

## **A conversation with Michael Clemens on November 13, 2013**

### **Participants**

- Michael Clemens — Senior Fellow, Center for Global Development
- Cari Tuna — Co-Founder, Good Ventures
- Holden Karnofsky — Co-Founder, GiveWell

**Note:** This set of notes gives an overview of the major points made by Michael Clemens.

### **Summary**

GiveWell and Good Ventures spoke with Michael Clemens about the academic literature on labor mobility and funding opportunities in the labor mobility space.

### **Academic literature on labor mobility**

To show that marginal relaxation of migration barriers would have very large economic effects, it is not necessary to verify claims in the academic literature that fully opening borders would double world GDP. The most important effect shown in the academic literature is the large positive marginal effect of a feasible amount of migration. The literature shows that if 1 in 20 people from the developing world (as defined by the World Bank) were to move to the developed world, this would have a larger effect on global GDP than the elimination of all policy barriers to trade (including quotas, tariffs, and licensing restrictions) and the elimination of all policy and informational barriers to capital flows combined.

Migration is a major generator of employment and income. Other potential opportunities for people in developing countries, such as starting a business, getting more education, becoming employed through rural employment guarantee programs, benefitting from development projects, and using microfinance, do not achieve comparable outcomes.

Migration has positive effects on development more generally; it moves capital and goods to poor countries while strengthening institutions in those countries. For example, remittances are a major source of capital flows to the developing world; total remittance flows to developing countries are 4x greater than all foreign aid. Relative to interventions like increasing foreign direct investment in developing countries, increasing labor mobility has a much greater potential impact on development.

### **Funding opportunities in the labor mobility space**

Dr. Clemens proposed several funding opportunities in the labor mobility space.

### *Survival migration*

Alexander Betts, a Professor at Oxford, created the term “survival migration” to describe migration policies related to humanitarian crises.

Currently, US survival migration policy is not comprehensive. The US generally has a well-defined system for migrants who are fleeing group-specific violence, but it does not have policies to guide migration in other crisis situations, such as natural disasters. Generally, migration after natural disasters only occurs under ad hoc arrangements.

After the 2010 Haiti earthquake, Dr. Clemens met with many officials in Washington D.C. to advocate that the US use existing law to marginally facilitate labor mobility between Haiti and the US as one component of the disaster response. Both aid officials and immigration officials generally considered the proposal irrelevant to their separate mandates: aid agencies view their sphere of action as exclusively within the borders of aid-recipient countries, and immigration agencies have little legal mandate to consider the development effects of their policies. Clemens and two consultants, Sarah Williamson and Royce Murray, met with various Congressional staffers, administration officials, and diplomats over the course of 8 months asking them to pressure the Dept. of Homeland Security to use its discretion to add Haiti to the list of countries eligible to receive temporary seasonal work visas (H-2A and H-2B). On Jan. 18, 2012, Secretary of Homeland Security Janet Napolitano added Haiti to the list.

#### *Matching employers with migrant workers*

Currently, there is no cap on the number of H-2A Visas that can be distributed. In 2012, approximately 50,000 migrants used H-2A Visas. Foreign workers using H-2A Visas were about 5% of all seasonal farm workers in the US (with the large majority of seasonal farm workers having migrated without authorization from Mexico).

The H-2A Visa is underutilized in part because there is no informational mechanism to match employers with workers abroad. It is very difficult for an individual farmer to identify a specific worker in another country that will be able to do a particular job, and the US government does not assist employers or other countries to recruit suitable workers, so a match rarely occurs.

A non-profit called the Independent Agricultural Worker Center (CITA) works to solve this informational problem; it is an employer-migrant worker matchmaking organization based near the border crossing north of Sonora, Mexico. CITA matches about 1,000 seasonal workers per year (2% of all H-2A Visa workers) to employers across the US. CITA received start-up funding from the Howard G. Buffett Foundation and Catholic Relief Services. Dr. Clemens calculated an investment return of about 1000% for this non-profit.

Dr. Clemens spoke with CITA leadership about expanding to Haiti, but CITA said that it is not currently looking to expand to other countries of migrant origin.

Dr. Clemens believes that funding a new CITA-like organization with a new country partner is a high-impact opportunity. The plan for such an organization is already in place,

making this a “shovel-ready” funding opportunity. The International Organization for Migration has design just such a project and is prepared to run it from its Port-au-Prince office. The IOM estimates that that this would require approximately \$800,000 over 3 years as start-up funding. A representative of the Ministry of Labor in Haiti has committed to working with such an organization if it were to exist. Dr. Clemens spoke with trustworthy, experienced private recruiters who are prepared to work as recruiters for this organization. The recruiters would aim to recruit people from rural areas who are likely to return to their home countries. Chuck Barrett at Catholic Relief Services, who was heavily involved in the creation of CITA, has advised IOM and CGD on the key design decisions for this project.

Dr. Clemens spoke with most of the major philanthropies and aid agencies active in Haiti. Many showed initial curiosity about the project but all eventually indicated that they saw the facilitation of labor mobility as either outside their goals or counter to their goals.

### *Global skill partnerships*

Global skill partnerships are mechanisms to link skill development in developing countries with skilled migration to developed countries. For example, through a global skill partnership, a developed country government could fund education for someone in a developing country if that person is willing to commit to work in the developed country for a certain number of years.

Global skill partnerships are especially needed in the field of nursing. The US Government Accountability Office projects that in 10 years about 1 million more registered nurses will be needed than are likely to exist in the domestic workforce. The European Commission projects a gap of about 600,000 nurses for Western Europe. About 150,000 nurses will be needed in Australia and New Zealand.

It is likely that migrants will ultimately fill the gap for nurses in developed countries, but global skill partnerships should be set up so that the countries that benefit from nurses' skills are also contributing to the cost of the nurses' education. Many developing countries have complained in the past that nurses who were educated at public cost subsequently emigrated to developed countries. South Africa, a leader in the international community on this issue, is considering a ban on foreign recruitment of nurses from their country for this reason.

Dr. Clemens is working with the Center for Mediterranean Integration in Marseille and the World Bank in Washington to identify partner countries interested in entering into a Global Skill Partnership. He is also working with researchers at the Development Policy Center at the Australian National University to draw lessons from an Australian program, the Australia-Pacific Technical College, with similarities to a Global Skill Partnership. Officials of the German government are now involved in discussions about the possibility of creating such a partnership between Germany and a North African country, in the nursing or tourism sector.

There was a related, private-funded initiative to bring Tunisian workers to Hamburg, Germany, but was suspended when students learned that they would be required to take out a loan to participate in the program. Students felt that they had not consented to the conditions of the program and staged protests that led to bad publicity for the program. The Hamburg program had planned to have students receive training in Germany, which would have missed some of the potential benefits of a global skill partnership because training is much less expensive in developing countries. Training workers in developing countries is also beneficial because it supports the development of training institutions in source countries, which enables more of the source countries' citizens to be trained and limits the potential for brain drain.

### *International student loans*

Creating an institution that offers international student loans would enable more students in developing countries to become educated in skills that would enable them to migrate. For example, an international student loan system between Texas and Mexico has been set up for this purpose. In Monterrey, Mexico, nursing schools make loans to nurses on the condition that nurses will work at partner hospitals in Texas for a few years. The nurses can buy out the work commitment if they are not satisfied with their employer. As part of this program, nurses use TN Visas, a Visa that high-skilled Mexicans can use under NAFTA. Nurses Now International is the institution that facilitates this program; it is a for-profit company that has been in operation for about 7 years.

Dr. Clemens has studied migration between Morocco and Germany and migration between Tunisia and Germany. He found that nurses would be able to pay off their entire nursing education (if they were educated in developing countries) after about 4 months of work in Germany. There is clearly a potential economic opportunity for institutions to provide international student loans.

However, international student loans rarely exist because lack of information. Solving the information problem would require start-up financing. Once a non-profit proves the feasibility of the concept, private businesses could provide international student loans in the future.

Dr. Clemens is not aware of any institutions that are currently seeking start-up capital to offer international student loans. However, a private funder could fund a demonstration project to show that the concept is feasible.

### *Migration banks*

The Global Forum on Migration and Development (GFMD), which has been held almost every year since 2007, has led to helpful engagement between origin countries and destination countries, but has not produced any game-changing agreements or initiatives. Most of the discussion at these forums is about protecting migrants' rights, which is a very important issue, but it is much more important to secure people's right to migrate.

However, one promising idea that came out of GFMD was Philip Martin's proposal to set up a bank for financing migration. Migration banks would solve a major problem; typically, to finance migration, potential migrants are required to take on a large amount of debt with a predatory lender who charges extremely high interest rates. A government-run migration bank could offer lower interest rates, which might also facilitate more migration. Dr. Clemens believes that every country should have a migration bank.

Dr. Martin brought a proposal for a migration bank to the government of Bangladesh, but Bangladesh ultimately was not interested.

Dr. Clemens is unsure whether Dr. Martin has other countries that he would like to approach to fund a migration bank; it would be worthwhile to follow up with Dr. Martin about this.

Dr. Clemens does not know what the potential difficulties for such a bank would be in different settings.

#### *Migration-related working groups*

Dr. Clemens would like to start two working groups that he believes will lead to greater migration in the future: a migration-aid working group and a regional treaties working group.

The migration-aid working group would bring people together to advocate for using aid resources to facilitate migration. Dr. Clemens has spoken with staff in different administration and Congressional committee offices about this possibility. The working group could bring US officials together with people from other aid agencies that have already used aid resources to facilitate migration, such as the Australian aid program. One example of using aid resources to increase migration would be to use aid money to strengthen Haiti's Ministry of Labor so that it could facilitate the use of US H-2A and H-2B visas.

The working group on a bilateral labor agreement would bring together senior officials to begin to craft a bilateral agreement between the US and Mexico on migration of low-skilled labor. The primary obstacle to starting this working group is a need for more funding. The statutory mandate for such a group already exists and would not require a new law or treaty.

According to a memoir written by someone who was an ambassador at the time, Mexico and the US were close to a bilateral agreement in 2001. Vicente Fox, former President of Mexico, and George W. Bush were in negotiations, but then 9/11 occurred and discussions were never re-opened. Ideally, the new working group would bring together people who were involved in the Bush-Fox negotiations.

A bilateral agreement between the US and Mexico is needed so that there is a financial, informational, and planning mechanism to facilitate migration of low-skilled labor from

Mexico to the US. Currently, there is no alternative to illegal migration, which leads to worse outcomes for all involved. Agreements would need to be reached about how to tax migrants, what social benefits migrants would receive, etc. Many other guest worker programs around the world are based on bilateral agreements.

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