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An Eclectic Approach to Turning Points in Migration

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The eclectic approach to migration transition presented in this article emphasizes that a country's net migration position evolves as it develops, but in ways that reflect its initial economic and sociocultural conditions and subsequent policies and economic progress. Not one but several turning points exist, influenced by economic factors such as level of development, wage differentials, and trade and investment ties, as well as social and institutional factors such as a nation's homogeneity and its migration policies. To exemplify, the migration experiences of various Asia-Pacific countries are compared.

Varieties of Migration Experiences

There is a wide variety of country experiences with migration and development. A few countries like Australia and the United States developed into multicultural societies as a result of successive waves of immigration of skilled and unskilled people from many parts of the world. While foreign trade and investments have expanded the temporary outflow of their nationals, these countries remain net gainers of people. Other countries, for example Germany and Italy, once saw a net outflow of people to other countries. But rapid economic growth has transformed them since the 1960s into increasingly attractive places for foreigners seeking to emigrate or work abroad. A third group of countries are important net exporters of workers. They include many labor-abundant developing countries that derive much remittance income from nationals working or living abroad. Finally, there are countries that are neither significant gainers nor losers in the international flow of people. Many of them are at a very low level of development, with little foreign trade and investment.

In the Asian region, migration experiences have been almost as diverse as those elsewhere. Two large countries — China and India — were historically large net senders of people to the Asian region as well as outside the region. Out-migration from these two countries helped create the ethnic mosaic in several Southeast Asian societies. Japan experienced outflows of people to the Americas in the late nineteenth and early twentieth centuries, and did not attract a sizeable (and illegal) inflow of unskilled labor into its homogeneous society until the late 1980s, more than a decade after its economy had reached full employment. Taiwan's experience is similar to that of Japan in one important aspect. Though not a large sender of labor abroad before its rapid industrialization, Taiwan became an important destination for labor migrants in the late 1980s, a decade after the onset of full employment and after its firms began shifting production to Southeast Asia and China. In the late 1980s, it attracted a return flow of its people who had left in the 1960s and 1970s for further studies and had been working abroad, especially in the United States. South Korea, another ethnically homogeneous society, shares with Japan and Taiwan the characteristics of being a late importer of unskilled (and illegal) labor from neighboring China and other Asian countries.

The experience of Malaysia and Singapore stands in sharp contrast to those of Japan, Taiwan and Korea. These two multiethnic societies attracted unskilled foreign labor even before they achieved full employment. Malaysia received a large (and mostly undocumented) inflow of foreign workers into its agricultural and plantation sectors in the 1970s and 1980s — before its economy ran short of unskilled labor, and while it was sending thousands of workers abroad, mostly to Singapore. Singapore relaxed policies on unskilled foreign labor in the late 1960s as it neared full employment and before pressure on real wages built up. Today, foreign labor, both skilled and unskilled, forms one-sixth of its workforce — the highest proportion in Asia, with the exception of Brunei.

Other countries in the Asian region are all net labor exporters, but the economic impact of these outflows varies. Bangladesh, Sri Lanka and Pakistan sent thousands of workers to the Middle East and East Asia in the 1970s and 1980s, but the contribution to economic development of returning workers and remittances has been limited. In the Philippines, out-migration, temporary as well as permanent, has been and remains important to the economy. Remittances from labor exports are one of the country's largest foreign exchange earners. A culture of emigration has led to the development of sizeable Filipino immigrant communities in many countries, notably the United States. Thailand, too, is a net labor exporter, mainly to the Middle East in the early 1980s, but since the late 1980s increasingly to the labor-short economies of East and Southeast Asia. Its labor exports are, however, much smaller than those of the Philippines. Unlike the Philippines where economic mismanagement has stunted growth and encouraged emigration and labor exports, Thailand is attracting unskilled migrant workers from its neighbors, namely, Myanmar, Cambodia and Vietnam, thanks to rapid growth brought about by policies that promote foreign investments and ensure macroeconomic stability.

Explaining Migration Transition

The great variety of migration experiences among countries presents problems for analysts wishing to build a useful explanatory model of migration transition, namely, how and at what speed a country moves from being a net labor sender to a net labor receiver. A simple model would look at the relative pecuniary and nonpecuniary attractiveness of countries to potential migrants. Fields (1994), for example, has developed a constrained choice framework in which net migration is a function of real wages in sending and receiving countries, employment opportunities in sending and receiving countries, and nonpecuniary attractiveness in sending and receiving countries. A country would experience an outflow of its nationals if the economic and non-economic rewards of moving outweigh the expected gains from staying home. These rewards become relatively less appealing as a country develops and offers more opportunities to its nationals. By creating more jobs than can be filled by locals, economic development makes the country more attractive to foreign job seekers, even as the country's firms shift production abroad and resort to more labor-saving technologies. According to Fields, it is employment and output expansion based on a labor-intensive, export-led industrialization strategy that explains and quickens the migration transition in the newly-industrialized economies (NIEs) of Asia. Countries that follow this strategy successfully can expect to make this transition. Fields' framework focuses on the critical motivating factors that influence a country's net flow of people. But it deals only indirectly with the impact of trade and investments on migration, and says little about the speed of the migration transition and less about the role of information and uncertainty in migration decisions. More important, it leaves out institutional, political, economy and policy factors that may delay or hasten the migration transition. This paper proposes an eclectic approach to turning points in migration. It outlines a structure to analyze the economic, policy and institutional influences on a country's migration transitions in the course of economic development. As will become clear, the structure identifies not one but several turning points in a country's migration experience, and draws attention to the particular experiences of countries in the Asia-Pacific region.

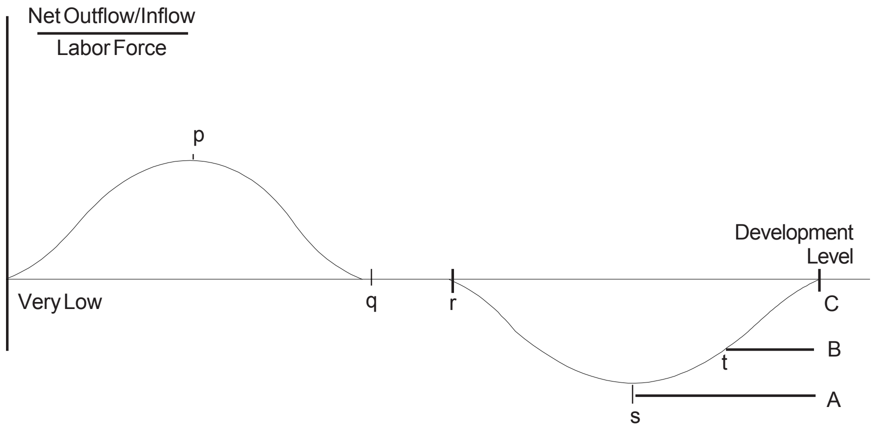
An Eclectic Approach to Turning Points in Migration

The approach taken here assumes that a country undergoes migration transitions in the course of its economic development. When and how quickly it makes these transitions is the outcome of the complex interactions of economic, institutional and policy variables that affect the propensity of people to migrate or to remain in the country. Since migration is to a large extent an economic decision, economic variables — employment opportunities in destination countries, real wage differences between sending and receiving countries, the cost of moving to the destination countries, etc. — have powerful effects on migration decisions. These effects, however, do not take place in a social vacuum, but are shaped by institutional and policy factors, factors that help explain the rich diversity of migration experiences among countries.

Figure 1 depicts the relationship between a country's net migration position and its development level. The country's level of economic development is on the *x* axis. The *y* axis indicates the net stock of migrant workers expressed as a percentage of the country's labor force. If the net inflow/outflow of migrant workers grows faster than the country's labor force, there would be an increase/decrease in the country's relative migration position. At very low levels of development, a country neither sends nor receives significant numbers of migrant workers. Its net migration position is effectively close to zero. Its trade and investment ties with other countries are weak. Potential migrants have little knowledge of and are highly uncertain about employment opportunities abroad. Also being very poor, they do not have the financial means to venture abroad in search of employment. At the same time, the country's low real wage level and general labor abundance make it unattractive to migrant workers from most countries. However, if its immediate geographic neighbors are equally poor or poorer, it may attract a small crossborder flow of workers from them. The reported presence of undocumented Vietnamese workers on construction sites in Laos is one example of migration of people from one very low income country to another in response to differential employment opportunities.

As a country's per capita income rises (as a result of increasing agricultural productivity and the expansion of industrial and service activities) and its trade and information links with the rest of the world expand, there is likely to be an increase in the country's net outflow of people. Because it is still in the early stages of development and has an abundance of labor, its domestic wage level is low. It is not seen as an attractive destination by migrant workers. On the other hand, overseas work becomes more attractive because of two developments. First, the

Figure 1



growth in per capita income (arising partly from the greater availability of wage employment) raises the savings rate. This rise in the savings rate expands the resources families can mobilize to send more members to seek work in foreign lands. Second, the cost of information and uncertainty declines as potential migrants learn from the experience and exploit the social networks established by earlier migrants. If the government launches a program of labor exports during this early phase of development, the quickening of net labor outflows would be reinforced, as the experience of many Asian countries in the 1970s and 1980s suggests. During this period when the country has few institutions to produce skilled manpower, most of the people leaving for overseas employment or to settle temporarily elsewhere would be unskilled. Their out-migration does not greatly improve the country's serious unemployment and underemployment problem which arises because labor force growth outstrips the expansion in job opportunities. While it may attract a few migrants from poorer neighboring areas, this inflow is very small relative to the size of the domestic labor force.

At some point, however, the rate of increase in the net outflow of workers slows down, not because of a rising surge of migrant workers from other countries, but because the net attractions of staying home increase with the growth of the economy. There are more job opportunities at home, though still not enough to wipe out the backlog of unemployed workers. Also, there is a diminution in the pool of self-selected people most eager to move or work abroad. During this early phase of industrialization, economic expansion encourages more people to enter the labor force, people that had previously been discouraged from seeking work because of the poor job market. This increase, however, is still smaller than the net outflow rate, and so the proportion of net out-migrants in the labor force continues to rise. Eventually the rate of net outflow slows to match the rate of labor force growth. At this point (p in Figure 1), the country reaches the first turning point in its migration profile. When it reaches this turning point in its development history, and how large the proportion of net migrants to the labor force at this point would depend on many factors including the country's population size, the rate of job creation, and the historical timing of its labor export surge. The larger the country's population and labor force, the greater the problems it would face in sending labor abroad after a while. Large countries like China, India and Indonesia, for example, would very quickly run into resistance from receiving countries if they embark on an aggressive program of labor exports. The faster the country is able to create jobs, the more likely it is to draw women into the workforce. As working women bear fewer children, fertility would decline, slowing, with a lag, labor force growth. Early exporters of foreign workers like the Philippines, for example, are likely to take longer to reach this first turning point. Being early entrants in the migration market, they have stronger links to receiving countries and more extensive information networks, and so can maintain a high rate of labor exports longer. Their longer dependence on labor migration as a source of foreign exchange may also weaken their incentive to pursue growth-enhancing and job-creating policies.

In theory, the first turning point could peak at 100 percent on the x axis — that is, at a point where the net outflow is equal to the labor force. This level of net outflow is of course most unlikely as it would imply a complete exhaustion of a country's workforce and the total absence of any inflow of workers. For most net labor-sending countries, the first turning point is likely to be much lower.

After the first turning point, the country's net outflow of workers expressed as a proportion of its domestic workforce declines, at first, at an increasing rate, and then as it approaches the second turning point, at a decreasing rate. This happens because the net labor outflow is increasing at a slower pace than the labor force which is still expanding because of the delayed effect of high population growth and rising labor force participation associated with the increasing inflow of women into the labor market. As the country industrializes further, there may be a return flow of its nationals working abroad, and the country itself becomes more attractive to foreign workers. Its expanding trade and investment ties lead to an inflow of skilled people while the expansion of job opportunities draws workers from other countries. As the country moves towards a balance in its labor inflow and outflow (point *q* in Figure 1), there are noticeable changes in people's values and attitudes towards work — changes that lead rapidly to sectoral labor shortages. There is greater reluctance among locals to take up "dirty, dangerous, and difficult" or 3D jobs, and this development could occur even before the country reaches full employment. Construction and agriculture are the two sectors that are quickly shunned by locals.

Because of labor market imperfections and immobility, the appearance of sectoral labor shortages does not necessarily signal full employment. Nor does it necessarily lead immediately to a huge net inflow of foreign workers. Much depends on the characteristics and policies of the country. For ethnically heterogeneous and immigrant countries like Malaysia for example, the transition from being a net sender to a net receiver can be swift and may precede the appearance of full employment. For these countries, points *q* and *r* in Figure 1 are one and the same. (Though never a net sender because of its immigrant origins, Singapore began to be a net receiver of foreign labor several years before it reached full employment in the early 1970s. In this respect its experience is similar to Malaysia's.[1]) But for ethnically homogeneous societies like Japan, Korea and Taiwan, points *q* and *r* are different. These countries achieved full employment — Japan in the early 1970s, Korea and Taiwan in the late 1970s — long before they became net receivers of foreign labor. They adjusted to general and sectoral labor shortages, mainly though upgrading, but also by tolerating inefficiencies in certain sectors including agriculture. Also, as homogeneous societies, they were less willing to consider labor importation as a first solution to their labor problems. This unwillingness together with the greater adjustment costs they present to would-be migrant workers meant they could maintain their net zero migration position for a number of years.

Once a country approaches the net zero migration position which may precede or follow the attainment of full employment by a few years, it comes under increasing pressure from labor-short employers to allow legal access to unskilled foreign labor. If it opens its door to foreign labor, as Singapore did from the late 1960s, the result is a rapidly rising dependence on foreign labor. In 1980, the proportion of foreign workers in Singapore's workforce was 12 percent. A decade later, despite rising levies on their

[1] For details of the experience of Malaysia and Singapore with foreign workers, *see* Pang (1992) and Pillai (1992).

importation, industrial upgrading, and the relocation of Singapore-based enterprises to neighboring countries, this proportion had risen to 16 percent.

If the country forbids its employers from hiring foreign workers legally, the result is an influx of illegal foreign workers, and mounting pressure to regularize or legalize their importation. In the case of Japan and Taiwan (and less so in the case of South Korea), the large influx of foreign workers, mostly from Asia since the late 1980s, was associated with the expansion of these countries' trade and investment ties in the Asia-Pacific region. It is no coincidence that a significant number of illegal workers who entered Taiwan and Japan from the late 1980s were from Malaysia and Thailand. The Philippines, in contrast to Malaysia and Thailand, attracted much less investment from East Asia, but its long experience in exporting contract labor explains the large number of Filipinos who left to seek work in Japan and Taiwan.

In theory, a country's net stock of foreign workers could be larger than its domestic labor force. In reality, very high levels of dependence are, however, rare, except in atypical countries with very small populations like Brunei and Kuwait. Among Asian countries, Brunei probably has the greatest net dependence — foreign workers there represent about 40 percent of its domestic workforce.

The rise in the net stock of foreign workers in a country, however, cannot continue indefinitely. As Figure 1 suggests, it will peak eventually, but at a level that varies from one country to another. At the peak, the net inflow would be the same as the domestic labor force growth (which at this stage of a country's industrialization is likely to be growing at about 1 percent a year). The turning point (*s* in Figure 1) occurs as a consequence of several developments. First, there is an increased outflow of mostly skilled people to other countries where the country's firms have invested or relocated their operations. Second, the country's firms are forced to upgrade or relocate, mostly for competitive reasons, but also partly in response to the growing problems of training and managing foreign labor. These adjustments soften the demand for foreign labor. Third, in some countries, Singapore and Malaysia, for example, the absorption of some qualified foreign workers as permanent residents or citizens diminishes the pool of foreign workers.

Because of their long experience in assimilating immigrants, countries with heterogeneous populations are more likely than countries with homogeneous populations to accept a higher proportion of foreign workers in their midst. They are therefore more likely to show a higher peak in the course of their development. Malaysia has a net inflow of foreign workers that amounts to 12 percent of its domestic workforce.[2] Singapore's proportion is about 14 percent.[3] Neither country can be said to have reached its peak in net labor inflow, though Singapore may be close to it because the shift of labor-intensive industries to neighboring countries and rising levies on foreign labor have reduced the demand for foreign labor. In contrast, the proportion of net inflow of foreign workers to the domestic labor force averages less than 2 percent in Japan, South Korea and Taiwan. But in these countries there are already serious concerns about the adverse economic, social and cultural impact of a numerically large and rapidly growing pool of unskilled foreign workers who are visibly concentrated in a few industries and areas of the country. As late net importers of labor, these countries have been the targets of a highly developed recruitment industry that has acquired considerable experience in organizing the export of labor, legal as well as undocumented, to labor-deficient countries.

The experience of Asian countries suggests that the peak rate of net inflow of foreign workers (expressed as a proportion of the domestic labor force) does not have to occur at the same level of development for all countries. Japan's growing attraction to foreign labor developed only after 1985 following the large-scale relocation of Japanese factories to Southeast Asia and when its per capita income was three to four times that of Taiwan and South Korea whose rising dependence on foreign labor occurred during the same period. Singapore's relative dependence on foreign labor surpassed that of the East Asian countries today more than two decades ago when its per capita income was less than US$3,000.

After a country reaches its peak as a net labor receiver, its position on migration may develop in three different ways depending on a variety of circumstances and policies. First, net inflow as a proportion of the domestic labor force could level off (Path A after point *s* in Figure 1), which means a continuing absolute increase in the net number of foreign workers as the domestic labor force is still growing, albeit at a slow rate. This levelling could be the result of policies setting limits on the rate of migrant inflow. If absolute limits on foreign workers are set (and enforced), the ratio of net inflow of migrant workers to the domestic labor force will decline. This

[2] Pillai (1992) estimates that there were as many as one million foreign workers in Malaysia's workforce of 6.7 million in 1990. Total outflow of Malaysian workers to other countries was probably less than 200,000.

[3] There were some 300,000 foreigners in Singapore in 1990. This number includes an estimated 50,000 dependents of foreign workers and students. About 50,000 Singaporeans were estimated to be living or working abroad. The net inflow of foreign workers therefore was about 200,000 which constitutes 14 percent of the island's workforce of 1.5 million in 1990.

decline would be steeper if a rising outflow of managers and professionals accompanies the country's growing outward investments.

Second, the net inflow of migrant workers could rise at a lower rate than the expansion of the labor force. The outcome is reduced net dependence on foreign labor. This dependence would conceivably level off, leaving the country with a lower but stable relative reliance on foreign workers. At point *t* and beyond, the rate of labor force growth would equal that of the net labor inflow. The country would then follow Path B in Figure 1.

Third, the net inflow of migrant workers could continue to increase at a lower rate than the labor force beyond point *t*. As a result, the country's net dependence declines further. Eventually, it could end up with a zero net migration position in which its stock of mostly skilled workers employed abroad is balanced by the stock of skilled and unskilled foreign workers in the country. Such a country could take Path C after the point *t* in Figure 1.

Which path will a country follow after it reaches its peak level of net labor inflow? The experience of most Asian countries as labor receivers is short and provides no firm basis for extrapolation. Nevertheless, it is clear from their experience that limiting the proportion of foreign workers in the domestic labor force is a major economic and political challenge. None has succeeded in reducing the absolute net inflow of migrants, legal or illegal. As fast economic growth is a major factor in their deepening dependence on foreign workers, it would take a recession to cut the demand for foreign workers. But this is a solution devoutly not to be wished on countries in the region. Singapore's dependence on foreign labor fell steeply during the 1985-1986 recession, but the fall was not what the government or its people welcomed.

Relocation and upgrading can slow the demand for foreign labor, but they are less easily applied to non-traded sectors, particularly construction, retail trade, hotels, etc. Increasing the outflow of skilled workers would reduce the proportion of net migrants in the labor force. While it would increase earnings from labor exports, it would not address the problems associated with a rising number of foreign workers in the country.

Conclusions

The eclectic approach to turning points in migration emphasizes that a country's net migration position evolves as it develops, but in ways that reflect its initial economic and sociocultural conditions and subsequent policies and economic progress. It suggests that the more homogeneous the country, the slower it is to welcome unskilled foreign labor and the lower the maximum level of foreign workers it is prepared to tolerate.

Not every country has to traverse the same path from a net labor sender to a net labor receiver. It does not even have to begin as a labor sender, as Singapore's experience suggests. Like Australia and the United States, Singapore as an immigrant country was from its colonial days a net labor receiver. It began to import labor, as did Malaysia beginning in the 1970s, before it enjoyed full employment and rapid increases in real wages.

The time a country takes to move from being a net sender to a net receiver of labor varies greatly. With the emergence of an international recruitment industry, and faster information flows, a rapidly growing economy is likely to attract migrant workers quickly, probably even long before it experiences widespread labor shortages. The experience of Thailand is a case in point. Thailand is already attracting many illegal workers from neighboring Myanmar, Laos, Cambodia and Vietnam. Trade and investment ties have played an important role in increasing the attractiveness of fast-growing countries in the Asia-Pacific region to potential migrants. By expanding the flow of skilled people in the region, they have added to the region's economic dynamism which is the fundamental cause of the turning points in migration among countries in the region.

Finally, comparable cross-country data on foreign labor inflows and outflows are needed to test the eclectic approach to turning points and examine its policy implications. In the absence of such data, countries will also find it increasingly difficult to develop policies that maximize the net benefits they receive from the growing crossborder flows of labor in the world economy.

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