
An OPEC for Migrant Labour?



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A labour-exporting cartel could empower migrant workers and the economies which rely on their remittances.

In September 1960, delegates from Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela met in Baghdad to form the Organization of Petroleum Exporting Countries (OPEC). As the world's dependence on oil increased, so did OPEC's power. Today, with many developing countries, including a majority of the countries in the Middle East, serving as some of the world's main labour exporters, might it be time to consider the formation of an OPEC-like cartel for migrant workers?

OPEC succeeded in protecting its members' shared interests that they could not protect individually. When a market has structural distortions, political tools and collective action of the sort that OPEC embodied can be more effective than public policy.

Mutually dependant relationships

Labour-exporting countries today are not so different from OPEC's founding members in 1960. They, too, are vulnerable in a market where their

customers call the shots. Rich labour-importing countries and poor labour-exporting countries have a mutually dependent relationship; but labour importers can unilaterally tighten or loosen immigration and labour-market regulations, leaving exporters in a constant state of uncertainty.

This imbalance can have serious costs for labour exporters. Remittances by expatriate workers are an essential lifeline for many developing countries – more so than any other financial inflows, including foreign direct investment and aid – and often help to balance a country's books. Indeed, according to the World Bank, in 2013 **remittances** amounted to 20-24 percent of GDP in the Philippines and Indonesia, 42 percent in Tajikistan, 32 percent in Kyrgyzstan, 17 percent in Lebanon, 10.8 percent in Jordan, 9.9 percent in Yemen, and 6.6 percent in both Egypt and Morocco.

For many developing countries, labour is a strategic production factor, just as commodities are for resource-rich economies. When we think about migrant labour, we think of low-skill work in agriculture, construction, services and domestic work. But countries such as Jordan and Lebanon (among others) are now educating workers to compete as high-skilled expatriates, too.

Transfer of bargaining power

Labour exporters now need to protect their investments in human capital, and a cartel-like political body is the most effective way to do this. If the countries listed above were to join with China, Mexico, India and other major labour exporters, they would be holding most of the chips in a collective negotiation about wages, visa terms and other conditions – some of which would also benefit non-members as global norms changed. Labour importers would have to vie for access to a collective market, rather than individual national markets, and countries that gained access would have a significant comparative advantage over those that did not.

A cartel would prevent labour-exporting countries from cannibalising their own interests, as is currently happening, with bilateral arrangements. For example, if they were to conclude separate agreements with Gulf Cooperation Council countries, individual Southeast Asian countries would undercut one another, with the result that they might end up with worse deals.

With a cartel, governments would instead set minimum wage rates for different professions and trades, as well as for different skill levels. As exporters trained their migrant workforces, demand for their labour would grow and spark competition among vendors rather than suppliers, thus fuelling a virtuous cycle of higher wages and even more skills training. And, because this would all happen on global markets, the prices of certain skills would become more transparent to training institutions, students, employees and employers alike.

In this new system, importing countries would collect taxes – on the basis of the newly set minimum wage – and remittances would remain untaxed. In this sense, the cartel would double as an international workers’ union, lending bargaining power to employees in countries where unions are weak or not permitted at all.

Curbing illegal migration

A labour-exporting cartel would have far-reaching effects on the current system. Cartel members would be empowered to reward and penalise third parties acting in bad faith. Most importantly, the workers themselves would be empowered to reclaim their dignity in a system that has long stripped them of it. Indeed, we could expect xenophobia to wane worldwide as access to foreign workers became more privileged.

A cartel could advance the cause of comprehensive immigration and expat labour reform in many countries, including the United States, Japan and the Gulf states. Under a newly negotiated arrangement, labour-exporting countries would likely have an incentive to curb free riders and illegal emigration, and labour-importing countries would likely have an incentive to legalise and manage the status of illegal immigrants already within their borders.

One likely objection to this proposal is that low-skilled labour will cost more, which could accelerate automation. Any jobs automation displaced from the production sector would simply move to the leisure sector, because demand for domestic workers, waiters, gardeners and the like would increase. Because a cartel would make these market changes more discernible, labour exporters would be able to respond and adjust their worker-training systems accordingly, increasing labour importers’ ability to recruit migrant workers better suited to the available jobs.

All told, a labour-exporting cartel would bring order to an industry that has long been mired in controversy, damaging the reputations of more than a few labour-importing countries. It would change the dynamics of labour supply and demand to the benefit of both workers – who would have new protections – and importing countries, which would have access to trained labourers to respond to rapid changes, often driven by technology, in economic conditions.

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