

## **CALL FOR PROPOSALS: MIGRATION AND LABOR MARKET OUTCOMES IN SENDING AND “SOUTHERN” RECEIVING COUNTRIES**

Within the framework of the Multi-donor Trust Fund (MDTF), **“Labor Markets, Job Creation, and Economic Growth: Scaling up Research, Capacity Building, and Action on the Ground,”** the World Bank's Social Protection & Labor Unit intends to solicit proposals from qualified research institutions, firms, including universities, NGOs, or other institutions on the topic of “Migration and Labor Market Outcomes in Sending and ‘Southern’ Receiving Countries.”

### **1. Background**

The demographic developments of the main regions of the world are characterized by large disequilibria, reflecting different evolution of fertility and mortality trends. These differences are likely to become even more pronounced in the decades to come, and this will accentuate the divergence in labor force growth between regions. Europe and Japan will have low or even negative growth, and other regions, such as MNA or India, will have continued high growth.

For the rich countries, a constant or declining labor force implies lower GDP per capita growth, unless a declining labor supply is compensated by higher productivity growth. But the latter risks to be negatively impacted by an older and less entrepreneurial population. Labor force stagnation also implies a higher burden through social security programs such as pension and health, which is largely independent of how these programs are funded. On the other hand, the developing countries with continued strong labor force growth will be extremely hard pressed to create the millions of additional jobs needed to accommodate the new entrants. This disequilibrium calls for demographic arbitrage and ideas on how to structure capital as well as labor flows to obtain a win-win situation (for sending country, receiving country, and migrants). This includes, among others, managing temporary and permanent migration, improving the use of remittances in labor-sending countries, and introducing or strengthening cost-effective social policy programs to make return migration individually attractive.

While in recent years, migration literature has burgeoned, it has mostly focused on South-North flows, neglecting “South-South” flows.<sup>1</sup> But almost exclusive focus on South-North flows is not warranted. Although wage increases experienced by South-South migrants are much smaller than those by South-North migrants, the share of the latter in overall migration is very significant. In fact, Ratha and Shaw (2007) estimate that in 2005 nearly half of the migrants from developing countries resided in other developing countries and that the share of South-South remittances ranged from 9 to 30 percent of total developing countries’ remittances. Indeed, not only is the South-South migration

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<sup>1</sup> Important recent exceptions are papers by Gindling (2007), estimating the impact of migrants from Nicaragua on labor market outcomes in the neighboring Costa Rica, and by Ratha and Shaw (2007), estimating the size of South-South migration and remittances, and discussing key issues related to South-South migration.

economically important, but it also differs from South-North migration in several important aspects. Three aspects are particularly important:

- *Proximity of sending and receiving countries.* Ratha and Shaw (2007) estimate that almost 80 percent of South-South migrants work in neighboring countries, with proximity and ease of crossing borders explaining the large volume of migration despite relatively small wage gains from migration.
- *High prevalence of illegal migration.* For a variety of reasons, illegal (sometimes called irregular) migration is even more common in South-South than in South-North migration. *The demand* for such workers is higher because law enforcement is weaker in developing countries and so employers are more prone to hire migrants without proper documents. Moreover, informal economies are larger in developing countries, and consequently these countries can accommodate higher shares of illegal workers in their informal sectors. *The supply* of illegal migrants (the likelihood of migrants entering into the receiving country illegally, or overstaying their visas) is also higher in developing countries. First, due to their porous borders, entering into developing countries illegally is easier than into developed countries. Second, restrictive, bureaucratic, and costly migration regimes of developing countries push immigrants to circumvent them by entering or staying in host countries illegally, and by working without work permits – and without a work contract as well. And third, particularly poor migrants face difficulties in obtaining travel documents in their countries, and find it easier to migrate to other developing countries without proper documents.
- *Higher prevalence of shorter, seasonal migration flows, as well as return migration and re-migration,* as the direct consequence of the proximity of sending and receiving countries characterizing South-South migration, and the relative ease of crossing borders.

## 2. Research Objectives

The objective of this research is to articulate sound, well-substantiated policy options that will help improving migration outcomes for sending countries, receiving countries, and migrants themselves, while focusing on issues as described under scope of the work (see below).

The areas of policy implications sought under this research include:

- managing permanent and temporary migration;
- improving the incentives for productive use of remittances in labor-sending countries;
- developing policies and programs for returning migrants, including encouragement of return migrants to start self-employment or start businesses;
- reaching out to the diaspora to attract investment and establish business links;
- developing and upgrading skills of migrants;
- introducing education and social programs for children of migrants; and
- improving social protection for migrants during and after migration.

In addition, the research will:

- summarize and assess national migration policies of major Southern receiving (and possibly sending) countries (such as Middle East, South Africa, Costa Rica, Russia, India, and Thailand), as well bilateral and regional migration agreements (to establish good practices); and
- contrast labor market outcomes related to South-South migration with those of South-North migration (since much is known about the latter, a desk study summarizing the evidence on South-North migration will suffice).

### 3. Scope of Work

The World Bank has recently launched a research program on the development impact of migration.<sup>2</sup> The objective of the research is to identify policies, regulations and institutional reforms that will lead to improved outcomes for developing countries. The research focuses on developing countries – sending countries – but also looks at the impact of migration on developed countries, as well as on migrants themselves, because the effect on both sets of countries (sending and receiving) will also depend on the degree of success of the migrants themselves. In short, the main objective is to identify “win-win-win” policies, improving outcomes for developing countries, developed countries as well as migrants.

**The migration research** to be undertaken under the “Labor Markets, Job Creation, and Economic Growth: Scaling Up Research, Capacity Building, and Action on the Ground” multi-donor trust fund program **will focus on migration-related labor market outcomes (i) in sending countries, and (ii) in “Southern” receiving countries.** It is expected to cover both theoretical and empirical aspects and to adhere to the highest standards of professional rigor. While generation of substantial new information (via migrant surveys, for example) is not envisaged (except in piggybacking on existing surveys by adding specialized migration modules), the collaboration in processing of existing information with the Migration Working Group of the World Bank will be strongly encouraged (and overlapping of the work between the groups avoided).

#### A. Effects of migration on labor market outcomes in sending countries<sup>3</sup>

Key issues of concern are as follows:

- (a) **What impact does migration have on wages, employment, and labor force composition** (by skills, age, and gender)? Emigration reduces labor supply in sending countries. To the extent workers who migrate are in excess supply in the sending country, the main effect may be the reduction of unemployment or underemployment. On the other hand, if the skills of migrants are scarce, migration will contribute to excess demand for such skill in the sending country and create pressures on wages for those narrowly defined groups in eventually help to increase

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<sup>2</sup> See “International Migration and Development,” <http://go.worldbank.org/RFRQAN6BO1>.

<sup>3</sup> Particular attention will be paid to sending countries as prioritized by donors.

them (for example, of health workers – nurses and doctors). There may also be induced effects on increased enrollment in education and training providing such skills and professions (with the impact of remittances possibly countering such effects – see below). The evidence on these issues is weak and more research would help bridge this knowledge gap.

- (b) **How to explain and quantify the effects of brain drain?** Skilled emigration – particularly if not followed by return migration – reduces the level of human capital in the sending country, and this phenomenon is most widespread and hence problematic for developing countries. The magnitude and the dimensions of the effects of brain drain, however, are not well established – it is not clear how the loss of human capital affects specific sectors, what are the main channels and mechanisms through which losses occur (apart from obvious loss on investment in education), and how economic growth and development are ultimately affected. Special emphasis should be placed on identifying and characterizing the local impact of skills mobility, because migration is a highly clustered process and the aggregate numbers mask its impact in certain localities, particularly in rural areas.
- (c) **Do countries experience “brain gain” as a consequence of international migration?** In principle, there are two ways how international migration can off-set the loss of human capital and potentially increase the sending country’s human capital in the long term. One channel is return migration. Upon return to the home country, migrants may take advantage of skills and resources gained abroad, as well as of their links to diaspora, to promote productive employment, either as self-employment or setting up a new firm, or within existing firms.<sup>4</sup> This may be particularly importing in the case of “frequent return migration” (when individuals repeatedly migrate and return to their home countries for extended periods of time, the time of migration that is of particular importance in South-South flows). The other channel through which sending countries may gain from migration is by attracting potential migrants to pursue additional education and training so as to improve their migration prospects. The evidence on the economic importance of the above two aspects, as well as on the factors that affect successful return migration is not firmly established and more evidence is needed.
- (d) **What are the effects of remittances on the labor market?** Another channel through which international migration counters losses incurred by migrants withdrawing their labor supply in their home countries is remittances. A key question concerns whether remittances are consumed or invested. Important channels through which remittances affect labor market include (i) increasing employment opportunities and productivity, if spent on investment; and (ii) enhancing school enrolment and health outcomes of children by increasing resources of households. On the other hand, remittances may create dependency syndrome (a type of the Dutch disease) by creating labor market disincentives and increasing demand for leisure, as

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<sup>4</sup> In addition, by taking advantage of the links with their diasporas, sending countries may reap additional benefits that help mitigating various migration-policy trade-offs (see J. Dayton-Johnson and T. Xenogiani, “Immigration, Development and Policy Trade-Offs, OECD 2006).

households may rely less on their own income generating activities. Moreover, the Dutch disease may affect also incentives to attend school and improve skills. Another channel worth exploring is spillover effects of remittances on the local economy.

## **B. Migration and LM outcomes in “Southern” receiving countries**

The research will elaborate on the following issues:

- (a) **What impact does migration have on wages and employment?** In developed countries, there is empirical evidence that the increased supply of relatively low-skilled immigrants moderately reduces employment opportunities and wages of domestic workers with similar skills (in specific industries and sectors), as well as contribute to rise in inequality and social tensions. Do these outcomes apply also in the “Southern” receiving countries? In particular, are key migration outcomes – such as the impact on wages, inequality and poverty in the receiving country – different in developing countries than in the developed countries? Do these effects differ by skills class? The characteristics of South-South migrants may be different from those immigrating to developed countries, probably more similar to the characteristics of the residents of immigrant-receiving Southern countries, and so the effects of migration on labor market outcomes of receiving countries may be less pronounced.
- (b) **Labor market outcomes for migrants.** An important and hitherto virtually unexplored aspect of migration relates to the labor market outcomes of migrants themselves. As mentioned above, a much larger share of South-South migrants is likely to stay in the country illegally and work without valid documents. Such migrants are much more vulnerable to exploitation by employers, work under poor working conditions, are exposed to large health and safety risks at the workplace, and are subject to abuse and harassment by authorities. Hard evidence on the above aspects – including about how women fare during migration – is badly lacking and it would be instrumental in improving migration policies and programs. Another aspect is the examination of labor market outcomes produced under unstable migrant flows, such as flows created by ethnic conflicts and wars and natural disasters.
- (c) **The determinants of migration (the ‘push’ and ‘pull’ factors):** What are these factors in the South-South context? Do these factors differ from those in South-North flows? Do they differ across skills classes and occupations?

## **4. Expected Outputs & Dissemination**

The expected output of this research will consist of a number of publications including working papers, policy primers, diagnostic tools to assess labor market and migration policies and conditions, and summaries and other inputs to be used for dissemination via website. A flagship report will also be produced, describing the key issues and challenges and offering policy recommendations. Apart from the website, other dissemination channels will include workshops and conferences, including presentations at IZA-World Bank annual conferences on labor market in developing countries.

## 5. Selection & Eligibility Criteria

The proposals will be selected based on the following criteria (presented in the order of importance):

- Policy relevance.
- Innovation.
- Exploiting existing knowledge.
- Technical quality.
- Capacity for delivery (quality of the core team, partnerships and alliances).
- Realism of budget and timeline.
- Comprehensiveness of approach/the scope of issues addressed by the proposed research.
- Proposals involving North-South collaboration of research institutions are specifically encouraged to apply.

**Eligible Participants:** Research Proposals can be submitted by individuals, as well as firms including universities and research institutions, NGOs, or other institutions. World Bank Standard Procurement Rules apply (see World Bank Procurement guidelines at <http://go.worldbank.org/5GOU2GVSZ0>).

In line with the donors' request to reach out to the global research community, we will not be accepting proposals from Bank staff.

### Funding Restrictions

The proposal process will comprise two rounds. Details are provided in the section on Proposal Process. All contracting will be subject to standard Bank procurement policies.

1. Round 1 is the submission of proposal Concept Note (3-5-page outline). Proponents will not receive funding for this stage of the process. From all submitted Concept Notes, up to five will be selected to move to the proposal development stage (20-25 pages). Proponents will not receive funding for this stage of the process.
2. Round 2 is the selection of the winning proposal from Round 1 to be allocated up to US\$ 500,000 for implementation of research proposals.

## 6. Selection Process & Timing

### Proposal Process

The above research agenda will be approached by the following two-round implementation process:

**Round 1: Soliciting expressions of interest and full-scale, substantive proposals to be implemented in the second round.** The first round will consist of two stages. In the first stage, short concept notes – “expressions of interest” – of 3-5 pages will be solicited from

a wide circle of potential consultants, and firms i.e. universities, research institutes, etc. Among these expressions of interest, up to 5 will be selected and invited to develop their research proposals into comprehensive proposals of approximately 20-25 pages which should include implementation plans and descriptions of team compositions and consortiums formed.

**Round 2: Implementation of full-scale, substantive research proposals by the winning authors.** The best, winning proposal from Round 1 (selected in consultation with donors) will corroborate their hypotheses and implement their research agenda. A budget of US\$ 500,000 will be allocated to the selected, winning proposal. The selected institutions will be asked to provide a detailed research and implementation plan, including a budget breakdown. World Bank standard Bank Procurement policies will apply.

### **Timing**

**Round 1** will begin with the call for “expressions of interest” in June 2008. The winning proposals (up to 5) will be selected in August 2008, and the substantive research proposals (around 20-25 pages) will be completed by October 2008.

**Round 2** implementation of the winning research proposals by the authors will start in November 2008 and be concluded by May/June 2010 (including dissemination). The dissemination will include print and website, as well as presentations at workshops and conferences. First, intermediate results will be presented in May 2009 at the 4th IZA-World Bank annual conference on Employment and Development and disseminated via the trust fund’s website and other channels.

### **6. Budget**

A budget of US\$ 500,000 will be allocated to the winning proposal.

### **Key Dates:**

1. **Application Deadline: July 18, 2008.**
2. Selection and Review Board Meeting: August 2008.
3. Winners of first round (up to 5) will be informed by end-August 2008.
4. Submission of substantive research proposals (approximately 20-25 pages): October 18, 2008.
5. Selection of 1 winning proposal; winner will be informed and awarded: end October 2008.
6. Start Implementation of research proposal: November 1, 2008.
7. Presentation of first results/progress report at 4<sup>th</sup> IZA-WB-Employment and Development Conference: May 2009.
8. Conclusion and final dissemination: May/June 2010 (presentation at 5<sup>th</sup> IZA-WB-Employment and Development Conference).

## **7. Contacts & Submissions**

The qualified firm and/or individual will be selected based on the quality of the submitted research. Interested firms or individuals should submit proposals by email to Sowmya Srinivasan at [ssrinivasan4@worldbank.org](mailto:ssrinivasan4@worldbank.org), copying Friederike Rother ([frother@worldbank.org](mailto:frother@worldbank.org)) and Milan Vodopivec ([mvodopivec@worldbank.org](mailto:mvodopivec@worldbank.org)). **Proposals should be submitted no later than July 18, 2008.**

The World Bank reserves the right to issue a Request for Proposal to qualified firms, whether or not an Expression of Interest received.