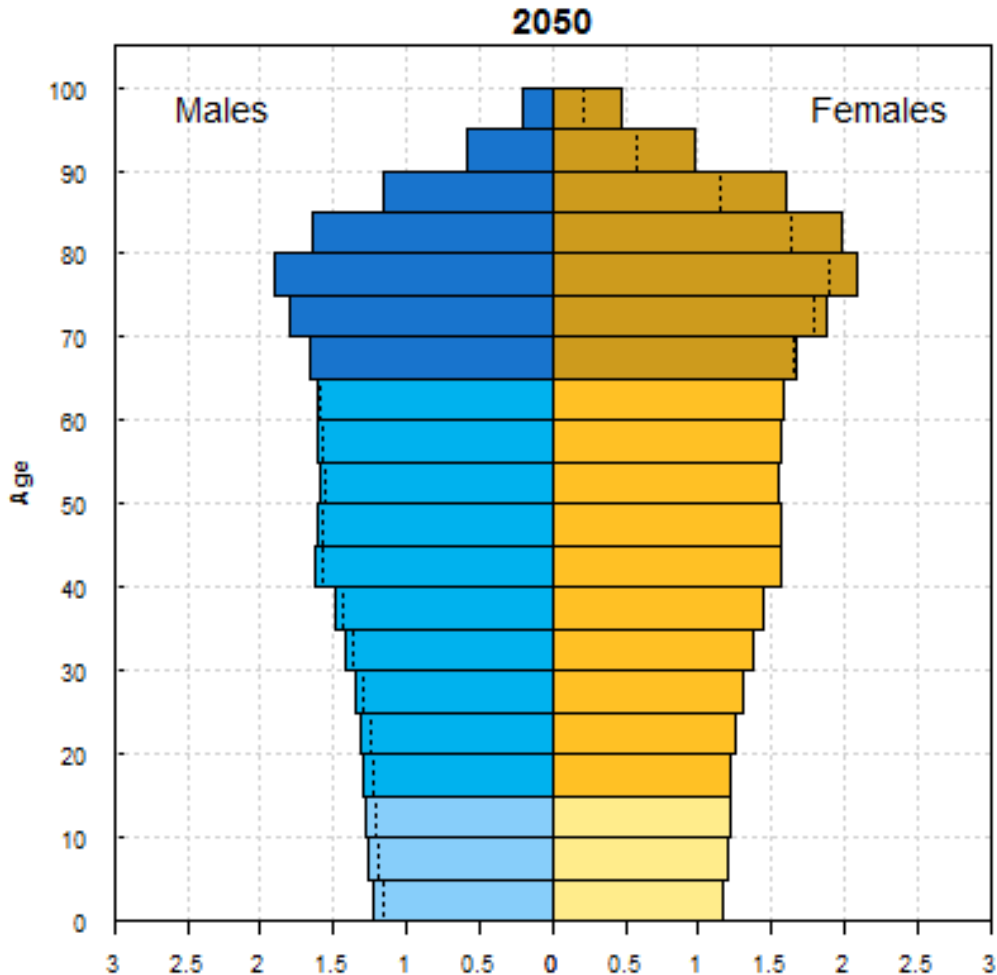
1 Lose more than **82 million** workers in total

2 Gain more than **96 million** old individuals (65+)

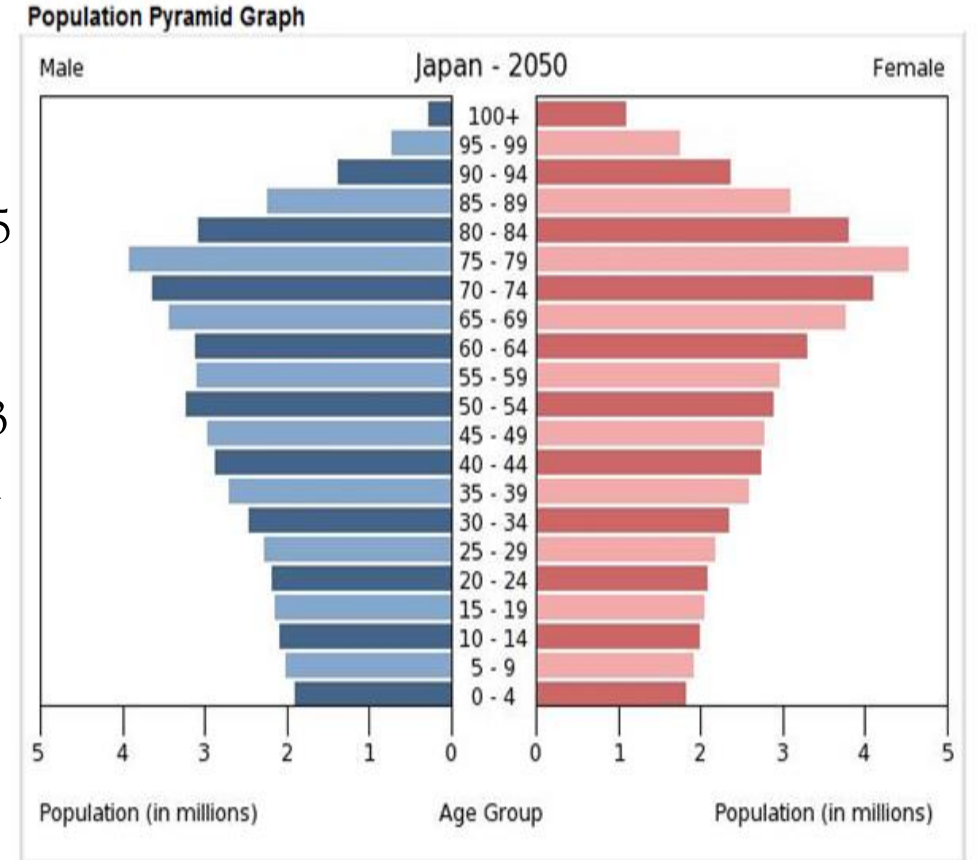
A shrinking share of youth: The change in total and working population (2015-2050)



This is a phenomena the world has never seen at a country scale: More old than young, by substantial margins

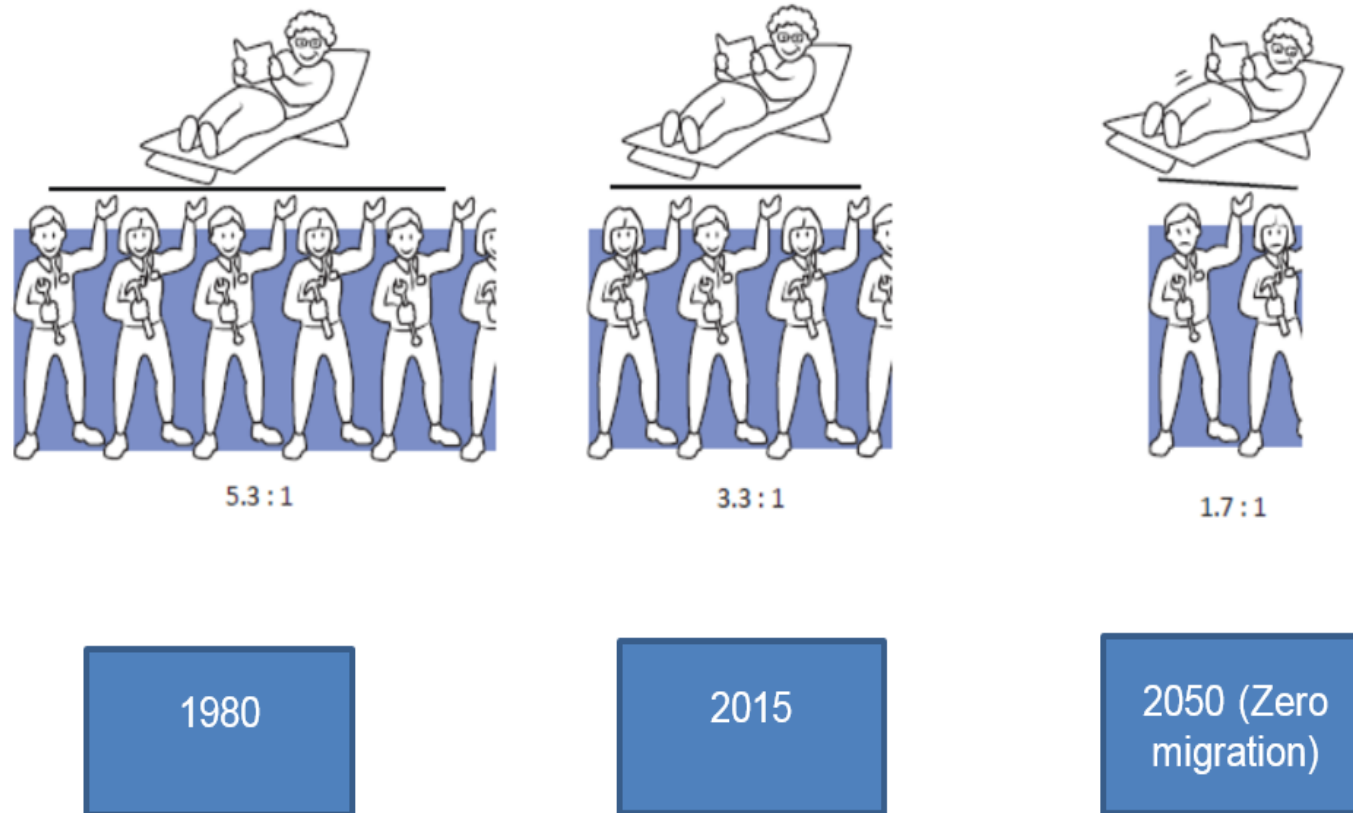


Labor force aged (15 to 64) to 65 plus in Zero Migration UN Scenario falls to 1.33 and 1.37 in Italy and Japan



The developed world's old age pension and social security systems have always been a Ponzi scheme with “pay as you go” financing in which current workers wages are taxed for benefits to the retired—this depended on a large and growing base of workers to retirees

Europe's ratio of labor force aged (15-64) to retirement aged (65 and above) is shrinking rapidly to levels that make existing social arrangements untenable



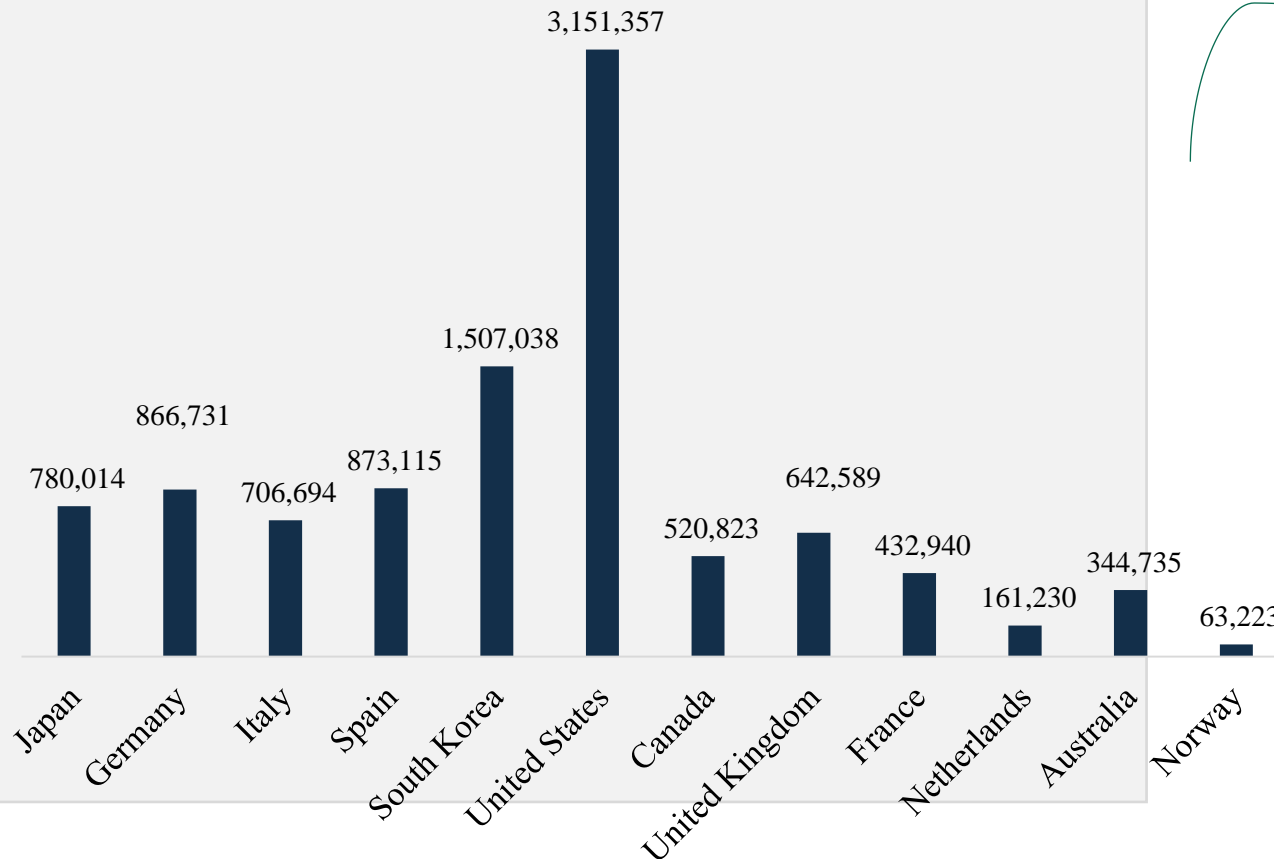
There are only four ways to maintain existing pensions, all impossible, the question is which is the least impossible

- Cut benefits (feasible changes in ages, magnitudes don't really help that much and are political dynamite)
- Increase taxes (they are already high and this is political dynamite)
- Having created a massive stock of savings (most countries are still running deficits and have massive debts so this would require time travel)
- Bring in workers from other countries

(Note “technology” might solve the worker problem but not the tax revenue problem—we come back to that below)

Irresistible Force #1 – and millions of workers are needed annually to balance the growing ageing population

Migrants needed per year between 2020 and 2050, to keep the same ratio of working population-to- 65+



Migrants needed per year (in these OECD countries):

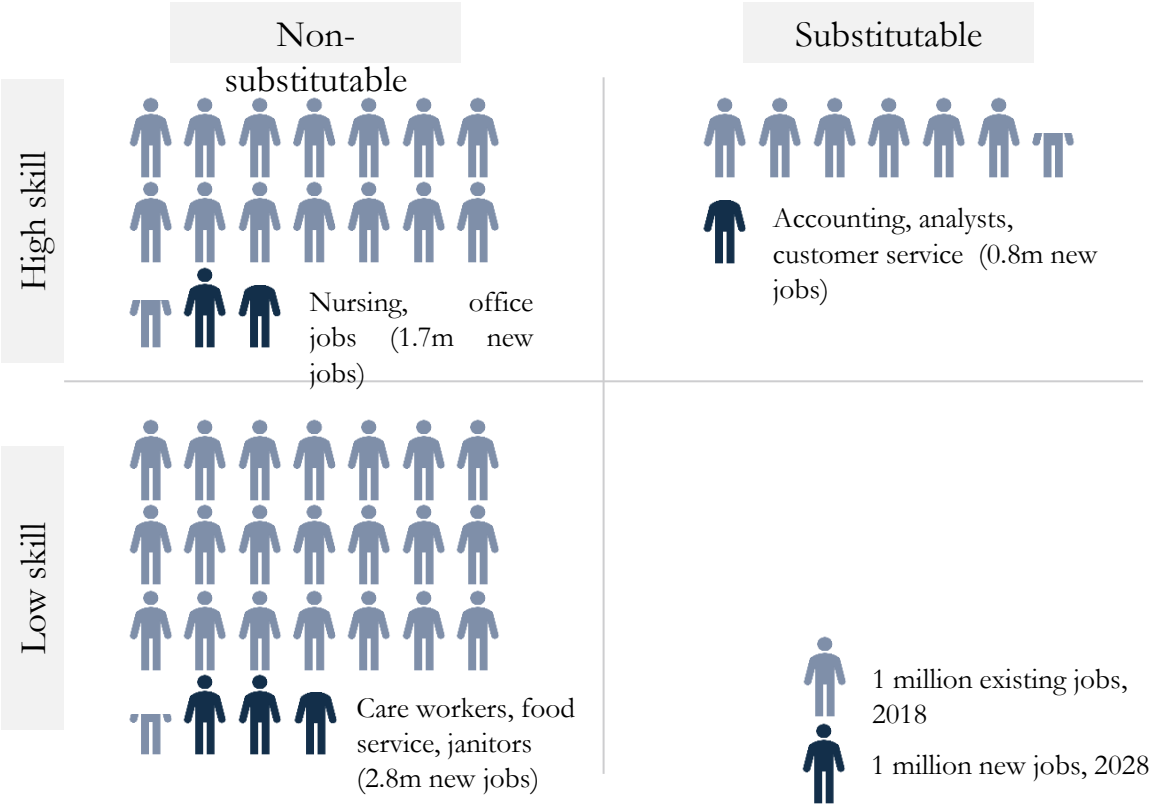
+10 million migrants

Total migrants needed between 2020 and 2050:

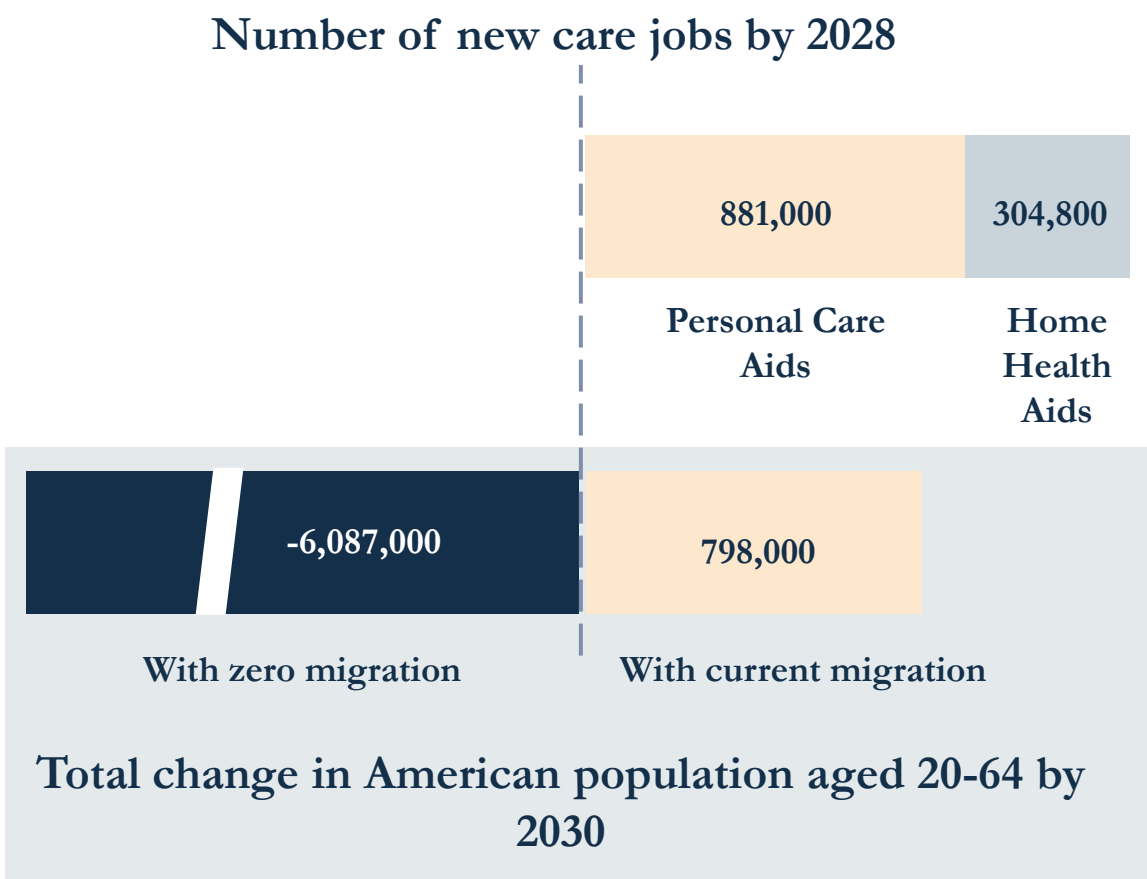
**+300 million migrants
(double the current global migrant population)**

Irresistible Force #1: The developed nations are shifting from a past where the question was how to create jobs to a future where the question is where to find workers

Fastest growing US jobs will be in low skill work that cannot be offshored or mechanized



The need for care workers alone in the US will outstrip growth in the entire working age population

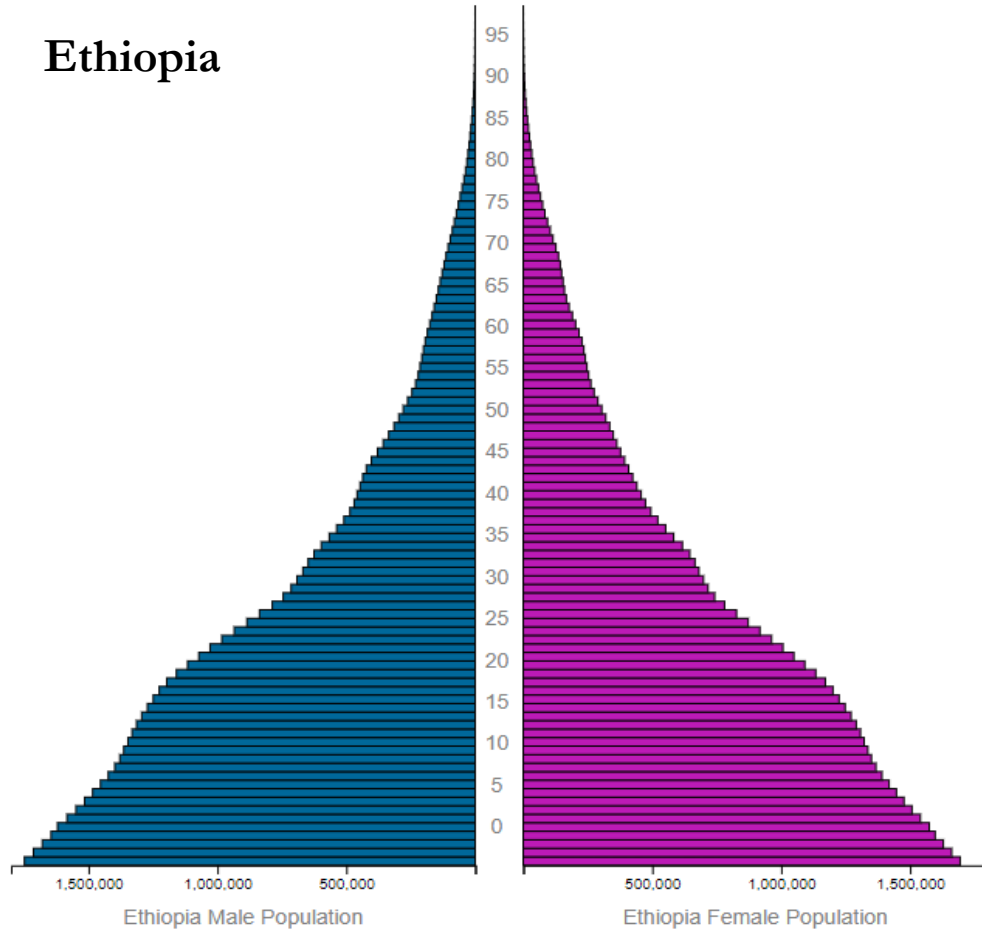


Source: Bureau of Labor Statistics 2018

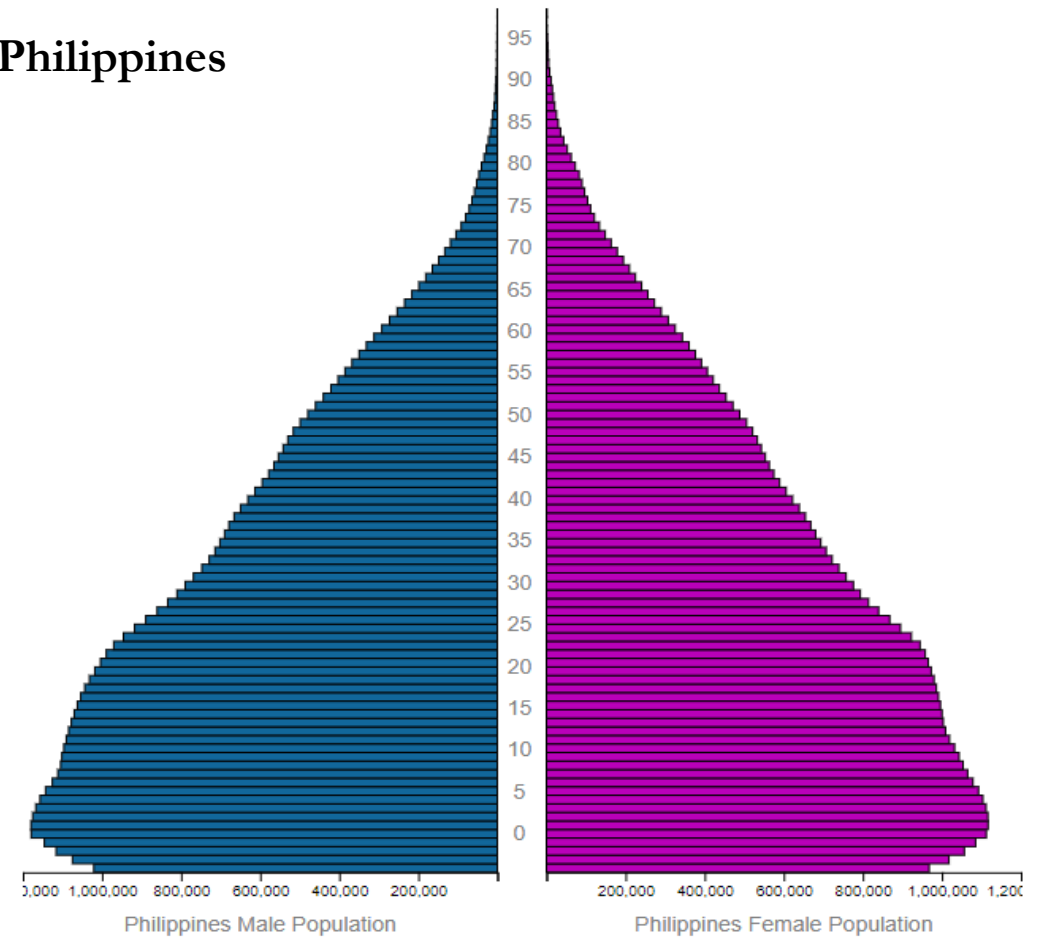
Source: UN DESA 2015, Bureau of Labor Statistics 2018

Meanwhile, most developing countries have a growing youth population

Ethiopia

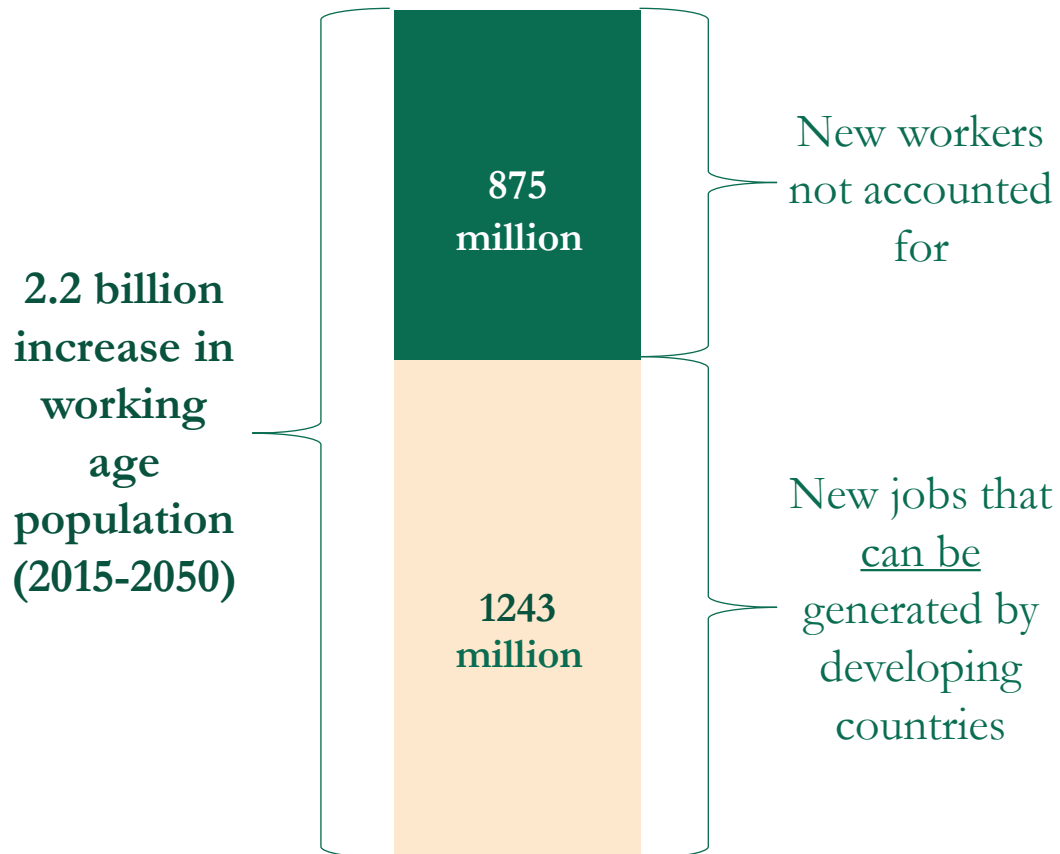


Philippines

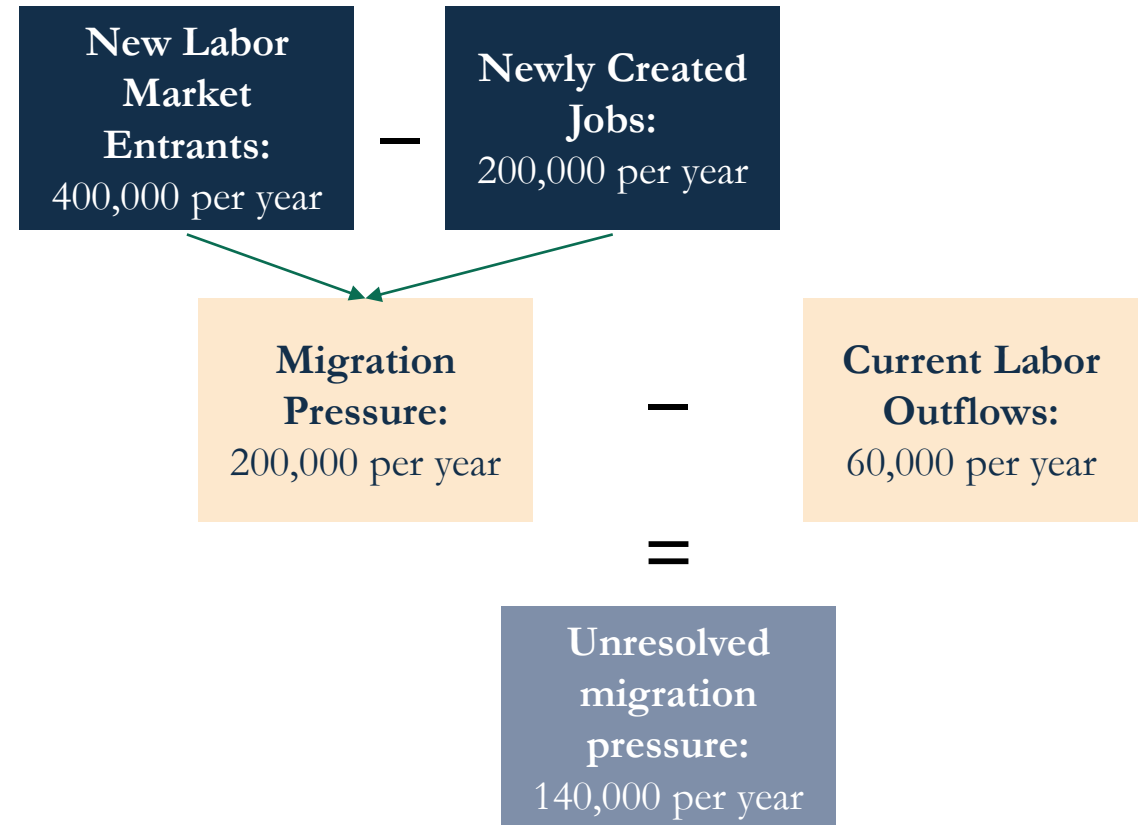


...and need to provide more than 2 billion jobs to their citizens by 2050)

There will be 2 billion new working age people in developing countries by 2050



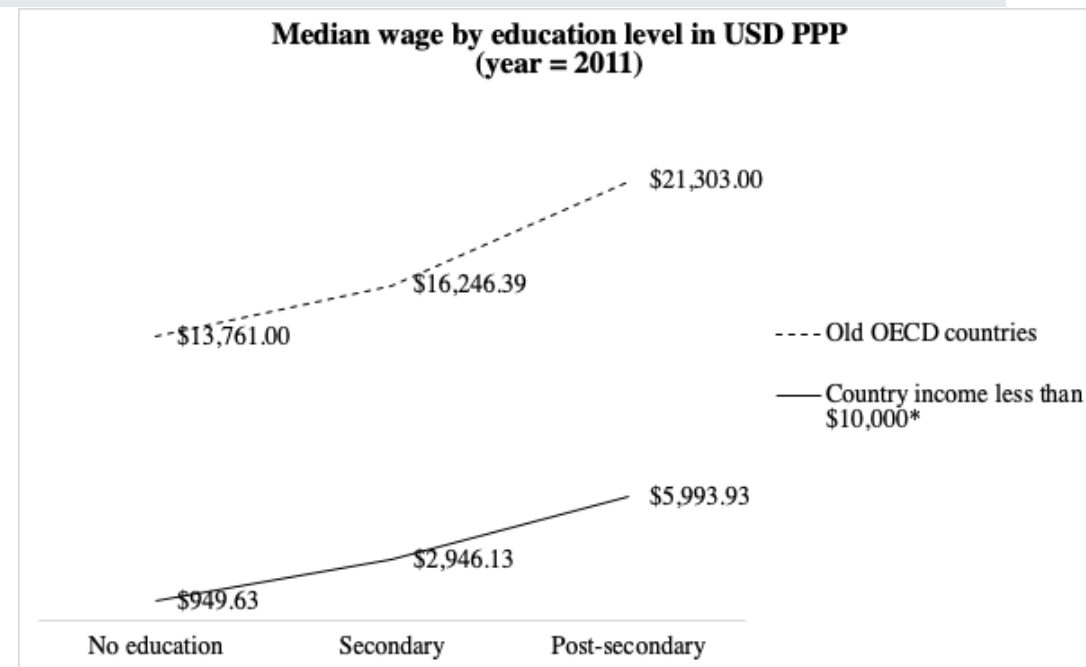
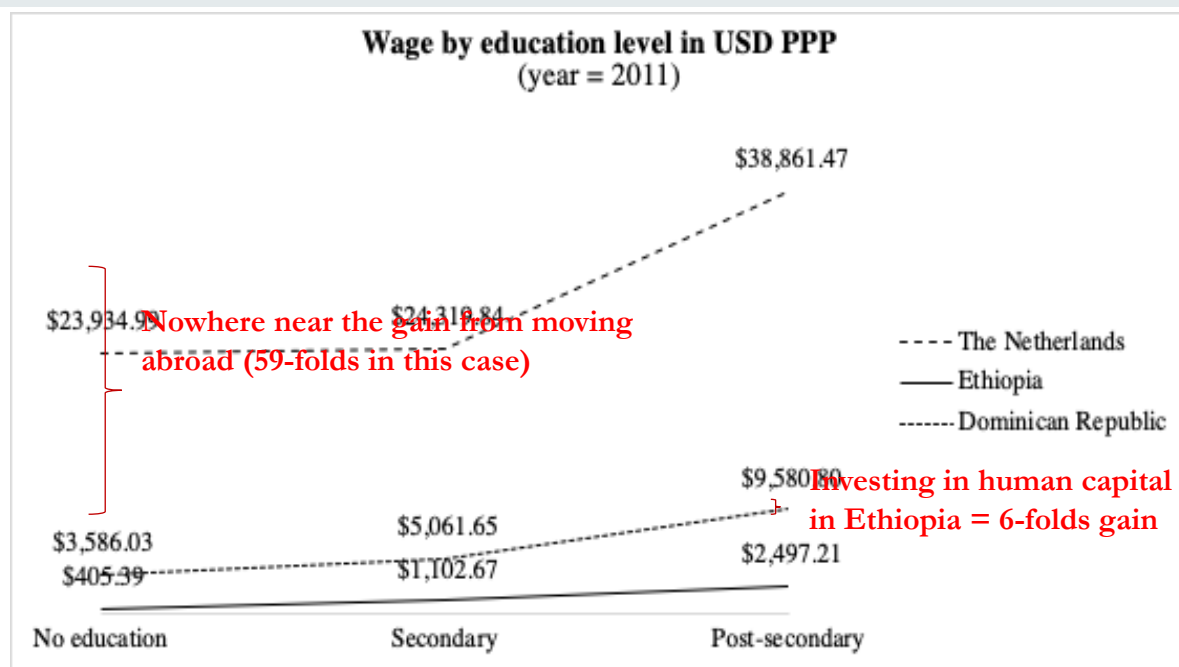
For example, migration pressure in Afghanistan outstrips existing migration opportunities



My prediction is that some time in the reasonably near future rich countries are going to shift from working out ways to bar workers to begging for workers from developing countries at a previously unprecedented scale (at least doubling or tripling current stocks) and the whole “international political economy” of sending and receiving country changes as rich and powerful countries want (managed) labor mobility

Irresistible Force #2: The lack of convergence of spatial productivity implies (consumption) wage differences for equal intrinsic productivity workers will remain massive into the foreseeable future

For example, the **potential income gain from mobility exceeds** that of **investing in education** for citizens of **many countries**



Source: Own calculation using World Bank data

A very basic idea of development and development economics proved to be wrong: “A” (total factor productivity) did not converge

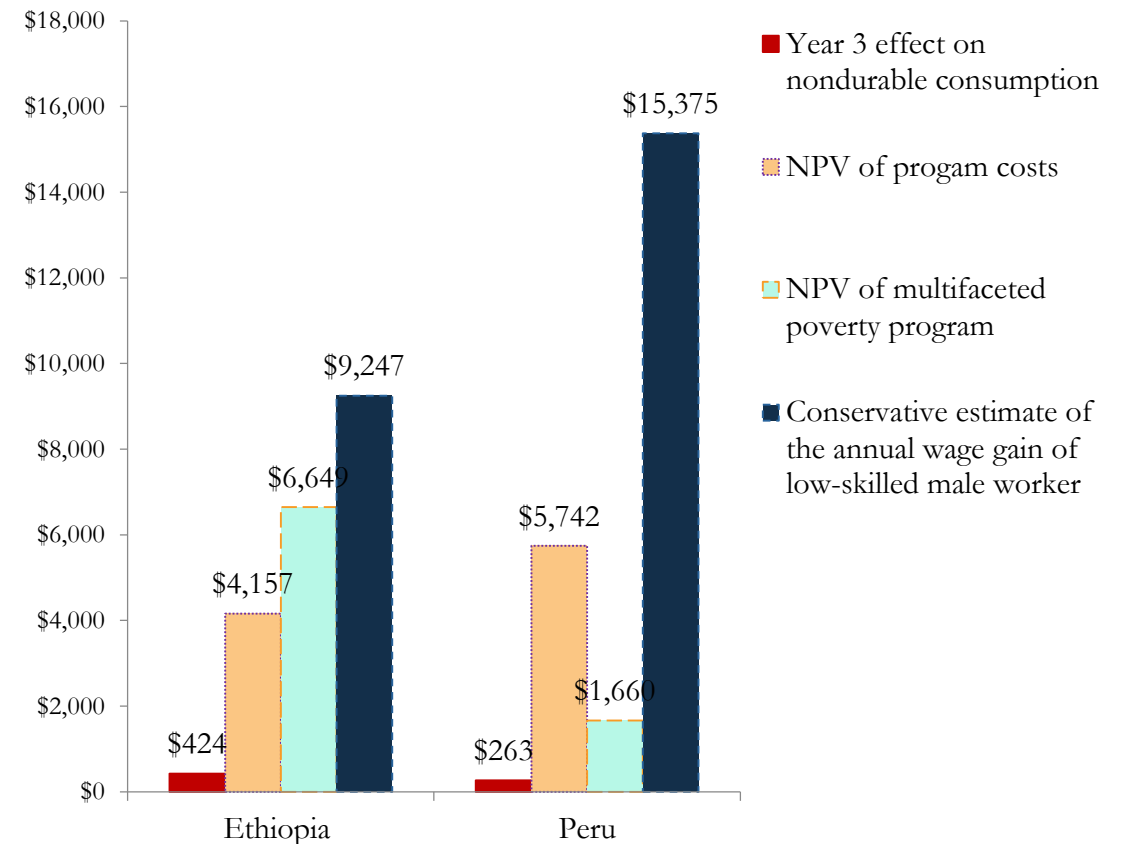
Region	Bosworth and Collins (2003)				Annual total factor productivity growth estimates from PWT9.1 (median by region; percent)				
	N	Growth in output per worker 1960-2000 (%)	Contribution by source of growth, 1960-2000		1960-1990		1990-latest		1960 to latest ^a
			PK per worker (%)	Total factor productivity (A) (%)	A	N	A	N	A
Industrial	22	2.2	0.9	1.0	1.06	25	.29	25	.63
East Asia (except China)	7	3.9	2.3	1.0	.51	8	.46	12	.20
South Asia^b	4	2.3	1.0	1.0	.38	2	1.05	2	.60
Middle East^c	9	2.1	1.1	0.5	.54	5	-.10	5	-.26
Latin America	22	1.1	0.6	0.2	-.32	19	-.08	20	-.25
Sub-Saharan Africa	19	0.6	0.5	-0.1	-.47	13	.07	26	-.26

The least you can do for the world's poor is better than the best you can do

The gains to workers, from labor mobility, exceed those from poverty reduction programs

Intervention	Country	PV lifetime wage increment	Weeks of US work equivalent
Microcredit	Bangladesh	700	4
Anti-sweatshop activism	Indonesia	2,700	30
Additional year of schooling	Bolivia	2,250	11
Deworming	Kenya	71	0.3

“Gold-standard” program **generates \$344** in income for ultra-poor **after 3 years** for **\$4,545** spent over 2 years



Source: Clemens, Pritchett, and Montenegro 2008

Mixed force: Technological shifts

- The restrictions in rich countries that do not allow labor mobility create a price distortion that biases technology to be labor displacing in an uneconomic way.
- Technology (IT) growth has been associated with continued falls in the real wages of the medium skilled workers in the US
- There are some hints that there are an array of activities that IT cannot—and should not--displace

Are the nurses of the future Robots or Rosalie?



The self-driving vehicle (car, truck): Why do the richest people on the planet want to destroy jobs?



Numbers currently employed in the USA

Driver occupations	Number (in '000s)
School bus	497.3
Bus	167.8
Driver/Sales	445.8
Heavy Truck	1797.7
Truck	530.9
Light	884.7
Taxi	233.7
Total	4557.9

“Technology” and “Innovation” are affected by incentives

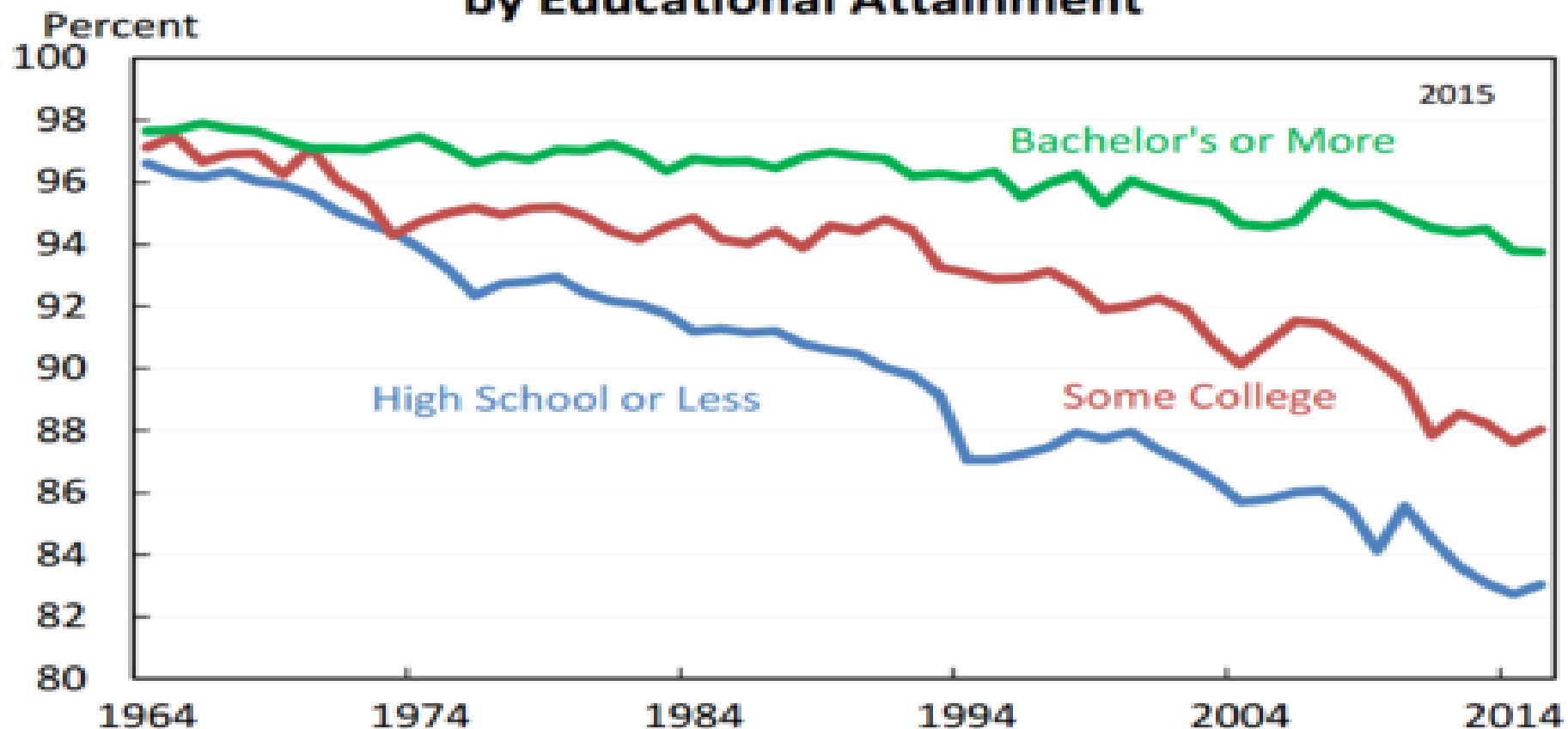
- Widely promoted as a Pigouvian tax to offset the negative externality to carbon emissions as carbon tax is favored by economists (including mainstream US Republican economists) as it creates the right incentives for both consumption decisions and incentives for innovations of a wide variety to reduce emissions.
- A commonly proposed level is 50 \$/ton CO₂, which in the USA would lead to a 22 percent increase in gasoline, 62 percent increase in natural gas.
- The incentive for innovation impact of a price differential of between 25 and 60 percent is widely discussed, what about the innovation impacts of a price distortion in low skilled labor of 500-1000 percent?

Drug and Pharmaceutical research is structured by incentives

- Drug companies create new products, even for diseases for which there are effective medicines, to keep drugs on patent
- Conditions for which there is a market (because of insurance reimbursement) receive more funding than drugs that may affect more people but which affect poorer populations.

Male labor force participation rates, by education level in the USA: fallen by almost 15 percentage points for HS or less

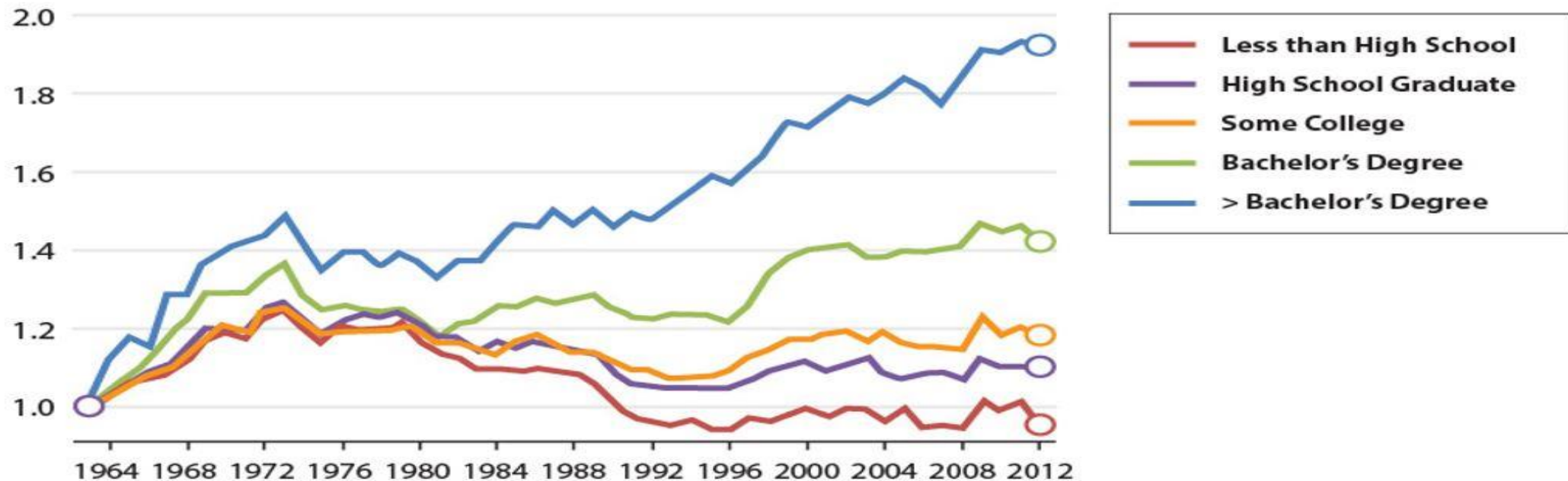
Figure 9: Prime-Age Male Labor Force Participation by Educational Attainment



Source: Bureau of Labor Statistics, Current Population Survey (Annual Social and Economic Supplement); CEA calculations.

Wages have declined for low skilled males in USA steadily since 1970s

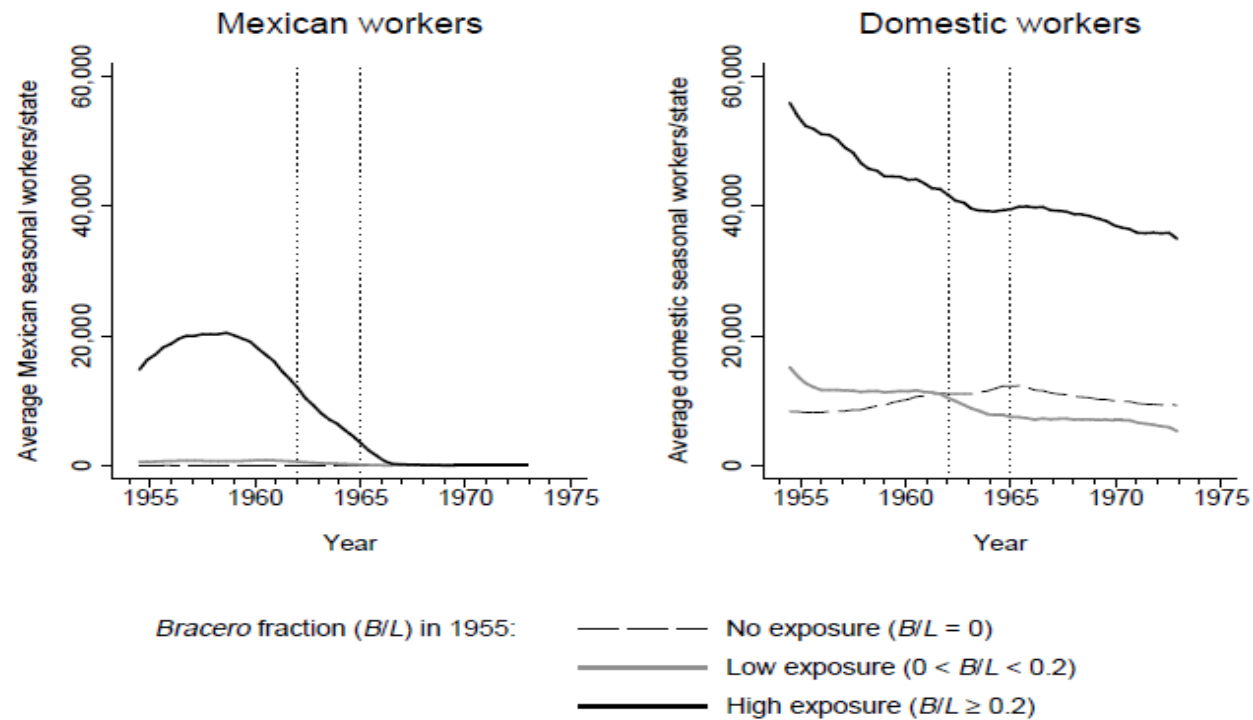
Changes in Real Wage Levels of Full-Time U.S. Male Workers by Education, 1963 – 2012



Source: The ETS Opportunity Project: Choosing Our Future, A Story of Opportunity in America. 2015 Page 9.

New evidence from elimination of *Bracero* in the USA

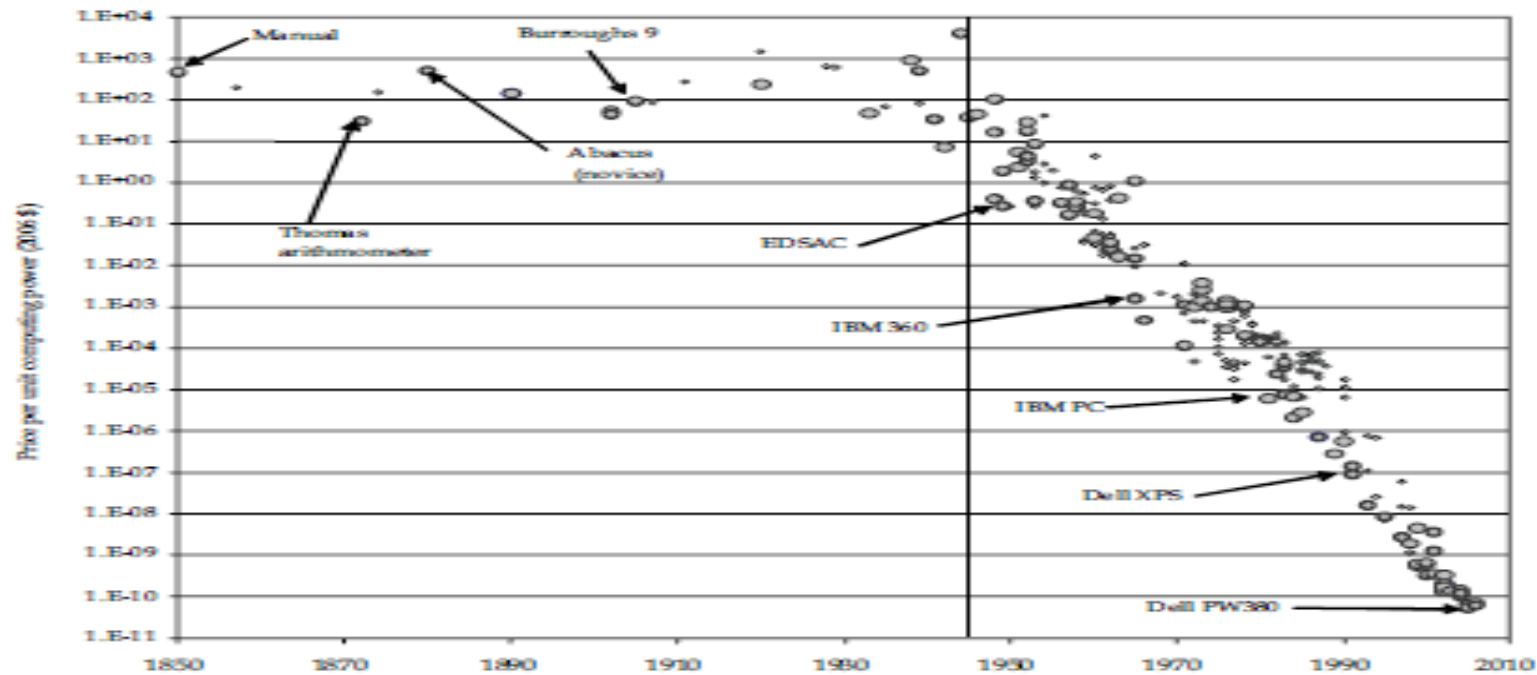
Figure 3: Number of seasonal farm workers employed, state averages grouped by exposure



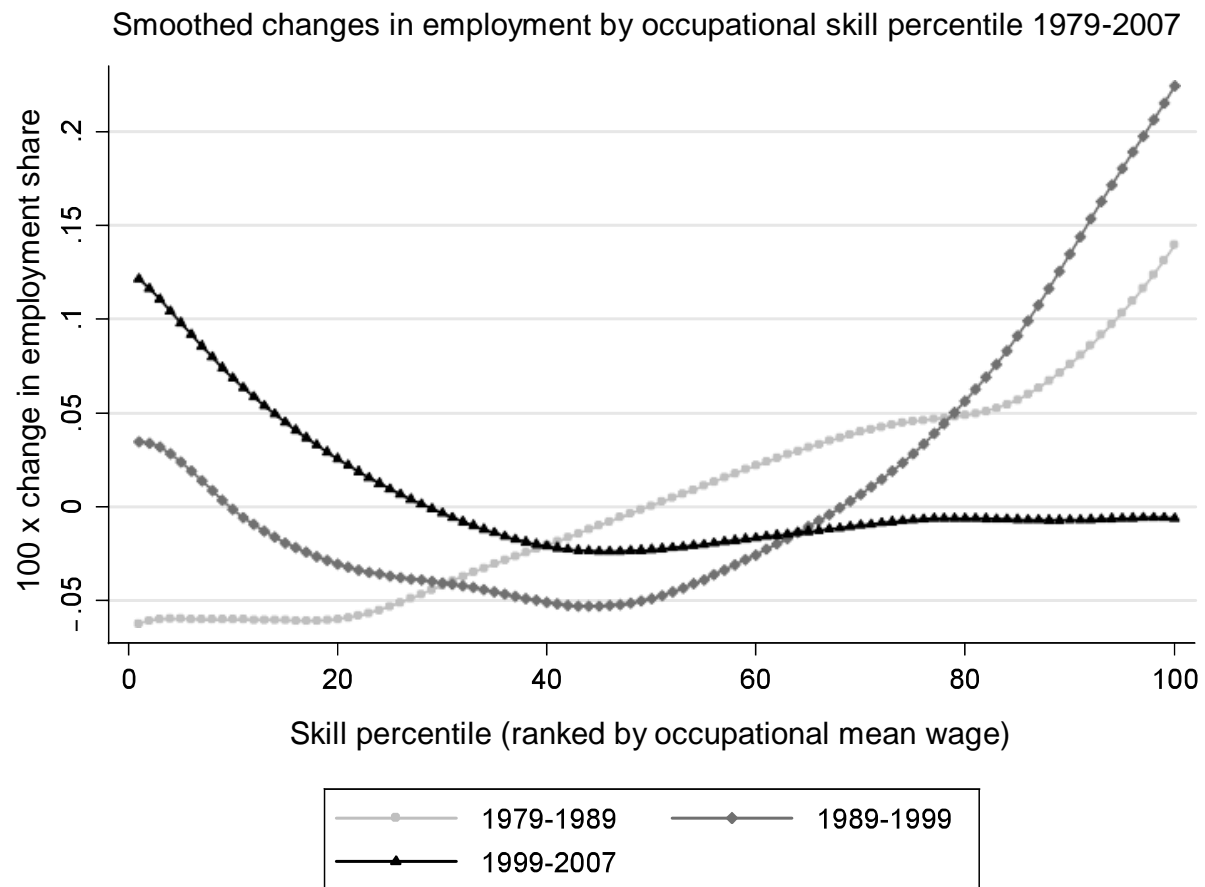
The elimination of 20,000 low skill seasonal farm workers from Mexico had zero positive impact on domestic employment (really zero)—mostly output fell, crops changed, technology adopted

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).

How does one get to optimism from a 10 to the 10th change in price of computing due to Moore's law since 1960 and US labor market outcomes?



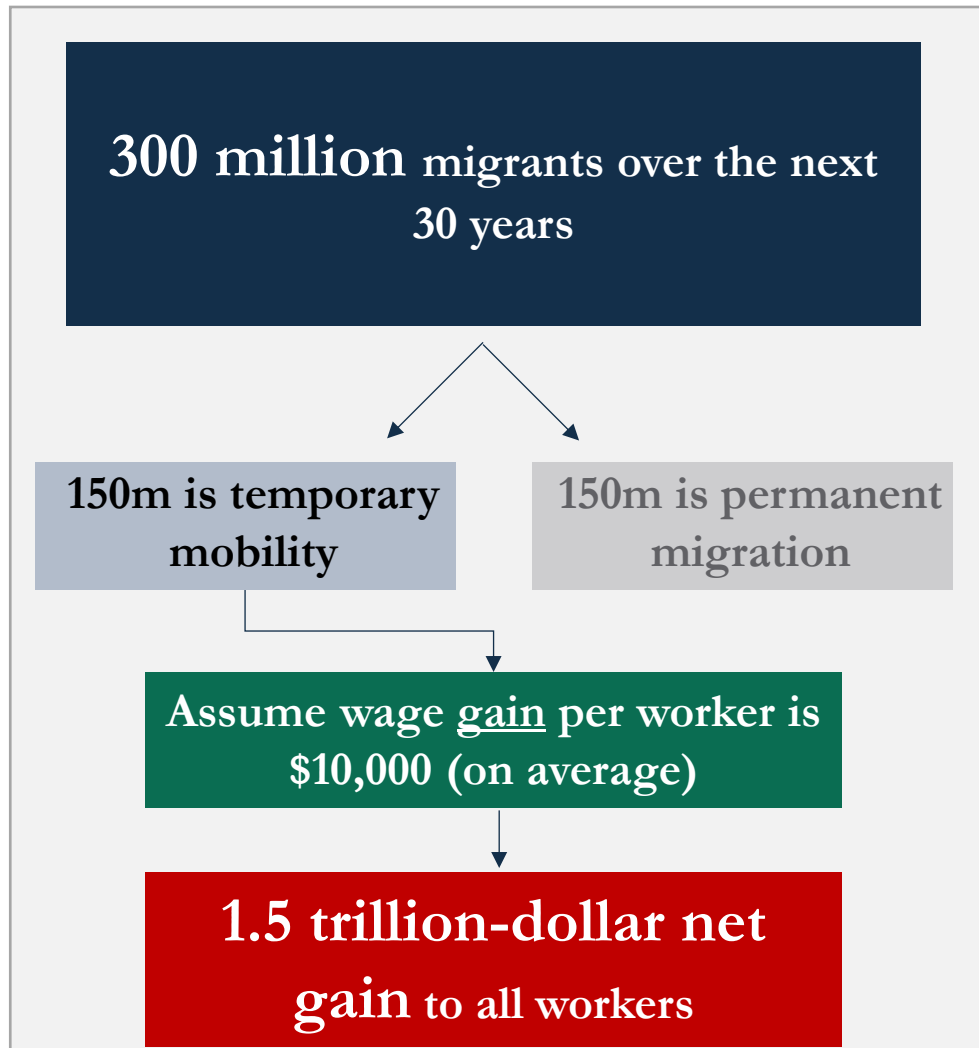
Polarization in the US labor market: Job growth is in the lowest and highest skill sectors (mostly lowest)



Developing countries are trying to provide jobs for very low skilled labor pushing uphill against a pattern of R&D and innovation and technology that are biased towards “labor saving” and “job destroying” technological change by the largest existing policy induced price distortion (by a factor of two) in the global economy

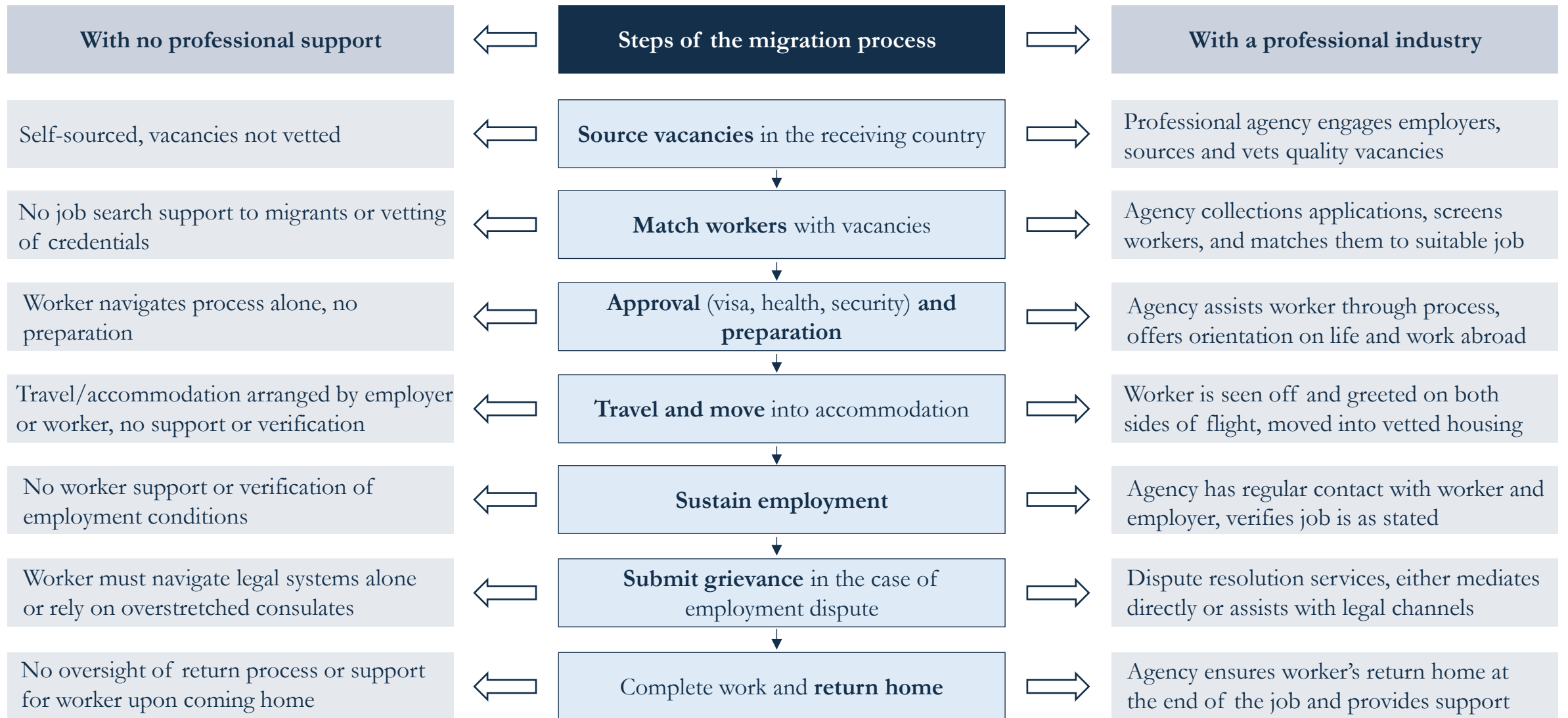
The Future *of* Labor Mobility: For there to be more, it needs to be better for the workers, less exploitative, less risk, less abuse, more protection.

Trillion-dollar gains from people moving temporarily between 2020 and 2050



- 1) **Gain to people** (and therefore the world) moving is **massive**;
- 2) **An expansion in mobility is imminent**;
- 3) This will create **demand for services to support this movement of people**

Labor Mobility flows of this level will require professional support, to be an industry for good one needs a good industry

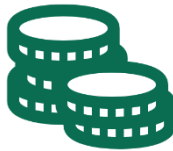


But efforts to expand temporary mobility schemes is undermined by poor outcomes

Temporary mobility flows are currently associated with poor outcomes for workers...



Worker abuse



High indebtedness



Recruitment and contract fraud



Power differentials

...undermining political will to expand temporary mobility even when it is needed

New Brunswick

Immigration scam can hurt push to bring more newcomers to Atlantic Canada: lawyer



Illegal job-offer scheme targets Atlantic Immigration Pilot Program, investigation reveals

CBC News · Posted: Sep 17, 2019 5:30 AM AT | Last Updated: September 17

Halifax lawyer Lee Cohen said fraud can discourage the creation of innovative immigration programs aimed at bringing newcomers to a region keen to see the population grow and labour shortages shrink.

"If it gets abused in this kind of way, and this is an egregious abuse, it discourages the designers of the program from coming up with something creative and important," Cohen told CBC News.

A plane crashes, a plane crashes everywhere...industry associations create mechanisms to improve standards and increase compliance



A pluri-lateral forum for policymakers, professionals and advocates on labor mobility (including governments, labor using sectors, labor moving industry)

OUR MISSION:

Unlock the potential of labor mobility for benefiting movers, senders, and receiving countries by having ‘more and better’ opportunities for workers to fill needed jobs

Increase the number and volume of legal channels for temporary mobility which ensure the rights of workers

Increase the quality and quantity of service providers connecting workers to jobs and providing protections

Foster development of a global community supportive of increased rights-respecting labor mobility

This requires developing pragmatic standards for the rights and protections of temporary workers

In the current system and dialogue, rights and mobility are positioned as being at odds.

A core part of LaMP's mandate will be to define a form of mobility which harmonizes 'more' and 'better', strengthening the rights of workers while moving them into needed jobs

Standards in Labor Mobility Agreements

- LMAs set forward the rights of workers (and all parties involved)
- LaMP will define minimum standards of protection and rights in LMAs while maintaining flexibility

Standards in Intermediation Services

- Quality of services has a huge impact on protections and job quality for workers
- LaMP will define standards of intermediation which protect migrants while allowing a viable business model

Dispute Resolution and Grievance Redress

- LaMP will support the worker and employer through mediation when there are disputes on violations
- Should mediation fail, LaMP can offer professional assistance to the worker in accessing legal remedy

Why labor mobility?

Because mobility is to the future, what cars were in the past.

Mobility is also the new **civil rights movement.**

It can be a good industry and an industry for good.

"Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it is the only thing that ever has."

- Margaret Mead