

A Systematic Framework for Cross-national Labor Migration and Regional Development

CHEN Lixing

I. Introduction

Cross-national labor migration is closely associated with the political, economic and social disparities between emigrating societies and immigrating societies. It involves individuals who migrate between localities in different countries. Until now the issue of cross-national labor migration has been discussed from various perspectives. Most of the studies focus on the economic or social problems it brings about, and attempt to find ways to resolve these problems and social conflict. However, it is often overlooked that cross-national labor migration is not an accidental individual behavior but an inevitable phenomenon brought about by the social system. This paper examines cross-national labor migration using the approach of system analysis and trying to sketch a systematic framework for cross-national labor migration and regional development. It can be viewed that all the factors concerned with cross-national migration share very close causality and they influence each other greatly. A clear framework to clarify how cross-national migration is related with regional development is likewise presented. Moreover the factors that influence cross-national labor migration during the process of regional development is followed up.

It is hypothesized that cross-national labor migration is a system with many sub-systems which can feedback openly. within the system, the emigrating localities and the immigrating localities in different countries and areas can be considered as two sub-systems. This study will check in which way these sub-systems can work well and how the factors influence each other in the process of the system feedbacking.

II. Approach

(1) The Sub-system in labor receiving locality

As for as cross-national labor migration and the regional development are concerned, the process of industrial restructuring and division of labor become more and more important, especially with the integration of the world economic system after the cold war. Nowadays, in most developed countries and areas, the birth rates have decreased and labor cost has increased, while in developing countries and areas, population is still large and the surplus of labor force has become a serious problem. Moreover, with the progress in technology and information science, it has become more and more easy for the transnational corpora-

tions to engage in cross-national business. Against these background, an enterprise, which is vital for the industrial development both at the local and regional levels, has to take some measures to survive, which include the promotion of mechanization; employment of foreign workers and the transfer of factories to the areas where the productive cost can be reduced.

As for the promotion of mechanization, nowadays, in developed countries and areas, the market competition is getting more and more severe and consumers' needs are becoming more and more variant, so the frequent product changes to meet the market needs requires that the products be produced in small quantity. Therefore, it is difficult for a company to make much more profit by continuously investing in new equipment unless it was a high value-added industry.

The other two measures are important especially for the small and medium-scale enterprises and some 3D industries (dirty, difficult and dangerous) in developed countries and areas. These industries play a vital role in the development process at the local level. However as the situation changed, they have to either relocate the company to foreign countries or employ cheaper foreign laborers to meet the competition. It can be hypothesized that the more companies transfer abroad the more vacant the local industries will become. But on the other hand it might promote the employment capability and stimulate the vitality of the area in developing countries where the companies decide to locate.

Firstly, we will check the sub-system in the labor receiving area taking into account the employment of cheaper foreign laborers as the main factor. Here, the foreign laborers can be classified into two categories as short-period laborers and long-period laborers. The short-period laborers are the laborers who work in the receiving area for 2-3 years and then go back home, such as some Brazilian-Japanese workers in Japan and the foreign laborers in middle east countries, while the specialists and technicians who have the intention to work in foreign countries for a longer period of time and have the possibility of settling down in foreign countries are referred to as long-period laborers. In this paper the focus will be set on the short-period laborers.

As for circle 1, the increase in employment of Brazilian-Japanese laborers can be taken as a case. During 1988-1992 when the business condition in Japan was good, about 200,000-300,000 Brazil-Japanese laborers come to Japan⁽¹⁾. At that time it was obvious that the shortage of labor force was the main factor for the employment of foreign laborers. But since the Japanese economy is suffering from a recession, how to keep the employment of local people more stable instead of addressing the issue of labor shortage has become a serious topic. In spite of this the employment of Brazilian-Japanese laborers still has increased.

From Table 1, we can see that in 1992 the foreign laborers in Japan increased by 36% from that of the previous year. After 1992 the Japanese economy started to decline, yet the number of foreign laborers coming to Japan still increased at about 11.5% a year. According to a survey conducted in Mie prefecture by Professor Osaki, the foreign laborers are mainly employed in the industries like manufacture, construction and service, as show in Table 2.

Circle 1. The employment of short-period foreign laborers and development in labor receiving localities.

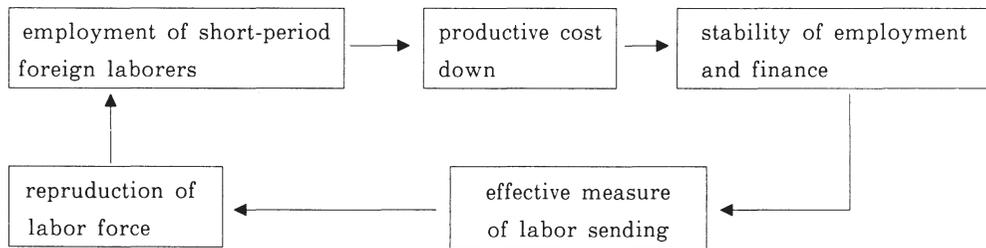
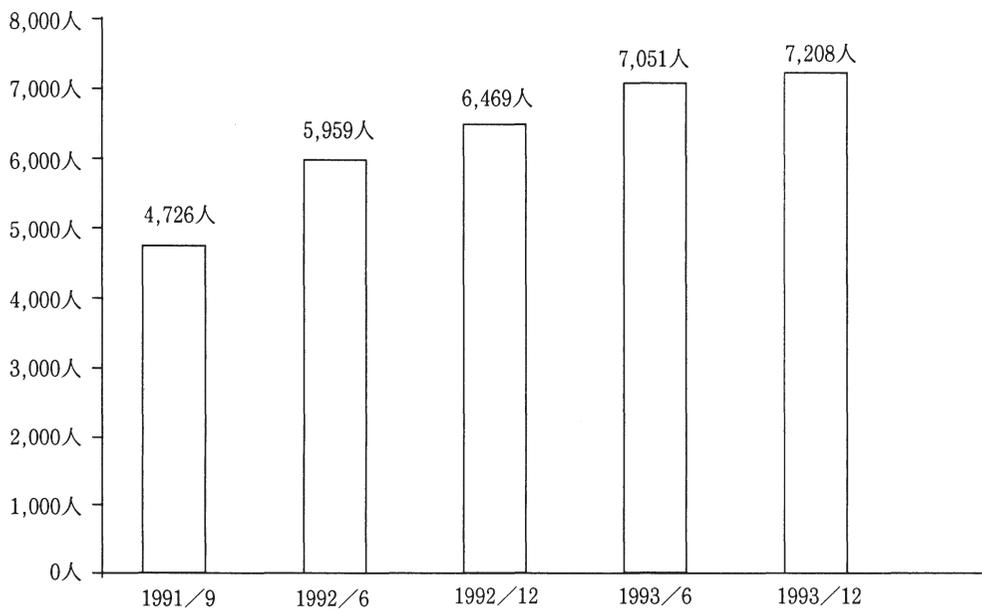


Table 1. The number of registered Brazilian and Peruvian laborers in Mie Prefecture, Japan



Source: Data were obtained from "Report on the Employment of Foreign Laborers in Mie" , M. Osaki, Mie Prefectural College, 1994.

It can be viewed from Table 2 that the rates of employment of foreign laborers vary for different industries, averaging about 6.98% in manufacturing, 6.5% in service and 8.3% in construction.

In some special industries, the employment of foreign laborers as manual labors becomes an important variable to keep the feedback in Circle 1. That is to say that with the

Table 2. The employment of foreign laborers in Mie Prefecture

Type of Industry		Numbers of Employees		
		Foreigner	Total	%
Manufacture	Transportation Instrument	213	6,415	3.3%
	Electronic Machine	55	535	10.3%
	Foundry	19	307	6.1%
	Food Processing	34	512	6.6%
	Textile	13	543	2.4%
	Rubber Processing	66	500	13.2%
Service		22	341	6.5%
Construction		1	12	8.3%

Source: "Report on the employment of Foreign Laborers in Mie", M. Osaki, Mie Prefectural College, 1994

employment of the low cost foreign laborers, the company can survive and can avoid transferring the factories abroad, thus there results in the stable employment for the local people which account for about 90% of the total employment.

In Circle 1, it is viewed that the employment of short-period foreign laborers can keep the productive cost down, and simultaneously keep the social costs from increasing in the labor receiving areas, because most of the short-period foreign laborers go overseas while their families remain at home.

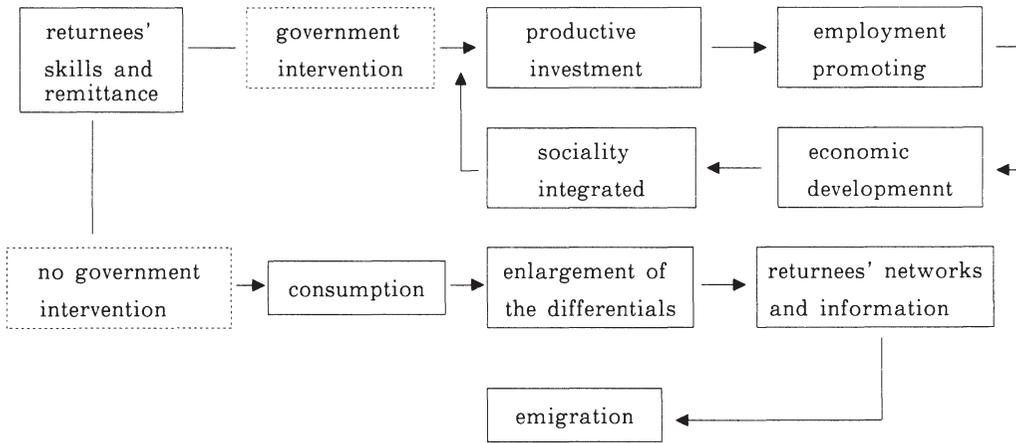
In the feedbacking process in this circle the following problems should be paid attention. 1. To effectively receive low cost labor is an important factor to keep the circle feedback. But it is easily effected by the migration law. In case of the mechanism functions effectively between sending sector and receiving sector, the necessary low cost labor force can be attained. 2. The foreign laborers are making contributions to sustain the development in the receiving locality, and at the same time they will make the lowest social stratification in Japanese society. 2. It is unavoidable that the foreign laborers will be isolated from local community. Hence it becomes imperatively necessary for the local government to make important development policies with equity as a key concept.

(2) Sub-system in Labor Sending Localities

In the sub-system in labor sending localities, we can take into account the utilization of the laborers' remittances and their experiences. The discussions focus on post-repatriation of short-period foreign laborers and, how their remittances and experiences could contribute to the development of their home localities.

In Circle 2, the impact of productive investment and consumption on development is absolutely different. Obviously, whether or not the laborers invest their money to productive activities and make good use of their skills and experiences gained abroad will make a great difference in the development of their home localities. At this point, it is indispensable for the local government to intervene and stimulate productive investment. Otherwise, if the remittances flows only to consumption, the employment capability can not be

Circle 2. The repatriation of short-period laborers' and the development in their home localities.



increased. Consequently cross-national migration will become more active with the returnees' information and personal networks. However, at present, it is said that a large proportion of remittances went into increased consumption and financial savings⁽²⁾.

The data in Table 3 show that the amount invested directly in business as a percentage of the remittance income was 12.8% in Pakistan, 17.8% in Sri Lanka and 11.5% in Thailand, which is very low. The table further shows that about half of the remittance still remained abroad, which is a great potential source of fund to promote business investment in the labor sending areas.

Thus in Circle 2, it can be said that there are two factors that have great influence on the process of feedbacking. First is local government intervention in terms supporting policies and providing the industrial infrastructure to stimulate investment. Second is favorable employment environment making good use of the skills and experience of the returnees.

However, since personal investment is limited, it will be effective for the government to invest some money to create an employment environment that will utilize the returnees skills and experiences. We found a successful case in Shanxi, China which give an example of an effective intervention that brought about substantial development⁽³⁾. In 1993 I conducted a survey to follow up the situation of the Chinese trainees after they return home. The study area is located in the Yellow Height along the Yellow River, one of the poor areas in China, where it was said that apple trees could not grow. After some trainees went back to China from Aomoro, Japan where they learnt some technique of apple cultivation, in 1986, the local government invested 500 million Yen to set up an apple tree cultivation center and supported them to work there. This center grows apple saplings, trains the peasants how to cultivate apple trees. After two years, the center's sales doubled every year. Moreover after five years many peasants in this area succeeded in planting apple trees and the income from selling the apples also increased every years.

Table 3. Saving/ Investment out of Remittance Income

	Pakistan 1980-85	Philippines 1982	Sri Lanka 1986	Thailand 1982
Property investment, Land, Housing, real Estate	20.7	7.2	18.1	33.1
Business Investment Transport, Trade, Service	12.8		17.8	11.5
Financial Savings / Deposits	8.0	7.9	8.6	13.4
Total (Savings / Investment)	41.5	15.1	44.5	58.0

Source: Amjad, *To the Gulf and Back: Studies on the Economic Impact of Asian Labor Migration*, ILO / ARTEP, 1989

From this case it can be deduced that this center does not only provide some employment opportunities for the returnees, but with the returnees' skills and experiences, their home locality has developed. So government investment becomes necessary to bring about development in a good circulation in that area. On the other hand, if the government launches no effective intervention, the labor migration will run into a vicious circulation of poverty, which is evident in the Philippines. From 1981 to 1989, overseas workers remitted a total of US\$ 6.14 billion through the bank to the Philippines, which constituted the third largest source of foreign exchange earning, next to the export of electronics and garments⁽⁴⁾, yet business investment is very low (see Table 3). As to why the returnees do not invest the remittance in business, Rashid Amjad pointed out that the recent Philippines Medium Term development Plan still gives very little attention to overseas migration in either a macro or sectional framework.

(3) Sub-system for Foreign Investment in Labor Sending Locality

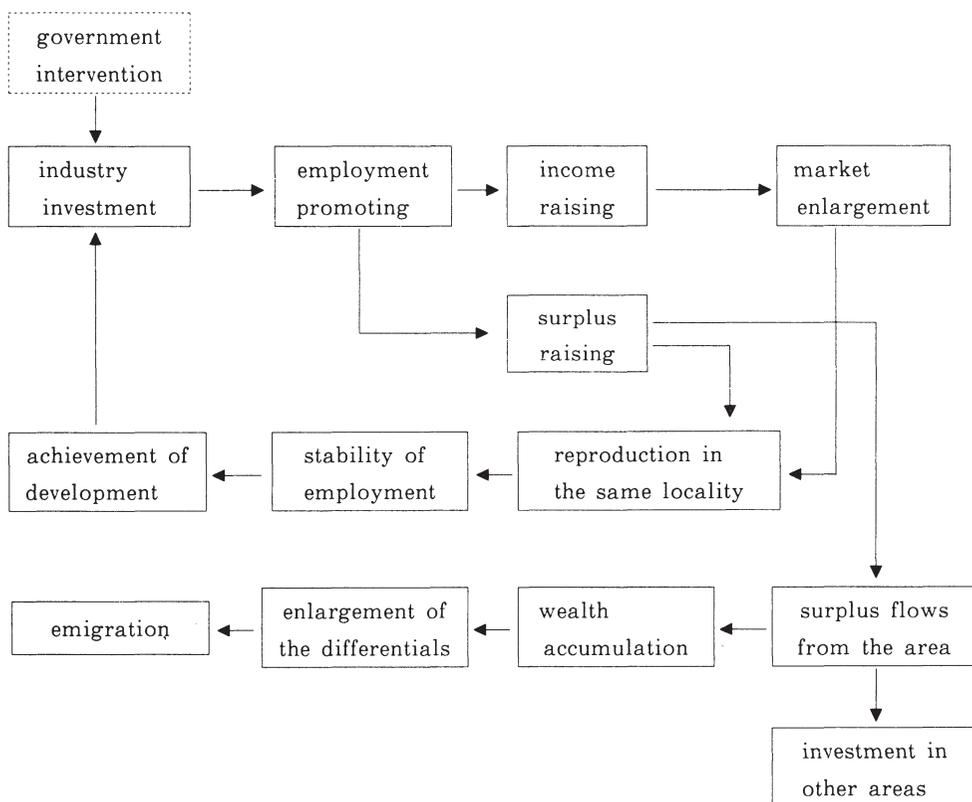
With the great changes in the political situation after the cold war, the world economic system is being reconstructed and transnational corporations have become more and more active. As discussed previously, the enterprises in developed areas have to either employ cheaper foreign laborers or transfer their factories to areas where the labor cost is lower. Here the focus will be put on the influence of transferring the factories to labor sending areas on the cross-national migration.

In Circle 3 it is viewed that in order to make the Circle feedback, government intervention is very important. The interventions should include not only the improvement of infrastructure, but also the implementation of attractive policies on taxation and provision of high quality labor force. With these interventions, the foreign investment will increase, the employment will be enlarged and the income of the laborers in that area will also improve. The investment, especially in the manufacture industry, can produce a great number of employment opportunities. Next we will look at the changes in Penang in Malaysia and Shenzhen in China. In Penang from the 1970s, the Malaysian government launched a policy to set up an Economic Processing Zone to attract foreign investment. As the result of the industrial development, nearly all the labor force in neighboring rural area

were absorbed. After ten years, since the 1980s the shortage of labor force in the agricultural sector and construction industry has attracted many laborers from foreign countries, such as Thailand and Indonesia. The situation now in Shenzhen, China is much similar to that of Penang in the 1970s. Since 1980, when Shenzhen was classified as an Economic Special Zone, foreign investments increased greatly. Many laborers from the nearby rural areas has been absorbed , and this area together with the surrounding areas developed rapidly. The development in this area not only enlarged employment and relaxed the urge of labor to migrate abroad, but it also stimulates the vitality of the area and has great impact on the development of other areas in China.

However, as the labor cost becomes higher and higher in Penang and Shenzhen, some companies start to move their factories out of Penang and Shenzhen to areas where the labor cost still remains low. But from the survey⁽⁵⁾ conducted in Penang in 1994, it was found that 70% of the companies move only the labor intensive departments out and maintain some technology intensive departments in the present locality. That is to say, if the present locality is developed to a certain level, the transnational corporation will expand the business in this areas, instead of relocating the company completely from one

Circle 3. Investment of the foreign capital and development in the labor sending locality



area to another. Therefore it can be said that in labor sending areas the more industries develops, the higher quality of labor force will be required.

From Circle 3 it also can be viewed that as the employees' income rises, the companies' surplus interest also rises simultaneously. How to invest this surplus thus becomes an important variable for the development of that locality. If the surplus flows out of that locality, it will become a minus factor in the substantial and constant development of that area. That is to say that if the surplus goes to wealth accumulation which is not related with the productive activity, the economic disparity will become more enlarged and labor migration will be stimulated again both domestic and abroad.

It is obvious that if either Circle 2 or Circle 3 fails to fulfill the process of feedbacking, laborers will emigrate from that area continuously. In case of cross-national migration, it is necessary to keep the labor market in the receiving areas flexible for the foreign laborers to be employed and at the same time keep the demand and supply balance do. In the sending areas meanwhile sound policies are essential to enable the returnees to resettle down again and make them play an active role in the development process. This will make the short-period laborers eager to return home and the whole system of cross-national migration will make the process of feedbacking completely.

III. Conclusion

With the approach of system analysis, it is found that the factors that influence cross-national migration are interdependent and they influence the development process greatly. To achieve development at the local level, it is indispensable for the system to keep each factor functioning effectively. At this point the intervention policies of the government, especially the local government, play a prime role in providing an environment that can bring about the mechanism to keep the sub-system feedback. Anyhow, it can not be overlooked that in the process of cross-national migration, personal network and personal emotion has a great influence on the laborers' decision which is difficult to be valued within the system framework.

NOTES

- (1) M. Osaki, "Report on the Employment of Foreign Laborers in Mie", Mie Prefectural College, 1994
- (2) R. Amjad, "Asian labour in the Middle East", Regional Development Impact of Labour Migration in Asia, United Nations Centre for Regional Development, 1994
- (3) Lixing Chen "Report on Chinese Trainees in Japan and Back to China", Local development Studies, Mie prefectural College, 1995
- (4) Stella Go, "Labour Migration from Philippines to Asian Countries", Regional Development Impact of Labour Migration in Asia, United Nations Centre for Regional Development, 1994
- (5) Survey on "The Employment Capability of EPZ in Southeast Asian and China", conducted by a team including this paper's contributor. Founded by Mastushita Foundation and UNCRD, April 1994 to March 1996.

ADDITIONAL REFERENCES

- Krits, M. M (eds) 1981, *Global Trends in Migration: Theory and research on International Population Movements*, New York Centre for Migration studies.
- Sassen-Koob, S. 1983 "Capital Mobility and Labour Migration: Their Expression in Core Cities", R. Timberlake (ed) *Urbanization in the World Economy*, New York, Academic Press.
- Thomas, B. 1993, *Migration and Economic Growth: a Study of Great Britain and the Atlantic Community*, Cambridge University Press.