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Accommodating Forces and Ideas to Achieve Development-Friendly Labor Mobility

Deep economic forces are creating increasingly irresistible forces for the movement of people across national boundaries in response to economic opportunities. The rich industrial countries' existing policies toward migration and labor mobility attempt to resist that tide. These policies limit the flow of laborers across borders and distort the composition of the flow. Worse, because these policies are inadequate to address the economic pressures, which come from employers on one side of a border and potential workers on the other, the excess pressures are currently relieved by pushing people into extralegal channels that create negative effects for the movers, limit the potential development impact, create an aura of illegitimacy, and further taint the notion of labor mobility in the rich countries.

The existing policies are the result of ideas held by the citizens of the rich industrial countries (about both what is morally legitimate and what is in their self-interest). There are two ways to create political circumstances more favorable to increased development-friendly labor mobility: either change ideas or create policy proposals crafted to accommodate those ideas (at least in the short to medium run). Though efforts to change ideas are important, in the short to medium run, politicians and policymakers cannot be expected to flout their

own constituents' views. Even politicians who lead from the front are not pioneers. Can politically acceptable mechanisms for labor mobility be devised that accommodate the immovable ideas, while still remaining development friendly?

In this chapter, I review three policy options that are currently under discussion. As would be expected in an effort to reconcile the irresistible and the immovable, each of the three has positives and negatives:

—One policy direction that has proven politically acceptable is to increasingly propose making *migration* decisions based on personal characteristics, such as skill, wealth, and nationality. These proposals buy increased political acceptability, but at some expense in their development friendliness.

—A second policy direction is to bring labor mobility onto the international agenda via the World Trade Organization (WTO). My view is that this mechanism, though potentially development friendly, will have a difficult time being made politically acceptable at any significant scale.

—A third policy direction, which has gotten perhaps the least attention (until quite recently), includes proposals for mechanisms to increase the temporary mobility of unskilled labor in politically acceptable ways, framed explicitly as a development agenda. The bulk of this chapter is devoted to outlining the characteristics of desirable proposals of this type.

The next three sections analyze the three types through the same lens—how well they accommodate the eight immovable ideas of chapter 3, while remaining development friendly, with some ideas for how to mold these proposals.

Before moving to the discussions of these three types of proposals, I want to highlight several caveats about the discussion of policies and their political acceptability. First, this is not meant as an exclusive list of the options, and an important point is that in this domain one needs creativity and innovation. In particular, I would not want anyone disappointed with the options discussed below to conclude that because this set, or my discussion, is inadequate that therefore there are no viable options. Second, none of these have to be mutually exclusive. Countries could have more of each, or some countries more of one (WTO) and other more of another (bilateral deals). Third, this discussion is deliberately short on details, because it is more focused on getting the foundations for classes of proposals down than on working out or advocating any one of them, which is the next step.

High-Skill-Based Policies Are Winning Rich-Country Debates about Migration

The main policy proposals on the agenda are increasing attempts to create a more attractive and favorable regime for highly skilled (or just plain wealthy)

migrants. In their recent book *Give Us Your Best and Brightest*, Kapur and McHale (2005) document the general move in policies aimed at attracting the highly skilled. In its review of its member states' migration policies, the Organization for Economic Cooperation and Development (OECD) documents at least some moves toward more "high-skill-friendly" migration policies in nearly all countries. As part of the Copenhagen Consensus process, Martin (2004) reviewed the opportunities to address global challenges in migration. He argued that the greater use of skills in selecting permanent migrants was an, and perhaps the only, attractive opportunity for addressing the challenge of migration.

There are many examples of attempts to attract highly skilled workers for specific industries. The United States has always had a mechanism for allowing persons of "extraordinary ability" to obtain citizenship (which many argue has been key to the rise of American universities to their global position). In the United States, there are also mechanisms like the H-1B scheme, which allocates a certain number of visas a year for "specialty occupations," which for example were used in the Silicon Valley to help build the computer industry. Even Germany, which is not famous for having been migrant friendly, has recently initiated legislation to attract the highly skilled for their graduate training and for employment and as a means to maintain and build biotechnology industries, because it fears losing its historic advantage in these fields. The National Health Service in the United Kingdom has been recruiting medical personnel from countries that were former colonies.¹

On a broader scale than industry-specific actions, Canada and Australia have migration policies that allocate access to the path to citizenship by "points." For instance, in the Canadian scheme, there are a total of 100 possible points from each of 6 factors (for example, including education, experience, arranged employment, and languages). In the education category, a potential immigrant can get up to 25 points (for a Ph.D., for instance). The Australian system also provides points for various skill and work experience categories (for instance, various skilled occupations with shortages receiving relatively more points). There are many who argue that the United States should adopt a more skill-friendly migration policy. Borjas (1999), for instance, has been a powerful academic advocate of the view that if one evaluates *immigration* policy (about who might take up permanent residence or citizenship) strictly from the view of the welfare of the *existing* citizens of the *recipient* coun-

1. In an interesting twist, the police in the United Kingdom have been under pressure to increase minority representation in their ranks (presumably with a view to making them "more like" the communities they police), and recently the police suggested meeting the targets for minority representation by hiring abroad.

try, then (1) the welfare gains are small from additional migration and (2) the distributional effects of allowing unskilled (relative to the host-country labor market) migration are negative (in that it lowers the relative wage of the most disadvantaged).² His proposal therefore is to (1) reduce (or cap at its current levels) the total amount of immigration and (2) change the formula by which migrants are chosen to place more weight on items like education and potential economic contribution and less on “family reunification.”

Meeting the “Eight Ideas”

Table 4-1 is an organizing device that I will use throughout this chapter to summarize the analysis of how existing classes of proposals for increased migration meet the five forces and the eight ideas. Proposals for making migration policy more skill friendly are perceived as politically feasible because they address the immovable ideas of rich-country citizens. However, the way these proposals meet the political constraints in rich countries perhaps limits their development friendliness. Rather than listing the ideas in the order of chapter 3 (and table 4-1), I start from the strong points and work toward to weak.

The strongest argument for more highly skilled migration is that it has a more equalizing distributional impact and will not lower the wages of unskilled workers in the immigrant-receiving country more than equivalent numbers under the existing schemes. Arguably, one of the largest problems rich societies face is that the apparently skill-biased economic progress of the past few decades has increased the demand for skilled labor faster than the supply and hence lowered the unskilled wage relative to the skilled (and in the United States lowered the unskilled real wage in absolute terms for an extended period).³ This skill bias is the largest part of the reason behind the enormous increase in the skill premium in more flexible labor markets like the United States and combined, with the more rigid labor markets in Europe, a rise in unemployment there. It is difficult to mobilize labor unions or mass politics

2. Because this is a key issue concerning the mobility of unskilled labor, it is hotly contested, with views ranging from large negative effects to next to zero to—if one adds certain features to general equilibrium models—even mildly positive. Whether or not the evidence he presents for the empirical magnitudes of these effects is compelling is, to some extent, beside the point, because the point is that politically the issue must be addressed given that many people believe it is true.

3. Acemoglu and others (2003) discuss the evidence for a “skilled-biased” change in technology as an explanation for the recent evolution of labor markets. More general assessments of the cause of the rise in the skill premiums in the United States are in Katz and Murphy 1992. Davis (1992) addresses the issue of the similarities and differences with Europe.

Table 4-1. *Analysis of Proposals for Increasing Migrant Quality*

<i>Proposal</i>	<i>Increased emphasis on high skill / wealth</i>	<i>Summary</i>
<i>Five forces for increased labor mobility</i>		
High and rising wage gaps	–	Equalizes wages only at the upper end (if at all)
Differing demographic destinies	+	Limited impact if allows more migration
Everything but labor globalization	–	Detracts from globalization of unskilled labor
Employment growth in hard-core nontradable services	+/-	Does not necessarily focus on “hard-core” nontradables
Ghost/zombie countries	–	“Brain drain” effects possibly large (for example, health care workers from Africa)
<i>Eight ideas limiting migration in industrial countries</i>		
Nationality is a morally legitimate basis for discrimination	+++	Points systems can be nationality adjusted
Moral perfectionism based on “proximity”	++	Those who are allowed are expected to become citizens
“Development” is exclusively about nation-states, not nationals.	--	Detracts from “development” to the extent it exacerbates “brain drain”
Labor movements are not “necessary” (or desirable) to raise living standards	--	Does not help with labor
Increased migration of unskilled labor will lower wages and worsen the distribution of income in the receiving countries	+++	Does address inequality problems in receiving countries
Movers are a fiscal cost as they use more services than they pay in taxes	+++	By attracting higher wage migrants reduce fiscal cost
Allowing movement across borders creates risks of crime and terrorism	+++	Points systems allow careful screening of applicants
“They” are not like “us”—culture clash	+++	Language and education screening can be used to increase “compatibility”

against allowing a few more computer programmers, doctors or (somewhat less so) nurses, biochemists, or economics professors.⁴ Moreover, these concerns about policies that might further widen economic and social inequalities are very real, and their importance should not be minimized.

An important aspect of many skill-based schemes is that they have specific numerical quotas to be used in particular (or a range of) occupations, for which it is declared that there are insufficient recipient-country nationals to meet the “need.” This aspect is important because it meets the intuitive economics of citizens (see chapter 3), who think in numbers of jobs rather than wages or wage differentials.

A second strong argument for high-skill migration is that it allays fears of migration causing net fiscal costs. Obviously, if wages increase with skill and taxes are, in general, more progressive than expenditures, then admitting migrants with higher skills lowers the net fiscal cost. Almost certainly, admitting very highly skilled migrants has net fiscal gains.

Three additional attractive aspects of programs for selective admission of the highly skilled are that they preserve the notion of nationality as a legitimate basis for discrimination, reduce the fears of “culture clash,” and reduce fears of crime and terrorism. Rightly or wrongly, my conjecture is that the typical rich-country citizen feels less threatened by admitting doctors, engineers, and academics from any specific country than by allowing in the unskilled from the same country. Similarly, people feel (almost certainly correctly) that the highly skilled and wealthy are less likely to be engaged in crimes that people most worry about (such as violent street crime) than are the less educated or wealthy. Finally, one need not assume that the more highly educated are less likely to be terrorists, but security checks in such programs for migration or mobility of the skilled are thought to be enforceable because the highly skilled are more likely to have a traceable paper trail (for example, diplomas, résumés, passports, and travel history), whereas the unskilled are almost invisible to a formal system of background checks.

Allowing and even recruiting highly skilled labor scores well on the “self-interested” ideas that block labor mobility—but less well on the “moral” ideas. In particular, if one is concerned about the less well off in the world, then this idea has two primary defects. First, concerns about “brain drain”—of which there are several—imply that those concerned about “development” are gen-

4. As an aside, American academic economists are safe from charges of hypocrisy in arguing for more labor mobility because the top end of the market for economics professors is completely open to international competition, particularly at the very top. In the top five American economics Ph.D. programs, a substantial fraction of the faculty is foreign born.

erally not in favor of selectively recruiting the most highly skilled. Particularly when it comes to health professionals, this has generated a substantial backlash because of concerns for the erosion of health system capability in poor countries.

Second, a very strong point in favor of allowing high-skill migration is that it *reduces* income inequality in rich countries (primarily by lowering the wage premium on skills). But, by exactly the same logic, the departure of skilled labor should increase the skill premium in the immigrant-sending countries.⁵ This is a concern, because within-country expenditure inequality is already *much* higher in most developing countries than in most developed countries (World Bank 2005b). Moreover, while the economist's response to concerns about policies that increase inequality in rich countries may plausibly be "instruments to targets" (as it is generally with these issues in trade; see chapter 3), nearly all poor countries lack adequate low-cost tax and effective redistribution instruments. Increasing inequality is an even larger problem for poor countries than rich ones because there are fewer viable policy "instruments" to address the problem.⁶ So even if the economic effects are symmetric (unskilled mobility would increase inequality in rich countries; skilled migration would increase inequality in poor countries), the social effects could be asymmetric because inequality is more easily mitigated in rich countries—while the inequality created in poor countries by rich-country migration policies would be more difficult to cope with.

My sense is that *immigration* policies in rich countries (which is one subset of broader policies affecting labor mobility) will move increasingly toward using skills (and wealth) in the migration decision.⁷ The strict, if slightly heartless, logic of maximizing the economic gain to only existing residents of the recipient countries suggests migration policies that "recruit" the best of the rest. My prediction is that the brain drain problem (if it is a problem) will only get more severe as more and more countries tailor their immigration policies

5. This may or may not increase inequality, because if the more educated leave, the distribution of skills among those remaining is more equal, so then even if the skill premiums increase, measured inequality could go either way.

6. Two major themes of the economic historian Peter Lindert's (2005) work are that (1) the historical evolution of the now-rich countries led to greater and greater tax effort (ratios of tax to gross domestic product), in part because with economic modernization it became easier to collect at low direct and indirect cost, and that (2) most of this revenue was devoted to "social" spending, which was inequality reducing.

7. For instance, the United Kingdom has recently (June 2005) announced proposed changes in migration policy that emphasize skills—and reduce or eliminate temporary unskilled labor, except from EU countries. Home Secretary Charles Clarke was quoted thus: "The route to settlement is through skilled labour" (BBC, June 21, 2005).

to attract migrants of higher potential economic contribution. The question is, what stance should the governments of poor countries (and those who care about the fairness of the global system) take toward those policies?

One stance is to oppose rich-country immigration or labor mobility policies that actively recruit skilled persons. I would be cautious about attacking policies that recruit the highly skilled for three reasons. First, as reviewed above, the evidence is not so clear that the “drain” dominates the “gain” when the highly skilled are able to move to rich countries. When countries have fundamentally sound economic policies, the exposure to other countries, industries, and practices may well bring positive benefits—even when a large fraction stays permanently—and when policies are unsound, more human capital alone is unlikely to make much difference (see Pritchett 2001, 2004b).

Second, even if it were the case that the net impact of the mobility of a highly skilled person on those remaining in the sending country was negative, restrictions on the mobility of the highly skilled in poor countries is a highly inequitable tax to pay for the global public good of poverty reduction.⁸ Third, I have never seen the argument for why human and physical capital should not be treated symmetrically. One could argue that if a people were forced to increase their investment in the domestic economy even if they got higher returns elsewhere, this would have an important “external” effect by raising the overall capital stock. Yet “capital flight” is a pervasive phenomenon, and, as Collier, Hoeffler, and Pattillo (2004) have documented, a huge fraction of wealth held by Africans is held outside Africa—one suspects that in most large countries, a much larger fraction of financial than human wealth is put to work abroad. As far as I know, no industrial country has objected, in principle, to receiving investments from residents of poor countries (except of course for concerns about corruption, laundered money, and so on). Preventing individuals from moving their human capital to higher returns, while allowing (or even encouraging) them to invest their physical wealth abroad, seems to create perverse incentives and signals.

8. Think of it this way. Suppose the wage in the sending country is w_s , the wage in the recipient country is w_r , and the total economic cost to the sending country of losing a highly skilled person is C_s (per capita is C_s/N). Suppose $w_r - w_s > C_s$, so that people would be willing to pay an “exit tax” that left the sending country no worse off. This is essentially funding the costs by imposing a tax on those who could move, even though they are much poorer than, say, the typical person in the receiving country. Now, of course, if the highly skilled persons have received public-sector subsidy of their education with the presumption it would be domestically used (and hence taxed), then paying the full cost of that subsidy if they work abroad does seem equitable.

The other response is to mitigate the potential negative consequences of “skill-based” policies in rich countries. First, one way in which the brain drain is less important than might be thought is that the possibility of migration draws people into schooling or training by raising the returns to schooling, even if only a few migrate successfully.⁹ So, for example, though there are many nurses in the United States from the Philippines, it has been argued that this has expanded the total number of nurses trained in the Philippines and that the actual domestic supply has increased, not decreased (though this has yet to be tested definitively). The incentive effects of increasing the returns to education through the possibility of migration are potentially large (as one example, the expansion in “English medium” schools in the private sector in India since the beginning of the economic boom has been very rapid). One complement of high-skill policies is to match recruitment with support to the supply side in the sending countries, so that the *net* domestic supply is not reduced. So perhaps, rather than a ban on recruiting nurses from African countries, a combination of increased support for the training of nurses plus recruitment would actually benefit both countries.

A second means of expanding the “development friendliness” of skill-based policies that are occupationally based, such as the H-1B visa as opposed to those that are general means of filling a total for migration as in Canada, is to accept the general movement toward numeric quotas for specific skilled occupations, but also to push to broaden the category of skilled occupations. For instance, if countries allow nurses, then this category can perhaps be expanded to “home health care workers”—which are required to have some special-purpose training and to work in that specific occupation but for which the skills are more easily acquired abroad.

The third means is to link proposals for unskilled *labor mobility*—for either variety discussed below—to the trend in immigration policy toward a higher “quality” of migrants. The fundamental difference between “labor mobility” and “immigration” policy is that *immigration* implies a relatively permanent movement, while more neutral (if ungainly) terms like “temporary movement of natural persons” or “labor mobility” convey less a sense of right to perma-

9. The obvious analogy is with professional athletics in the United States, where a few athletes making astronomical salaries induce a much broader supply response, so the net number of baseball-playing Dominicans is probably increased, not decreased, by the recruitment of Dominicans into professional baseball in the United States. In fact, a study by Milanovic (2003) of soccer (football) shows that the increased commercialization and competition among football clubs has increased the quality of national teams in poorer countries as they capture the increased skills of their nationals leaving for the higher-quality (and better-paying) leagues in Europe—a gain from “leg drain.”

nent residence or citizenship or even generalized access to the labor market. The trend for immigration policy to be more skilled biased in rich countries is likely inexorable; there can be attempts by sending countries and the global community to create linkages with labor mobility—a package deal. So, for every biochemist, computer programmer, or doctor who is admitted, the same country will also expand access for an unskilled worker—even if only temporarily and on limited terms.

Can the WTO Move Beyond “Everything but Labor” Globalization?

The first section discussed the ways in which countries are addressing migration unilaterally, in which policies are moving toward more active recruitment of highly skilled persons or investors. A second way in which labor mobility is coming onto the global policy agenda is through the mechanism of the WTO. Within the General Agreement on Trade in Services (GATS), there is a framework for negotiating the “temporary movement of natural persons” (TMNP) in connection with the provision of services, which is called “mode 4” because it is the fourth mode of the provision of services (see table 4-2). In principle, foreign companies could negotiate access to a domestic market for services—such as cleaning hotels and office buildings or landscaping homes or offices—and then negotiate the ability to place workers in order to carry out these contracted services, even though these workers themselves do not have access to the host-country labor market. An obvious agenda for research and policy advocacy is to help developing countries with a labor surplus to develop proposals for the significant expansion of labor mobility under the GATS mode 4 as part of the Doha (or following) round of WTO negotiations. Winters and others (2002) discuss many of the aspects of temporary labor mobility under GATS, particularly the possibilities for expanding TMNP.

The WTO (and its predecessor, the General Agreement on Tariffs and Trade, or GATT) has made important contributions to the world economy by creating a powerful mechanism to harness domestic and international pressures for reducing barriers to trade. However, the very same principles of the WTO that make it a powerful institutional mechanism for liberalizing trade in goods also make it difficult to create politically viable agreements on labor. The WTO is a framework for negotiating and enforcing agreements among countries about their economic relationships, but what has made it powerful is that it is a framework with basic *principles*. Three general principles are embodied in the articles of GATT and the rounds of negotiations: *most favored nation* (MFN), *prices not quantities*, and *reciprocity*. These principles will not apply to

Table 4-2. *Summary of Analysis of GATS Mode 4^a*

<i>Proposal</i>	<i>GATS mode 4 within WTO</i>	<i>Summary (assuming MFN)</i>
<i>Five forces for increased labor mobility</i>		
High and rising wage gaps	+	Would allow movement in unskilled services
Differing demographic destinies		Could be used to fill gaps
Everything but labor globalization	+++	Brings labor mobility into the globalization framework
Employment growth in hard-core nontradable services	+++	Focuses on services trade, including those services that require physical presence to deliver
Ghost/zombie countries		No special emphasis
<i>Eight ideas limiting migration in industrial countries</i>		
Nationality is a morally legitimate basis for discrimination	---	MFN would extend "market access" to all countries
Moral perfectionism based on "proximity"		
"Development" is exclusively about nation-states, not nationals	+++	Nation-states negotiate agreements via WTO
Labor movements are not "necessary" (or desirable) to raise living standards	-	
Increased migration of unskilled labor will lower wages and worsen the distribution of income in the receiving countries	---	Allows opening of markets in unskilled labor
Movers are a fiscal cost as they use more services than they pay in taxes	+/-	Since presence would be temporary not a major concern
Allowing movement across borders creates risks of crime and terrorism	----	"Market access" and MFN is very difficult to reconcile with security concerns
"They" are not like "us"—culture clash	---	MFN implies countries cannot control nationality of service providers

a. GATS = General Agreement on Trade in Services; WTO = World Trade Organization; MFN = Most favored nation

negotiations on labor mobility because they run head-on into many of the immovable ideas.

A basic principle of the WTO negotiations is MFN, whereby any agreement reducing trade barriers between any two parties is automatically extended to all other signatories¹⁰—so that if the United States agrees with France to reduce tariffs on French cheese and in return the French reduce tariffs on U.S. wheat, these tariff reductions are extended to cheeses of all nationalities by the United States and all countries' wheat by the French. Every country that is a partner in the overall negotiation is treated as well by each other country for each good as the MFN is treated. This principle creates a powerful downward dynamic of restrictions by automatically extending bilateral agreements multilaterally. However, extending the bedrock principle of MFN to agreements on labor mobility runs head-on into three of the immovable ideas.

First, the principle of MFN directly contradicts the idea that a person's nationality is a legitimate moral and political ground for differential treatment. MFN applies only awkwardly to the movement of persons, because (whatever the ideals of universalism) people have nationalities in a way that goods do not. National origin can be treated as an incidental feature of a ton of steel in a way that people feel national origin is not an incidental feature of persons. Though the equal treatment of equivalent goods irrespective of national origin is perceived as "fair," the same is not true of persons. Every country's laws make distinctions about persons based on national origin, and MFN has never been a principle in immigration laws.

Second, people feel very differently about people from other countries for reasons of cultural heritage, ethnicity, language, and historical background. The idea of "culture clash" is incompatible with applying MFN to agreements about labor mobility. So, for instance, one can imagine Germany making a bilateral agreement with eastern European countries (even those not currently within the European Union) to allow their construction firms to bid for construction services in the German market with the agreement that they can provide their own workers to carry out the construction (and hence TMNP). But it is difficult to imagine Germany (or any other OECD country) entering into a binding international agreement whereby whatever access it provides to its market for construction services to one country (perhaps one with some historical or cultural ties) is *automatically* extended to all other countries.

10. The fact that regional agreements have not respected MFN is precisely what has made them so controversial (even when people agree they are "trade-creating" reductions on barriers).

Third, and perhaps in the current world most important, security concerns are going to be overwhelming. One could imagine a GATS mode 4 negotiation in which countries link supplies of, say, “motel cleaning services” to the ability of rich countries, say the United States, to place its executives abroad (or provide financial consulting services or any number of skilled occupations for which the United States wants a physical presence). This might mean that the foreign-based *employer* chooses the persons who then have access to the territory of the United States to provide the services. The United States is going to have different treatment of the persons, depending on their national origin, so access will not be “MFN” to TMNP in that sense in any case. The security objection that will be raised to giving “market access” to a foreign firm on an MFN basis is insurmountable. Imagine the announcement that an Iranian firm had won the service contract to clean every Motel 6 (now a French-owned chain) in the United States, and hence 50,000 persons of this Iranian firm’s choosing would be branching out to every major city of the United States. A similar analogy could be created for nearly any OECD country with at least some poor country.

Because MFN so clearly contravenes the immovable ideas, while it creates a downward dynamic on barriers to trade, it may create an *upward* dynamic on barriers to TMNP. An agreement that might be reached bilaterally about the movement of *X* Mexicans to the United States, *Y* Vietnamese to Japan, or *Z* Moroccans to France would not be reached if, because of MFN, this were extended automatically to *X*, *Y*, and *Z* persons of unspecified nationality.

A second basic principle of the WTO is “prices not quantities”—that is, trade barriers should be in the form of tariffs and not quotas (or other nontariff barriers).¹¹ This is a hard principle to apply to services trade of any kind, where the barriers are usually issues like regulation, certification, and so on, and hence barriers are often more subtle. But I cannot imagine moving to an environment of labor mobility with “tariffs,” because every country reserves the right to determine the *numbers* of persons crossing its borders; in particular, this would create enormous concern about the equalization of unskilled wages and hence distributional concerns. In fact GATS is very specific in stating that even mode 4 negotiations are not about giving individuals access to a country’s labor market. That is, the idea of TMNP is not labor market access that a specific service is contracted for and the person enters a country with the purpose of

11. Again, this principle has had important exceptions (or varying legal status in GATT): the Multi-Fiber Arrangement, agriculture, “voluntary” export restraints, agricultural restrictions in the form of quotas, and so on. But these were always recognized as violations of the “spirit” of GATT.

providing that service. This already implies that the agreements are more about quantities, not prices, and imply administrative control of the process.

A third basic principle of the WTO is reciprocity—that the negotiations involve one country “giving up” access to its national market in one product in order to “gain” market access in another product. As much as economists dislike this entire line of rhetoric, this notion of reciprocity has been an important element of the domestic political economy of multilateral trade agreements. The genius of reciprocity is that it pits exporting interests against import-competing interests in the same country, so that when legislators are considering the treaties and are lobbied by industries that will “lose jobs” if import barriers are lowered, they can also be lobbied by exporters who will “gain jobs” from access to export markets. If the issues can be “delinked” (that is, a country can gain export access without import liberalization), this weakens domestic support to general agreements.

Reciprocity will be difficult to establish for labor mobility in unskilled labor because the linkages are distant. WTO negotiations are broken into areas; for instance, in the Doha round negotiations, there are negotiating areas such as agriculture, services, nonagricultural market access, intellectual property, and dispute settlement. Linkages are easiest within areas (trading off one type of agricultural protection), and agreements across areas are more complex (reducing agricultural barriers in return for changes in dispute settlement). It is not at all clear what labor surplus developing countries will “give up” that powerful interests in the labor-importing countries want.

My argument is that there are difficulties in using the GATS mode 4 as a framework for negotiating, “scheduling,” and enforcing agreements of labor mobility for the provision of services. If the traditional WTO principles of MFN, prices not quantities, and reciprocity do apply, then agreements are unlikely to be politically feasible in the OECD countries. But if these traditional principles do not apply, it is not clear why the WTO is an attractive framework for negotiating these agreements. That is, if individual OECD and other host countries are to negotiate bilateral agreements with sending countries about specific numbers of persons allowed for specific services that are not part of a reciprocal trade arrangement, it is not clear why they would want to bring this under the umbrella of the WTO.

I believe these arguments are consistent with the experience of GATS mode 4 to date. Very little of the global trade in services flows through mode 4. The WTO estimates of services trade in 2000 state that 28 percent was “cross border supply” (mode 1), 14 percent was “consumption abroad” (mode 2), 56 percent was “commercial presence,” and only about 1 percent was “temporary movement of natural persons” (mode 4). Very few agreements have

been scheduled under GATS mode 4, and it is not currently a major element of the ongoing Doha round negotiations.

One could argue that although GATS mode 4 agreements would raise political opposition, the WTO in general and the Doha round in particular have enough momentum to “carry” labor mobility agreements, and hence this would be an opportunity to link a weak agenda (labor mobility) with a strong one. My view is perhaps the opposite.¹² The WTO process is currently weak, with little broad-based political support in many OECD countries, and the prospects for a successful conclusion of the current round of negotiations are only fair to middling—even without the inclusion of a significant element on the mobility of unskilled labor. In fact, one of the strongest rhetorical points for developing countries to use in trade negotiations is that reportedly used by then-president Carlos Salinas de Gortari of Mexico in discussions of the North American Free Trade Agreement: “Take our goods or take our people.” In other words, if the OECD countries want to avoid pressures for immigration flows, making the national economies grow fast is possibly the most effective instrument. However, though this might be a good way to get a better deal out of the Doha round for developing countries, this is not going to lead to useful labor mobility agreements.¹³

My rather pessimistic conclusions about the use of the GATS mode 4 are a positive prediction, a conjecture, not a normative statement. The GATS mode 4 is an existing mechanism in a multilateral agreement and should be pushed to be as successful as it can possibly be. That is, nothing here should be taken as critical of GATS mode 4 agreements if they can be reached. My conclusion is that, if one is interested in promoting greater mobility of unskilled labor, I would not rely exclusively or even primarily on GATS mode 4 as the instrument. That said, GATS mode 4 is an existing international instrument, and its

12. This chapter was first drafted in 2003—before the events in Mexico, in which negotiations were broken off early, and Hong Kong (in 2005). As readers peruse this, they will know more about how “strong” the impetus for the conclusion of a “development round” was—but so far (May 2006) my argument that the Doha round can barely carry itself has good odds.

13. As somewhat of an aside, in spite of the above arguments, I believe the labor surplus countries should prepare proposals for unskilled labor mobility as part of GATS mode 4 as a way of strengthening their hand in the overall WTO negotiations. I am convinced by those who argue that the developing countries gave up more than they have gotten in the most recently concluded round (for instance, on Trade-Related Intellectual Property Services), in part because interests in rich countries had specific proposals on the table and they pushed them politically. In the overall negotiations, there cannot be concessions in the abstract—only if there are specific, WTO-compliant proposals for the mobility of unskilled labor officially on the negotiating agenda can these be “given up” in the pursuit of other interests (for example, the reduction of agriculture subsidies) as part of the negotiation.

limits have not really been explored, in part because there have been few well-articulated proposals for large-scale unskilled labor mobility. Until this is pushed ahead, it is impossible to know its limits. One action of the global actors could be to assist poor countries in developing proposals.

Six Accommodations: Features of Politically Acceptable, Development-Friendly Schemes for the Temporary Mobility of Unskilled Labor

A third way to reconcile the forces and pressures for increased mobility with the political opposition and still maintain policies that are development-friendly policy proposals is with six *accommodations*. I use the term “accommodations” to emphasize that no economist working from first principles would ever arrive at these particular features.¹⁴ These features are not desirable objectives, but they are compromises that make other desirable objectives perhaps politically feasible. The six accommodations that agreements should incorporate are

1. be *bilateral* agreements between host and sending countries,
2. allow for *temporary* movement of persons in a regime *separate* from immigration,
3. have numerical *quotas* for specific occupational categories (and internal regions in the host country?),
4. enhance the *development* impact of the labor movement through agreements with the sending-country government and voluntary arrangements,
5. enlist sending-country enforcement by imposing automatic penalties on the sending country (and host-country employer) for laborers who overstay, and
6. protect the fundamental human rights of laborers.

The trade-offs among labor migration schemes discussed so far are pretty stark. The proposals that are politically popular generally move in the direction of being even less beneficial for the world’s poor than the current incoherent policies (in which family reunification and asylum/refugee status play

14. Working from first principles of economics (and perhaps moral philosophy, for that matter), one would likely arrive at proposals for the full integration of markets for goods, capital, and labor, even across politically distinct sovereigns, as happened within federal countries like the United States historically and is happening within the members of the EU today. But abstract first principles and politics rarely mix, and this is no exception. In an analogy with physics, when forces meet resistance, this creates friction and heat, and workable systems need to accommodate these side effects through lubrication and cooling.

a large role). The proposals that almost certainly would augment unskilled labor demand—such as using GATS mode 4 as a mechanism for market access for “natural persons” to supply nontradable services (for example, cleaning, gardening, waiters), perhaps as employees of foreign-based subcontractors—are politically unpalatable and hence are currently, more or less, off the table. The question is whether there is something in between these two extremes that would make explicit concessions to rich-country politics to accommodate the immovable ideas about migration while still creating some role for a greater movement of unskilled labor from low-wage to high-wage countries.

Accommodation One: Bilateral Agreements (Perhaps under an International Rubric)—or Perhaps Regional Agreements

The first feature is that all agreements would be *bilateral*—or more accurately unilateral—decisions of the receiving country with the agreement of the sending country to participate. In the end, domestic politics will dictate that each country have control over who may or may not enter its borders, and that this will not be part of any general international or multilateral *binding* commitment.¹⁵ The obvious exceptions are true integrating unions like the European Union that may choose to adopt a common policy. Pushing for multilateral agreements along the lines of the WTO is unlikely to be successful.

This is not to say that international organizations would play no role. Figures like Jagdish Bhagwati (a prominent academic and former senior adviser at the WTO) openly advocate the completion of the organizations that facilitate the global system by creating a World Migration Organization. Existing international organizations are increasingly, albeit tentatively, bringing migration onto the policy agenda. The United Nations established a Commission on Migration, the International Labor Organization is increasingly involved, and the World Bank has recently published several major reports and studies (World Bank 2005a, 2005b) and has even established an internal working group on migration. The International Organization for Migration (IOM) has existed since 1951 (it was originally founded to assist with the repatriation of displaced Europeans) and has recently taken a more active analytic and advocacy role—for instance, with its new flagship publication *World Migration 2005*.

Any international organization is likely to play a “light” rather than “heavy” role because there is no incentive for any attractive rich-country destination to cede any degree of sovereignty over its migration policy—and important incentives not to. An organization may play some role in encour-

15. This is particularly true of policy in the United States, which historically has been very leery of any binding international treaty or commitment.

aging agreements—particularly agreements that are development friendly or facilitate learning from experience through research and advocacy. It is even conceivable that countries would allow a review of their migration policies along the lines of the International Monetary Fund’s article 4 consultations or the WTO reviews of trade policy. These “light” roles are not unimportant, particularly if one believes that in the long run ideas are what matter.

Accommodation Two: Temporary Admission, Not “Migration”

The second accommodation is that access to the labor market be temporary. There are always multiple windows for legal presence in a country. One of those windows would be access with the ability to work (which is constrained; see below), where that access is explicitly temporary. There are two issues with temporary programs: feasibility and desirability.

The conventional wisdom is that “temporary migration is permanent and permanent migration is temporary.” It is thought to be politically or administratively impossible to enforce “temporary” schemes, while at the same time many individuals who initially move “permanently” return to their home countries. This conventional wisdom grew out of the experience with the Turkish “guest workers” brought into Germany in the 1960s. But as a general proposition, it is belied both by countries with very large temporary worker populations (such as Singapore and Saudi Arabia) and by successful long-term occupation or activity-specific programs, such as those for agricultural or seasonal labor (for example, the tourist industry) in many countries or occupation-specific programs like the au pair J-1 visa in the United States. The conventional wisdom is right: Temporary labor mobility must be appropriately structured to ensure compliance. But it is not right that large-scale temporary programs are “impossible”—even in democracies—yet they do require other accommodations (described below).

The second question is whether the “temporary” is desirable as a politically motivated accommodation that would politically allow larger flows (and stocks) of unskilled foreign-born labor or whether the very fact that admission was “temporary” would create negative reactions. For instance, Mark Rosenzweig (2004) has argued that much of the political opposition to migration comes from “culture clash” arguments that perceive unassimilated foreigners as a social (if not actual physical) threat and that by making the stay of new arrivals in the host country explicitly time limited this discourages assimilation: “It is doubtful that creating a large *permanent* population of temporary, unincorporated immigrants, who would have no incentive to learn the host-country language or adopt its cultural practices, would engender support for immigration. Indeed it is likely the opposite” (Rosenzweig 2004, p. 16). I will

return to this argument in the next section as I argue that the political economy of temporary migrants depends on how they are employed.

One additional benefit to schemes for temporary mobility over permanent migration is that, at least potentially, it increases the number of people who benefit. One objection to labor mobility, especially as a “development” agenda, is that, even with the best possible political schemes, the number of movers will always be very small relative to the developing-country population—and hence this is a “lottery” approach to poverty reduction. In comparing increased admissions of workers with more standard development projects, the benefits are much more certain and much larger *per person* for allowing workers to work for five to ten times their current wages merely by moving than for any known development intervention. But, for instance, estimates of the aggregate benefits given in chapter 1 (and below) are based on the *stock* of developing-country migrants being higher by 14 million people, out of a developing-country labor force of 2.5 billion—so 1 in every 200 people. This means that the benefits of allowing more workers are like a lottery—large gains to very few people. But the gains per person and the total number of people who benefit from a change in the stock of migrants depend on the flow. If the rich country’s political economy tolerance is based on the *stock* of foreign-born workers, then programs that allow many workers a short (one- to five-year) chance to work will benefit many more people than migration with a longer duration. For instance, suppose the host-country tolerance is 1 percent of the sending country’s stock and that as each cohort enters the labor force it is allowed to work abroad. If the average duration were shortened from fifteen to three years, the fraction of workers who would have some work abroad would increase from 3 to 15 percent of the sending country’s stock.

Accommodation Three: Specific Occupational (and Regional) Quotas

The third accommodation is that the permission to be in the country would be based on *specific quotas* in *specific occupations* (and perhaps even regions).

Before talking further about quotas, I want to propose a revisionist interpretation of the Multi-Fiber Arrangement (MFA) under GATT. I know this is risky because, for most economists who work on international trade, the MFA is a *bad* example because it was developed in open defiance of the important GATT principles—(1) it had bilateral quotas; (2) it imposed quotas rather than tariffs; and (3) it was essentially nonreciprocal, in that the countries it was imposed on never “agreed” to the restrictions but instead allowed their exporting behavior to be regulated by the arrangement.

However, my revisionist interpretation of the MFA is that U.S. producers were so uncompetitive in textiles that a sudden exposure to imports would

cause rapid changes in employment, and because textile industries were concentrated, this would lead to local and regional economic disasters. Therefore the idea of the MFA was to ease the transition of the decline of the textile industry—that is, it was not conceived as a “safeguard” for unfair trade nor as a “breathing space” measure for a fundamentally sound industry that would be viable in the long run to get back on its feet but simply to smooth the personal and local disruption of the decline of a regionally concentrated industry. And it attempted to do this without blocking the rise of exporters by not imposing quotas on a specific item from a country until it reached a threshold and by allowing the quotas to rise every year.

The key question is whether it would have been politically possible to achieve the GATT round agreements without the MFA. If not having an acceptable side arrangement on textiles would have in fact scuttled GATT, then MFA looks enormously successful because (1) the rounds did happen; (2) exporters of textiles were not stymied—South Korea, Taiwan, Hong Kong, and others all managed to sustain enormously rapid increases in textile exports in spite of the MFA, so one cannot argue that it was an insurmountable obstacle to success; (3) it did in fact smooth declines in employment in textiles because, for instance, U.S. employment in textiles has fallen dramatically; and (4) eventually it is going away, so it was a (very long) transitional measure.

Something like the same logic is at play with unskilled labor mobility: Without controls, there are dangers that migration will cause local disruptions to the labor market and place the already disadvantaged at further disadvantage. For instance, a huge concern for social policy in the United States is that the real wage for unskilled labor has fallen—because it creates all kinds of social problems as the lack of “good jobs” in urban areas leads to low labor market attachment (and the attractiveness of informal and criminal activities) and social disruption because family formation and stability are at risk (Wilson 1996). Even though my view is that the evidence is weak that the increased levels of migration in the United States are a significant factor in these trends in the labor market (skill-biased technical change, per Acemoglu and others 2003, and other factors are the major culprits),¹⁶ even the risk of exacerbating these social problems is unattractive.

16. The evidence of the Mariel boatlift of a huge influx of workers into a single labor market (Miami) shows little impact on employment or wages (Card 1990). Even Borjas's (1999) regression evidence that the labor movement of nationals is affected by the patterns of migration and hence the impact on the national labor market needs to be considered shows that only 4 percent of the decline in the real wage of high-school-educated workers can be attributed (and the cross-state regression evidence was apparently driven by the experience of California).

At the same time, there are powerful pressures by employers who are seeking to fill jobs. As documented in a recent work summarizing research on U.S.-Mexican immigration (Massey, Durand, and Malone 2002), the United States, for instance, has been in an awkward political equilibrium for some time: Immigration is unpopular, but there is insufficient political will to actually enforce the law, so that once workers are here, they can find work (but without an array of legal protections). Without the political will to punish employers, illegal immigration continues.¹⁷

So the basic idea would be to have a system (as is already operational in some domains in the United States and other countries) for labor mobility that relied on having quotas for occupational classifications, possibly specific to labor market “areas.”¹⁸ This would involve the following:

—There would need to be some procedure whereby potential employers could certify a labor market “shortage” (say, by producing evidence of being unable to fill vacancies) of X thousand jobs—a procedure that can be openly contested, say by labor unions or other interested parties as part of an administrative decision.

—These labor market shortages could be aggregated up and then allocated across countries—so that country Z would then have permission to send some fraction of the X thousand workers for Y years with permission to work in those specific labor market positions (though with some flexibility across firms).

—The labor market allocations would be up for review after a fixed period, at which time the allocation could be expanded or contracted.

In large part, this system would address both general distributional concerns about the “loss of jobs” and specific concerns about “enclaves” of unassimilated workers. That is, if there is some process whereby it is acknowledged that these workers are “needed” for a certain local industry, then it is more likely that one can build local support for tolerance (if not acceptance). To some extent, this already happens in the United States in industries like agriculture, where it is widely acknowledged that reliance on (currently illegal) workers is essential to the survival of the local sector, and hence even large

17. This is exacerbated by the periodic, time-inconsistent “amnesties” that give access to citizenship to individuals who flaunted the law and stayed in the country illegally—not to mention the fraudulent claims of continuous residence or past occupation (Massey, Durand, and Malone 2002).

18. The United States had a program like this, the *bracero* program, which operated for twenty-two years (from 1942 to 1964), involving almost 5 million Mexican immigrants who worked almost exclusively in agriculture (Massey, Durand, and Malone 2002).

flows of unassimilated workers are tolerated. One suspects that a lack of assimilation and distribution across sectors in the labor market is a potentially more volatile combination—though this is an area of considerable uncertainty.

There are two possible modes for a scheme of this type: a domestic employer mode, and a foreign contractor mode. The employer mode involves putting the onus on employers in a given industry to establish their business need and inability to find local workers (similar to the process for H-1B visas in the United States, for example). One would then open a fixed number work permits that are occupation specific for workers (allocated across source countries) and leave the process of matching the individuals with jobs up to the individual and employers. In the United States, in many industries that employ foreign workers, this is in some way the *de facto* system if one construes “permission” to enter the country as control of the border and employers are freed from any real threat of enforcement (Borjas 1999).

An alternative is to allow “labor mobility brokers” to have licenses to supply a given number of workers for specific occupations. In this way, the recruiting, matching with jobs, and transporting are the responsibility of a foreign firm, not individuals, and the matching is done in the *sending* country. In this case, the legal *employment* relationship is with a domestic firm, but all hiring has to be carried out via one of many licensed labor brokers. In many cases, this is how it is done currently in practice, but the fact that it is mostly illegal means that workers are even at more risk of being exploited and abused (see below).

A third approach is to follow the model of “services trade” and have sending-country firms enter into agreements to provide certain services, with the right to bring in their own employees to do the work. In this case, the recruiting and matching with jobs are done in the sending country, the employment relationship is between a sending-country firm and the workers, and the host-country firm enters into a contracting relationship with only the sending-country firm (and has no “employment” relationship with workers).

Some variant of these three approaches could be used for different situations, depending on the occupation (for example, construction work versus domestic help versus cleaning services versus restaurant workers). I mildly favor the intermediate approach of having “labor mobility brokers” for two main reasons. First, by making the return of individuals the broker’s responsibility, at least part of the difficulty of return is shared by the foreign-based labor broker. Having a limited number of licensed brokers that the domestic-country agencies deal with on enforcement is an advantage over making domestic agencies responsible for each individual foreign worker’s return. Moreover, strictly domestic-country employer responsibility for return is politically difficult. The “grand bargains” struck for better access for employers

to foreign workers in exchange for participation in enforcement, as was envisioned in the 1986 reforms in the United States, never seem to last, because ex post it is politically difficult to punish domestic employers.

Second, the procedure of using labor brokers makes it easier to protect worker rights in the receiving countries rather than having just individual relationships between workers and domestic employers because it creates multiple checks and balances. The “foreign labor contractor” approach exempts the host-country employer and government almost totally from responsibility for abuses.

Accommodation Four: Enhancing the Development Impact of Migration

Migration has traditionally been seen as a neutral or negative force in development (or merely as a sign that development has failed). The very phrase “brain drain” referring to the emigration of skilled persons implies a negative. The permanent movement of unskilled labor is regarded as roughly neutral. The only item that has sometimes been considered a positive is remittances, but even though remittances are estimated to be of the same order as all foreign aid flows, the literature on the potential growth impact is small.

Because many recent publications on migration have emphasized remittances, it is important to get this straight. In chapter 1, table 1-4 on the estimates of the general equilibrium gains from labor mobility stressed that nearly all the benefits accrue to the movers, which is in part what makes the political economy difficult. The World Bank’s *Global Economic Prospects 2006* (World Bank 2005a) also presents estimates of the gains from migration from a general equilibrium model, reproduced as table 4-3. In these estimates, the gains to those in sending countries in private consumption are, strikingly, larger than those to the migrants themselves (131 billion versus 126 billion). The report clarifies: “A significant portion of the gain is due to remittances from new migrants, with some improvement in labor market conditions for remaining workers” (p. 34). While emphasizing the gains to “natives in developing countries” clearly plays up the “development” impact of migration, to my mind there is only a very slight conceptual distinction. Take a hypothetical couple, of which only one spouse works. Suppose they move together to a new country. There are no “remittances,” and all the benefit is attributed to the “new migrant.” Now, suppose the spouse is not allowed to move, the working spouse moves and makes exactly the same amount more, and the spending of each person in the couple is exactly the same (and suppose they split their income 50–50). Is now somehow the gain divided between “new migrants” and “natives of developing countries”? Does the fact that the sharing of household income requires cross-border movement of money (remittances) make it

Table 4-3. *Distribution of Income Gains from Labor Force Expansion across Country Income Groups^a*

Billions of U.S. dollars

<i>Group</i>	<i>Private</i>	<i>Public</i>	<i>Total</i>
Natives in high-income countries	139	-1	138
Old migrants in high-income countries	-88	0	-88
Natives in developing countries	131	12	143
New migrants	126	36	162
World total	308	47	355

Source: Adapted from table 2.3 in World Bank 2005a.

a. Real income gains (adjusted for cost of living) from an expansion in labor movement of 3 percent of high-income country labor force.

better somehow? In my view, if couples were allowed to live together and hence remittances fell dramatically, this would be an improvement. This is why I am reluctant to place too much stress on “remittances” as a reason for allowing labor mobility. At the same time, it is true that the perception is that “remittances” are “good for development” while people moving is not—even though the impact on *nationals’* income is exactly the same—because of the nation-state bias in development discourse.

I suspect that part of the reason migration has not been regarded as a *development* issue is that many of its benefits mostly elude the control of the sending-country government.¹⁹ Once workers have earnings abroad, it is difficult to bring them back into official channels. Taxing workers on their earnings abroad is nigh impossible. Hence, one reason that migration might not have been strongly on the international agenda is that the developing-country governments themselves perceive little benefit in migration. Of course, there are good reasons to be nervous about getting sending-country governments involved in migration. Many migrants are leaving precisely because of poor governance in their home countries. Getting those very governments whose citizens are anxious to depart involved in internationally negotiated agreements to control migration, collect taxes, and hold forced savings is not an obvious winner of an idea.²⁰

19. However, leaders in Latin America, such as Mexican president Vicente Fox, are increasingly taking up migration policy as an important political issue.

20. A scheme of this type in Mexico, a reasonably well-governed country, ended up in protracted legal disputes.

However, not having labor mobility perceived as an antidevelopment issue reduces its political support in host countries. As pointed out above, in none of the popular movements or policy advocacy has migration been a positive issue. Watching the coverage of the “Live Eight” concerts in July 2005, for instance, I was struck by how much enthusiasm could be generated for placing more resources under the control of African governments (more aid, debt relief), while apparently none at all could be generated for allowing Africans themselves to come in person and work. In fact, a fair bit of development advocacy is taken up in *fighting* brain drain–type recruitment, as in the recruitment of medical personnel from Africa.

How could migration policies be made more development friendly? The first step would be to make the allocation of country quotas for employment more “development friendly” by choosing a broader range of countries, depending on their needs. That is, if “migration” is thought of as at least in part development assistance along the lines of trade preferences, then part of the quotas could be allocated to the poorest countries. This is probably the main avenue by which these schemes could become more development friendly—just by increasing the incomes of at least some individuals from very poor countries.

For a *given* type of employment from a given country, what can be done to increase development friendliness? Sending-country governments could first be given some (small) share in the tax take of their citizens’ earnings while abroad. If temporary migration were broad in the ambit of legality, then collecting social security or pension taxes would be feasible. Because temporary workers may earn only limited pension benefits, remitting those to the individual or to the sending-country government is perhaps feasible (though of course this depends on local tax laws). The retention of those revenues until the mover returns is also another mechanism of inducing compliance with the temporary stay (though again, alone as an incentive it will likely not be effective).

Second, a key issue is how to enhance the development impact of remittances (de la Garza and Lowell 2002). Measures to make the market for remittances work more effectively to drive costs down are one obvious direction (World Bank 2005a). More broadly, often the interest of migrants in working abroad is precisely to accumulate savings for specific purchases. A greater portion of remittance flows support consumption directly. Moreover, even what savings accrue are allegedly not always invested in productive ways—but this is often because the investment climate is unattractive or governments are predatory, so “hiding” the savings in housing is attractive. Though the prospect of forcing migrants to pay remittances into some government scheme for

investment is not at all promising, if the development impact of migration is to be enhanced, one of the key channels will be to create savings schemes whereby a certain fraction of a worker's earnings are held in escrow and returned to the worker only upon return to the home country (partly as an enforcement)—but then the question is how to channel those escrow funds into productive investments.

Another promising avenue is to facilitate the participation of migrants in making entirely voluntary contributions to development projects in their home villages and communities. For instance, a social fund program in El Salvador has a provision for expatriate contributions of matching funds to local public goods (for example, schools, water projects). Again, it is important that these be voluntary rather than compulsory to prevent abuse and waste.

A third question of development impact is whether work abroad translates into future trade and business linkages. Though the focus is on “unskilled” labor from the point of view of the receiving country, in many countries individuals with high school degrees or higher are actually highly skilled relative to their market but “unskilled” in the developed-country market.²¹

A fourth question is how a temporary spell of working abroad changes a person's opinions, views—broadly put, is there a positive “empowerment” impact of work abroad, or not? If not, could something feasibly be done at low cost to create such an impact?

Although the details are to be worked out, the basic idea is to strengthen wherever possible the link between the higher wages paid to *nationals* because they are allowed to work in rich countries as part of a temporary migration scheme and the well-being of the *nation-state* from whence they came.

Accommodation Five: Sending-Country Participation in Enforcement

Sending-country enforcement is necessary if “temporary” is really to be temporary. If the sending-country government has no interest in migrants coming back, it is very difficult for the host-country government to overcome the desire between migrants and employers to collude (as is the case with enforcing laws against any “victimless” crime; if migrants want to work and employers want to hire, then both parties are satisfied, except for abuses, with illegality). But to get sending-country enforcement requires sending-country benefits. How sending-country enforcement works depends on the scheme—but schemes with labor brokers or contractors are an avenue for sending-

21. No one working on migration who lives on the East Coast can fail to have hundreds of personal examples. On a flight home from Washington, the person inspecting my bags as a contract hire of the security service was an Ethiopian man who had been an aircraft mechanic for Ethiopian Air.

country government to be involved. Of course, the real risk is that many sending-country governments are abusive and corrupt and would take advantage of any participation in a labor export scheme to extract benefits from the workers. In many countries, labor brokers and governments collude to exploit workers, so a large part of the gains from moving abroad are skimmed from the worker to the broker and governments that control and ration access to the schemes.

Bilateral schemes should have sending-country engagement in enforcement of the quotas (which is made easy with one-for-one reductions in the flow allowed in any year for any nonreturnees) but also receiving-country enforcement of the process of choosing eligible migrants and of broker fees. There will be more on this below.

Accommodation Six: Why “Protect Fundamental Human Rights”?

It is hard to think of groups more vulnerable than international migrants—they often move illegally and so have no recourse to legal systems to protest abuses; they end up in countries where they do not speak the language or know the culture and are often at the not-so-tender mercy of “dealers” or “contractors” (called pejoratively “traffickers” when the exchanges are illegal) or employers. History is replete with examples of horrific abuses of migrant labor. Some of the opposition to migration is the idea that migration is not really “voluntary” but rather a “tragic choice”—not a positive decision by people seeking opportunity but rather something people are forced into by the lack of any alternative (which leads to a focus on *reducing* migration as an objective). Certainly, under the current system of illegal and hence informal migration, many people are forced into tragic choices—which is why proposals for expanding labor mobility must emphasize that, within the legal schemes, moving across borders is an opportunity and not a tragic necessity.

It might be perceived as heartless to refer to protecting fundamental human rights as an “accommodation,” because I regard it as absolutely central in its own right to protect human beings from abuse. But I am emphasizing this as “accommodation” because of the curious political coalition needed to sustain support for labor mobility, a coalition perhaps best illustrated with an anecdote. When I was working on this monograph, I attended a conference in Europe of mixed American and European academics (most not economists). In discussing labor mobility, I tried to emphasize that the position that conveyed concern for the *world’s* poor was greater labor mobility—and in any case, there was a looming labor shortage in Europe. The Europeans by and large thought that concern for *Europe’s* poor meant that the proper “left” or socially progressive stance should be against labor mobility because a

“labor shortage” merely meant that real wages for the lesser skilled were increasing. As these positions were staked out, an economist living in Los Angeles piped up and said, “What do you mean there is no labor shortage, have you tried to hire a good gardener in Los Angeles?” This intervention, perhaps meant as support for my position, undermined it completely because it convinced the Europeans that labor mobility was indeed a plot by employers and the rich to exploit domestic labor by threatening them with imported workers.

The political coalition that will support temporary labor mobility will include employers, but to succeed it also has to include socially progressive forces that support labor mobility because of its beneficial effects for the world’s poor. At the risk of caricature, I would conjecture that protecting human rights will not be at the top of the agenda of potential employers that support expanded labor mobility. But while the socially progressive forces will be convinced of the necessity to protect human rights within any scheme of labor movement because it is the right thing to do, even the most heartless employers can be convinced to support the protection of human rights to promote the schemes politically.

Currently, many of the worst abuses of migrants arise precisely because of the illegal nature of the activity or, because legal channels are precluded, there is illegal human trafficking, such as across borders for prostitution. One goal of any systemic reform of migration is to move all cross-border flows into legal channels and thus allow a complete crackdown on illegal moves across borders. If only a fraction of the enforcement expenditures currently undertaken—for instance, to prevent Mexicans from getting ordinary jobs as domestic workers or gardeners—were devoted to preventing human trafficking for illegal purposes, the gains would likely be large.

But this “grand bargain” that includes the protection of human rights requires that employers in the host countries cooperate. This is why having a procedure to declare labor scarcity is crucial. Only if employers feel they have a legal mechanism for meeting what they feel are their legitimate demands for labor will a consensus emerge and enforcement be possible. The move to legality and protecting against abuses also might be another reason to move to sending-country labor brokers (again, in spite of the risks), as there is more possibility that they themselves will work to eliminate competition from illegal senders. Also, labor brokers make enforcement easier because they can be suspended from business, and because they would have to register in both sending and receiving countries, they can be controlled on both ends.

Even with encouragement to cooperate by host-country employers and sending-country labor brokers (if they are used), there needs to be a built-in

mechanism for reporting abuses by employers and by brokers. This mechanism needs to have the participation of both sending and host countries (host countries cannot rely exclusively on sending countries to patrol their own brokers). Penalties for abuse must be built into the system for employers, brokers, and sending countries (for example, losing rights to future flows).

Summary of Temporary Schemes

Table 4-4 summarizes the analysis by matching the accommodations to the specific anti-labor-mobility ideas that they are meant to overcome. This section does not make specific proposals, for these need to be tailored to the specific circumstances of each country, but rather indicate what are likely desirable features of the class of proposals for increased labor mobility that are politically acceptable. There are proposals that meet all or most of these broad principles on the agenda, either in specific instances or as a broader part of “globalization.” For instance, Massey, Durand, and Malone (2002) propose the issuance of 300,000 two-year visas for *temporary* Mexican immigration. Rodrik (2002) proposes to add a scheme for temporary work visas to the international agenda based on many of the same concerns as articulated here.²²

Outside the OECD countries, these programs are common. A recent study by Kremer and Watt (2006) examines the case of foreign domestic helpers. In Singapore and Hong Kong, these were roughly 7 percent of the total labor force (compared, for instance, with only 0.3 percent in the United States). These programs are very much a “temporary labor mobility” scheme because they are strictly controlled by the receiving countries, involve quotas on those admitted, limit the recruited women to the occupation of household worker, and usually involve bilateral relationships with sending governments. Kremer and Watt estimate the gain to the host country from this program as between 1.3 and 3.3 percent of national income. Moreover, because fiscal costs are limited (recruited women are not allowed to bring children, for instance), and because the provision of domestic help raises the labor force participation rate of skilled women, there are enormous fiscal gains (not fiscal losses). They note

22. Since I began working on this manuscript (alas, several years ago), some new proposals have emerged in the United States, including one from the George W. Bush administration. I am not going to address the specifics of these proposals, for several reasons. First, this book is primarily about the stance the development community should take toward labor mobility, not about policies in just one country. Second, it is impossible to discuss specific proposals without attracting partisan heat that is unproductive in the present context. Third, there are distinct issues of agreeing on general principles and the desirability of schemes of a general type. Because people in the development community are far from agreeing on the general principles, discussion of whether a specific proposal meets those principles is premature.

Table 4-4. *Schemes for Temporary Mobility of Unskilled Labor*

<i>Proposal</i>	<i>Schemes for temporary mobility of unskilled labor</i>	<i>Summary</i>
<i>Five forces for increased labor mobility</i>		
High and rising wage gaps	+	Allows workers some access to high wages
Differing demographic destinies	+	Limited impact as magnitude of problem is too large
Everything but labor globalization	+	Brings labor at least into bilateral relations
Employment growth in hard-core nontradable services	+	Singles out industries/occupations for quotas
Ghost/zombie countries	+	Employment quotas can be allocated to poorest countries
<i>Eight ideas limiting migration in industrial countries</i>		
Nationality is a morally legitimate basis for discrimination	+	Accommodation 1—unilateral control of agreements
Moral perfectionism based on “proximity”	+	Accommodation 6—protect human rights of workers
“Development” is exclusively about nation-states, not nationals.	+	Accommodation 4—making schemes as “development friendly” as possible
Labor movements are not “necessary” (or desirable) to raise living standards	+	
Increased migration of unskilled labor will lower wages and worsen the distribution of income in the receiving countries	+	Accommodation 3—occupation (and region) specific quotas to reduce job displacement
Movers are a fiscal cost as they use more services than they pay in taxes	+	Accommodation 2—temporary workers only
Allowing movement across borders creates risks of crime and terrorism	+	Accommodation 1—unilateral agreements can specify nationality and conditions for entry
“They” are not like “us”—culture clash	-/+	Accommodation 2—temporary means less cultural/political influence—but migrants are not “incorporated” and risks backlash

that if the United States were to initiate such a program that allowed the proportion of the labor force in this category to reach the levels of Singapore or Hong Kong and each woman remitted \$5,000 each year, this would make for remittances of \$40 billion annually—more than four times U.S. development assistance. Of course, these programs do often raise concerns about whether basic human rights are protected, but innovative programs in the sending countries are addressing the risks of abuse.

Working out the details for specific countries will require a substantial amount of work; readers will notice that all the details are left to be filled in: What is the process whereby the numbers for the quotas will be chosen? By which agencies? Who will regulate the contracts? Who will promote the “development” aspects? What fraction of taxes will be remitted, and to whom? Who will hold the savings in escrow? How will the rights of workers be protected? Many similar schemes have failed on these details, for that is where the devil resides.

Conclusion

In a democracy, every public policy requires some accommodations from what experts might conceive of as the “technocratic” ideal—military bases are diversified across constituencies, regulatory policy responds to public perceptions, highways are routed (or rerouted), import “safeguard” policies are adopted—to adjust to political pressures. There is no reason to expect that policy toward who is allowed to work in a country should be any different. The free market ideals of cosmopolitan globalizing economists of “let anyone come who wants to” has *no* political constituency. The enormous unpopularity of “immigration” as an issue in nearly every rich country guarantees that the accommodations will be large. The current “accommodation” that reconciles forces and ideas in many countries is denial—so migration is pushed underground and into an informal and shadow economy. This imposes large costs on the migrants and creates, in the long run, substantial political resentment and backlash, tainting all labor mobility with the broad strokes of illegitimacy.

As can be seen, the accommodations as part of a feasible increase in unskilled labor mobility make enormous sacrifices. Table 4-5 compares the three broad classes of policy proposals. The temporary schemes lose some of the economically attractive features of some policies, such as binding commitments to “market access” under the WTO, and try to eliminate some of the features of the “high-quality migrant” schemes that make them politically popular but unfriendly to development. Moreover, the accommodations tend

Table 4-5. *Summary of the Classes of Proposals for Increasing Labor Mobility*^a

<i>Proposal</i>	<i>Increased emphasis on high skill/wealth</i>	<i>GATS mode 4 within WTO</i>	<i>Schemes for temporary mobility of unskilled labor</i>
<i>Five forces for increased labor mobility</i>			
High and rising wage gaps	–	+	+
Differing demographic destinies	+		+
Everything but labor globalization	–	+++	+
Employment growth in hard-core nontradable services	+/-	+++	+
Ghost/zombie countries	–		+
<i>Eight ideas limiting migration in industrial countries</i>			
Nationality is a morally legitimate basis for discrimination	+++	---	+
Moral perfectionism based on “proximity”	++		+
“Development” is exclusively about nation-states, not nationals	--	+++	+
Labor movements are not “necessary” (or desirable) to raise living standards	--	–	
Increased migration of unskilled labor will lower wages and worsen the distribution of income in the receiving countries	+++	---	+
Movers are a fiscal cost as they use more services than they pay in taxes	+++	+/-	+
Allowing movement across borders creates risks of crime and terrorism	+++	----	+
“They” are not like “us”—culture clash	+	---	+/-
Summary	Politically feasible, not the most development friendly	Development friendly, not politically feasible	With accommodations, a bit of both

a. GATS = General Agreement on Trade in Services; WTO = World Trade Organization

to violate nearly every principle economists hold dear—let markets operate; intervene with price instruments, not quotas; keep bad governments' hands off as many transactions as possible; and allow people the maximum choice—for political viability.

But while the difficulties are immense, the potential gains are enormous. For instance, the projected *incremental* growth in low-skill, hard-core nontradable services in the United States over the next ten years is 5 million jobs (see chapter 1). From one data set, the average gain to migrants to the United States with a high school education or less was about \$8,000 annually (Rosenzweig 2004). Suppose that the composition of employment growth in other OECD countries over the next decade is similar to that of the United States, and suppose that the United States has about a third of total employment growth and that the wage gains are similar. Then, in 2010, there will be 15 million low-skill, hard-core nontradable jobs. If, through the use of schemes of the type proposed here, only 10 percent of these *incremental* jobs were held by poor-country citizens, the income gains would be 1.5 million times \$8,000, or \$12 billion—already a significant fraction of all development assistance. If, again due to the development of politically acceptable schemes, 50 percent of the increment (again, not half the total, just half the growth) could be taken up by poor-country citizens and 7.5 million additional people (still only a small addition to the OECD labor force) could work at these wages than would have in the absence of these schemes, then the net direct benefit to poor people would be \$60 billion a year—roughly the value of all current foreign aid, and if handled correctly, with net *benefits* rather than costs to the receiving countries. Advancing policies for increased unskilled labor mobility will not be easy. But for even these modest gains, it would all be worth it.