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**REMITTANCES AND LABOUR MOBILITY**

**MEASUREMENT ISSUES OF LABOUR MOBILITY AND TRADE IN SERVICES  
THROUGH THE MOVEMENT OF PERSONS**

Note by the World Trade Organization

*Summary*

This paper describes the measurement issues relating to labour mobility, in particular short-term, as well as provides details on the concept of trade in services through the movement of persons (mode 4). Also, it provides definitions of labour mobility and mode 4 trade in services, outlining the commonalities and mainly the differences between both concepts. The current statistical treatment and the key indicators used to measure both aspects will be as well pointed out. In addition, associated measurement problems and points to possible distortions in aggregates that result from these will be presented.

## I. INTRODUCTION

1. The Conference of European Statisticians decided at its 2007 plenary session that a Group of Experts on the Impact of Globalisation on National Accounts be created to review the main distortions in the compilation of national accounts caused by the growing globalisation of economies and to develop recommendations on how to deal with these distortions. The election of the Group of Experts was approved by the Executive Committee of the United Nations Economic Commission for Europe (UNECE) at its twentieth session (27 February 2008). The Group of Experts will work in cooperation with Eurostat and the Organisation for Economic Co-operation and Development (OECD). The present document contains an input for the preparation of the Recommendations.

2. The movement of people across borders is today acknowledged as an integral part of the global economic landscape. Higher income prospects, new employment opportunities, and reduced communication and transportation costs, are driving forces for labour mobility and trade in services through the movement of persons. In addition, the liberalization of international trade in services and the possibility to supply services through the presence of natural persons have increased short-term assignments to foreign countries.

3. In Europe, there is a clear trend of increased labour mobility from the recently acceding European Union (EU) members to the older members. Indian information technology (IT) specialists emigrate (in particular to North America and Europe) or travel around the world for short-term assignments in the context of services contracts between their employing IT company located in India and clients abroad. Construction workers are deployed around the world on construction sites, whether for construction projects conducted by host country companies or in the context of subcontracting to foreign suppliers. Contractual labour migration in Southern Africa, which was initially developed to ensure a regular supply of workers to the mining centres of the region, was extended in some cases to other sectors such as agriculture, construction, and services.

4. Temporary labour mobility is not easy to catch in statistics. Although often mentioned in various papers, publications and research work, there is no clear statistical translation of the different categories of temporary movement and up to recently there was no clear distinction between (temporary) labour mobility and trade in services (mode 4)<sup>1</sup>. The absence of clear operational criteria for the statistical measurement of mode 4 and what are the commonalities and mainly the differences with the concepts of labour mobility (short-term and long-term) adds a difficulty for using appropriate information when focusing on one aspect or the other. The use of inappropriate indicators for measuring mode 4 trade in services (i.e. compensation of employees

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<sup>1</sup> Mode 4 refers to service delivered within the territory of the Member, with supplier present as a natural person. Following recent methodological work conducted within the Inter-agency Task Force on Statistics of International Trade in Services, the General Agreement on Trade in Services (GATS) legal definition of trade in services through the presence of natural persons (mode 4) was translated into statistical concepts, leading to a clarification of the scope of mode 4. Different categories of (temporary) labour mobility and mode 4 trade in services suppliers will be described below.

and worker's remittances data drawn from the balance of payments) is an illustration of confusions around definitions, be it legal or their translation into statistical concepts. Trade in services through presence of natural persons (mode 4) and labour mobility may be distinguished by the type of contracts underpinning the transactions. While employment contracts are related to labour mobility, mode 4 is defined by the fact that it is a service contract that takes place between the supplier and the consumer of the service.

5. As a consequence reliable and internationally comparable information for short-term labour mobility and trade in services (mode 4) is lacking. A crucial issue to distinguish between the two aspects is the difference between employment and services contracts, in particular for self-employed and for labour services provided via employment agencies. For the latter an additional difficulty may be to establish the type of services provided (e.g. agricultural services, mining services, accountancy). These considerations may result in faulty measures of labour input and productivity. Two specific measurement issues can be identified:

(a) How to get data on international contracting of services involving the movement of workers (workers sent by their foreign employers to the compiling economy in the context of services contracts including hired labour force via employment agencies), foreign self-employed persons as well as intra-corporate transfers?

(b) How to arrive at a proper recording and measurement of the above categories and of non-resident employees employed in the resident economy for short periods or recruited illegally?

6. This paper describes these measurement issues relating to labour mobility, in particular short-term, as well as provides details on the concept of trade in services through the movement of persons (mode 4) which is often not well understood. Section II provides definitions of labour mobility and mode 4 trade in services, outlining the commonalties and mainly the differences between both concepts. Section III reviews the current statistical treatment and the key indicators used to measure both aspects, while Section IV identifies associated measurement problems and points to possible distortions in aggregates that result from these. Finally Section V proposes a number of questions for discussion and directions for possible future work in this field.

## II. BACKGROUND

7. In economic research, trade analysis and statistical publications, labour mobility, labour migration, movement of persons, or trade in services through the presence of natural persons are often used interchangeably and no clear distinction is made. To clarify the related aspects, this paper adopts the following terminology:

(a) Labour mobility refers to re-location of workers across space (geographic mobility) and across jobs (occupational mobility), and allows for improvements in allocation of resources and thus impacts on income distributions (between countries). The focus here is on geographical, that is a physical move of the production factor labour across national borders. Geographical relocation can be temporary, short-term or long-term, voluntarily or forced. It covers movement of persons from their home state to another state (or within their own country of residence) for the purpose of employment (i.e. natural person from a sending country employed in a receiving

country by a firm established in the territory of this country to engage in an activity that will be regarded/recorded as 'production' as defined in the national accounts).

(b) Trade in services through the presence of natural persons (GATS mode 4) occurs when an individual is present in the territory of an economy other than his own to provide a commercial service (service contract).<sup>2</sup> GATS defines mode 4 as the supply of a service by "a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member". The Annex on the Movement of Natural Persons supplying Services under the Agreement specifies that the agreement does not apply "to measures affecting natural persons seeking access to the employment market" nor does it apply "to measures regarding citizenship, residence or employment on a permanent basis." Mode 4 may be considered as covering the following major categories of persons:<sup>3</sup>

(i) Foreign persons entering the host economy to fulfil directly service contracts:

a. Contractual service suppliers as employees of a juridical person: employees of the service supplier in a country are sent to another country in order to supply a service in the context of a contract between their employer and a service consumer in this other country. For example an employee of a computer services firm of one country is sent abroad to deliver the service to a consumer in another country;

b. Contractual service suppliers - self-employed: a self-employed person (e.g. lawyer) of a country enters another country in the context of a service contract (legal advice) with a service consumer in this other country. Some self-employed persons may also establish themselves in the host market and supply services from within this territory, in which case the person becomes a resident of the host economy. It may not always be straightforward to determine if the specialist is a self-employed person or if an employee-employer relationship exists between this person and the "client". If an employer-employee relationship exists then the individual would not be included in this category but would be covered by the definition of labour mobility above.

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<sup>2</sup> The modes of supply are defined in the GATS, depending on the location of the supplier and the consumer when a service is supplied and taking into account their nationality/origin. These modes are generally referred to as: cross-border supply (mode 1), where both the supplier and the consumer remain in their respective territories (covering, for example, services supplied by telephone or the Internet); consumption abroad (mode 2) where consumers are outside their home territory to consume services (international tourist activities and amusement parks abroad are typical examples); commercial presence (mode 3) where service suppliers establish (or acquire) an affiliate, branch or representative office in another territory to provide their services (for example a foreign bank investing in a host economy to create a subsidiary in order to supply banking services); and presence of natural persons (mode 4) where an individual (either the service supplier himself if he/she is a self-employed person or his/her employee) is present abroad in order to supply a service (for example an independent architect oversees a construction project or a computer specialist is sent abroad by his employer to supply an IT service).

<sup>3</sup> These categories are the major groupings of persons moving abroad in the context of mode 4 used in the statistical framework developed in the revised draft Manual on Statistics of International Trade in Services. For more information see <http://unstats.un.org/unsd/tradeserv/TFSITS/msits.htm>.

- (ii) Work in an affiliate that delivers services: Intra-corporate transferees and foreign employees directly recruited by foreign established companies supplying services: the service supplier (enterprise) of a country has a commercial presence (affiliate) in another country and sends its employee to its affiliate or the affiliate recruits directly foreign employees.<sup>4</sup> The supply of the service to the consumer is however taking place through the affiliate (mode 3). For example, a surgeon is transferred temporarily to work in a branch of his employing hospital in an economy abroad. The mode 4 commitment guarantees the right of the supplier to send staff to another country (or the affiliate to recruit foreign staff) in order to supply a service through its local affiliate.<sup>5</sup> This category is also covered by the definition of labour mobility if the employment contract is with the "receiving" affiliate located in the host country.
- (iii) Negotiate a service contract in another country (services sellers), negotiate the constitution/acquisition of an establishment supplying services in another country (persons responsible for setting up commercial presence). Initially, there is no trade in economic terms and consequently no accompanying transaction taking place. The negotiations may eventually lead to the future provision of services through either of the modes of supply.

8. There may be other types of employment/business movements not covered by the concepts of labour mobility and trade in services such as visitors attending conferences, persons responsible for setting up commercial presence of goods producing affiliate, etc. However the focus in the remainder of this document is on trade in services (mode 4) and labour mobility, but many of the considerations apply to the "Other" category as well.

### III. STATISTICAL TREATMENT

9. Although some statistics are available, reliable information on labour mobility and trade in services through the presence of persons is difficult to collect. For instance bilateral data on migrant stocks, including short-term workers, are available only for a small number of OECD countries. No international statistical guideline (except The Manual on Statistics of International Trade in Services (MSITS) for mode 4) respond specifically to detailed information needs in relation to labour mobility and mode 4, be it in terms of duration or purpose of stay. Another reason is linked to the use of certain data sources to estimate migrant flows and stocks such as population censuses or household surveys which do not lend themselves to a complete or sufficiently detailed coverage of the population of interest in this paper, at least not on the basis of the information currently recommended for these sources. Existing work is mostly focusing on short and long-term labour mobility. However improvements in this respect are foreseen in

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<sup>4</sup> For foreigners directly recruited by the foreign affiliate there may be ambiguity with respect to their coverage under mode 4 as one could consider, in particular for foreigners recruited from within the host economy, that these individuals are seeking to access the employment market of the host economy.

<sup>5</sup> Note that the mode 4 presence is not always necessary to supply a service via mode 3. This is just a possibility. Many services will be delivered by foreign affiliates without a mode 4 component involved.

work conducted by international agencies, such as the OECD which is for instance envisaging collecting data on foreign service suppliers as covered under mode 4.

#### **A. International transactions**

10. The System of National Accounts, 2008 (SNA 2008) provides definitions for many of the economic variables of interest for a complete analysis of labour mobility and mode 4 trade in services. The IMF's (International Monetary Fund) 6th edition of the Balance of Payments Manual (BPM6), which is consistent with the SNA 2008 concepts, provides further guidance with respect to the measurement of international transactions relating to labour mobility and trade in services. Within the current account, services transactions include the value of trade in services produced through mode 4. As will be described below, the main difficulty lies in the separate estimation of this mode of supply within given services transactions. Balance of payments labour-related flows (covered under compensation of employees, personal transfers of which worker's remittances, or the supplementary item personal remittances) can be used to assess the benefits of home economies with respect to international migration including labour mobility.

11. The Manual on Statistics of International Trade in Services (MSITS) is an internationally agreed framework for measuring international trade in services. It is based on existing statistical frameworks such as the balance of payments and the national accounts and also develops a new framework for measuring the activities of foreign affiliates (Foreign Affiliates Statistics – FATS), which can help assess the size of commercial presence. Following the revision processes of the Balance of Payments Manual (BPM6) and the System of National Accounts (2008 SNA), MSITS is also being revised.<sup>6</sup> The revised MSITS draft accounts for revisions introduced in the above statistical frameworks and also includes a chapter that discusses the measurement of trade flows by mode of supply, in particular mode 4. It distinguishes mode 4 from labour mobility by the type of contract underpinning the transactions.

12. The key measures that can be drawn from these frameworks mainly relate to the economic transactions involved for home and host economies.

13. For labour mobility within the balance of payments framework, labour-related payment flows such as compensation of employees and worker's remittances (supplementary item included under personal transfers) are interesting measures. In BPM6 compensation of employees is defined as the remuneration in return for the labour input to the production process contributed by an individual in an employer-employee relationship with the enterprise. Compensation of employees is to be recorded gross, before taxes, social contributions and other expenses incurred in the economy where the work is performed.<sup>7</sup> Personal transfers consist of all

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<sup>6</sup> At the time of writing the draft revised MSITS was being reviewed by the Task force on Statistics of International Trade in Services following comments received by compilers and users of trade in services statistics through a worldwide consultation. For more information see <http://unstats.un.org/unsd/tradeserv/msitsintro.htm>.

<sup>7</sup> For the concept of personal remittances as defined in Appendix 5 of the final draft of BPM6 it should be recorded net of these taxes, social contributions, transport and travel expenses (i.e. personal remittances=personal transfers + net compensation of employees)

current transfers between resident and non-resident individuals. Personal transfers are defined independently of the source of income, the relationship between the households, and the purpose for which the transfer is made. Compensation of employees and personal transfers measure the impact on income distributions of countries. They provide information on income flows originating from the movement of people or migration.

14. Compensation of employees and worker's remittances are interesting for the analysis of labour mobility as they respectively should cover:

(a) income earned by non-resident persons employed in a host country from an employer of the host economy (recorded under compensation of employees); and

(b) current transfers of persons who have become residents of a host economy (i.e. residing more than 12 months) who are employed there (recorded under worker's remittances); in this case the transfers refer to the income earned by these migrants after allowance for expenditure and savings of these persons in the host economy.

15. Worker's remittances (which by definition does not cover remittances of self-employed persons) was a standard item in the 4th and 5th editions of the IMF's Balance of Payments Manual and is often used as a measure for measuring the impact of labour migration. However it is no longer considered as a standard component of the balance of payments in BPM6 and has been replaced by personal transfers which is a broader concept (and broader than actual information needs in the field of labour migration).<sup>8</sup> To ensure consistency of time series, worker's remittances are included in BPM6 as a supplementary item.

16. For trade in services, and in particular mode 4, guidelines are also found in the balance of payments framework and more details are provided in MSITS. The value of services as measured in the balance of payments refers to international transactions between residents and non-residents with an underlying contract as the basis for this transaction. Whereas certain transactions are clearly associated with the specific way a service has been supplied, for example, a physician providing medical diagnosis to a patient via e-mail transactions (i.e. not necessitating the physical presence of the supplier to supply the service to the consumer), others involve a combination of ways for delivering the service. For example, under a single transaction between a computer services supplier and its client to develop a customized software, the supplier may need to send a computer specialist to the "host" economy (client) to develop part of the software while the other part is developed in the "home" economy of the supplier and subsequently forwarded to the specialist via e-mail, who will then take care of the finalization of the project with other specialists who stayed in the home economy.

17. As noted above there are categories of persons for which the "mode 4" movement is instrumental to the supply of services (i.e. they are not directly trading through mode 4): intra-corporate transferees (the service is supplied to the consumer through the affiliate located in the client economy) and services sellers and persons responsible for setting up commercial presence

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<sup>8</sup> Actually the definition of personal transfers is more in line with many countries' compilation practices which did not take into account the source of the income or the purpose of the transfer.

(initially there is not trade). For the former, if the employment contract lies with the affiliate in the client's economy, then there may be some aspects of labour mobility involved. Moreover in the case of self-employed persons staying more than one year, as they are defined to become residents of the host economy their transactions should no longer be recorded under services transactions and only personal transfer flows and/or increases in assets in the home economy will be recorded in the balance of payments. More information on these aspects may be found in the draft MSITS.

18. There are cases of trade in services through the presence of persons and short-term labour mobility which imply the recording of additional international transactions than those identified above:

(a) In the case of service contracts through the movement of persons, if the person (either as an employee of the service supplier or self-employed) stays less than one year in the host economy, his/her related expenditure should be recorded under the BPM6 item travel. This is also relevant for a person staying less than one year and with an employment contract with an employer in the economy visited and for services sellers/persons responsible for setting up commercial presence (unless they become residents of the host economy).

(b) For services contracts if the employee of the service supplier stays more than one year the compensation received by the employee from his employer should be recorded as compensation of employees and subsequent personal transfer flows and/or increases in assets in the home economy would be recorded in the balance of payments.

## **B. Number of persons moving across borders (flows and stocks)**

19. In order to have a fuller picture of the implications of the movements of persons across international borders (either from a trade perspective or with respect to labour mobility), statistics on the number of foreign persons moving (flows) and present (stocks) in a host country are an important complement to international transactions related to such movements.

20. The Recommendations on Statistics of International Migration, Revision 1<sup>9</sup> (RSIM Rev. 1) set out a framework for reporting statistical information that measures international migration flows and stocks. This statistical framework defines two main groups of internationally mobile persons: non-migrants, and international migrants, of which short-term migrants (more than three months and less than 12) and long-term migrants (a year or more). The use of the term migrant is somewhat broader than that of residents in BPM6, where an actual or intended stay of a year or more is required. The framework builds on the taxonomy of traveler inflows and outflows that could be used for the compilation of statistics on international inflows and outflows of internationally mobile persons. Although some of these categories cover some persons of interest in the context of (short- and long-term) labour mobility (e.g. migrant workers, employment-based settlement within migrant categories) and trade in services (e.g. foreign business travellers

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<sup>9</sup> United Nations, Sales No. E.98.XVII.14. An International Labour Organisation (ILO) publication also provides an extensive discussion on sources of migration statistics (R.E. Bilsborrow, Graeme Hugo, A.S. Oberai and Hania Zlotnik, International Migration Statistics: Guidelines for Improving Data Collection Systems, Geneva, International Labour Organization, 1997).

within non-migrant categories), a one-to-one correspondence is not possible. A fuller taxonomy of migrants and other travelers (as detailed in RSIM, Rev. 1) is provided below.<sup>10</sup>

21. The International Recommendations for Tourism Statistics 2008<sup>11</sup> (IRTS 2008) were developed by the World Tourism Organization (UNWTO) and the United Nations. IRTS 2008 provides the comprehensive methodological framework for collection and compilation of tourism statistics and should be viewed as an important foundation of the System of Tourism Statistics.<sup>12</sup> The System of Tourism Statistics respects the definitions and norms of the 2008 SNA and BPM6, where relevant. Besides of providing information of interest with respect to tourism, looking more specifically at the categories of persons covered in tourism statistics, the IRTS 2008 identifies international visitors as being characterized by the fact that they are on a tourism trip, that they are non-residents traveling in the country of reference or residents traveling outside of it and more interestingly that they must not be employed by a resident entity in the country visited and receive compensation for the labor input provided. Although very aggregated, identifying trips for which the main purpose is for business and professional reasons is useful to conduct an analysis of flows of mode 4 persons: it includes the activities of self-employed and employees as long as they do not correspond to an employer-employee relationship with a resident producer in the country visited, as well as those of investors, businessmen, and any other type of professional purposes. IRTS 2008 also suggests that for some compiling countries it may be sufficiently important to disaggregate this information further. Section 4 below presents how this framework could be used to derive mode 4 relevant information. However given the definition of visitors this framework does not provide information in the context of labour mobility.

#### **IV. MEASUREMENT PROBLEMS**

##### **A. Transactions relating to employment or service contracts?**

22. In measuring labour mobility as opposed to trade in services (mode 4), the central aspect that needs to be distinguished is the type of contract: employment or service provision. While an employment contract proves that a person enters the labour market, a service contract requires the fulfilment of the contract and will subsequently lead to the departure of the service provider to its home country. It is this difference that decides on the type of measurement that applies. While the person engaged through an employment contract receives for example compensation of employees, the service provider receives an amount from the services consumer who purchases the service.

23. The distinction between the two forms of contract has important implications for accounting frameworks such as the balance of payments or national accounts: payments for the

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<sup>10</sup> Ibid., table 1.

<sup>11</sup> United Nations publication, Sales No...release in preparation

<sup>12</sup> The development of this system is closely linked to the second set of international recommendations related to tourism statistics which are the Tourism Satellite Accounts: Recommended Methodological Framework 2008, (TSA-RMF 2008) developed by Eurostat, UNWTO, OECD and the United Nations.

use of labour are measured as compensation of employees and included as part of primary income, whereas if the payment is made for the provision of a service by a self-employed person then the transaction will be recorded under the goods and services account. An enterprise may choose whether to hire an employee to perform the work or to purchase a service and consequently it may be difficult to establish whether a transaction is an employment payment or payment for the provision of a service.

24. BPM6 and MSITS attempt to clarify the situation for the recording of transactions as services payments or compensation of employees.<sup>13</sup> An employer-employee relationship exists when there is an agreement, which may be formal or informal, between an enterprise and an individual, entered into voluntarily by both parties, whereby the individual works for the enterprise in return for remuneration in cash or in kind. The remuneration is normally based on either the time spent at work or some other objective indicator of the amount of work undertaken. If an individual is contracted to produce a given result, it suggests a service contract relationship between the enterprise and a self-employed.<sup>14</sup> However these manuals recognize that it may not always be easy to establish whether an employer-employee relationship exists. While the right to control or to direct, both as to what shall be done and how it shall be done, is a strong indication of an employer-employee relationship, this condition is not sufficient as it is also often found in the context of services contracts. This is why both manuals suggest that other additional criteria should be used such as to identify who pays social contributions, is the person entitled to the same benefits as the employees of the "client" enterprise etc. However establishing the nature of these relationships may be problematic depending on the data source available to the compiler to establish the balance of payments. Collecting such information may also prove costly and burdensome for compilers and data providers of transaction statistics.

#### **B. Identifying mode 4 in services international transactions**

25. The measurement of trade in services is further complicated through the split of international transactions into the respective shares that relate to the presence or movement of natural persons (mode 4) and other modes of supply. Although international transactions in trade in services between residents and non-residents are to be recorded in the services account, for GATS and other analytical purposes it is important to split the part in these transactions that refers to the movement of persons. For example, a computer specialist may develop software on demand in his home country, travel for a certain period to the client's host country to install the software, test, modify and ensure its proper working, including the training of the client for using it. While this transaction would lead to recording an export and import of services between the two countries, it entails a clear mode 4 component that should be measured separately. To do so, business surveys could include specific questions on the composition of transactions that would

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<sup>13</sup> Assuming that the employee or the self-employed stays less than 12 months. If the person is staying longer than 12 months, the 1-year rule would consider the person a resident. In that case, there would be no recording of compensation of employees and services payments anymore in the international accounts. Although imperfect, the relevant international transaction would be recorded under personal transfer flows and/or increases in assets in the home economy.

<sup>14</sup> Self-employed persons are deemed to operate their own unincorporated enterprises, and sell output they produce. Self-employed persons, who may also employ others, are generally responsible for decisions on markets, scale of operations and finance, and are also likely to own, or rent, machinery or equipment on which they work.

allow a proper allocation, survey correspondents could be asked to allocate each transaction to either mode, or specific questions on the services input could be included. However, once again, depending on the choice of questions to be included this may be a costly and burdensome exercise, even if the necessary information is available in the accounts of the responding establishments. In this respect some choices would need to be made and compilers could concentrate on services categories most likely to be relevant in the context of their economy.

### **C. Collecting relevant labour mobility and mode 4 information in migration and tourism statistics**

26. To have a fuller picture of trade in services through the movement of persons or labour mobility, it could be of assistance to get a more precise idea of the sizes of these phenomena in terms of the number of persons present abroad (flows and stocks). International migration and tourism statistics are appropriate sources as indicated in section 3. However they do not permit a complete assessment as a one-to-one correspondence between categories of persons identified under labour mobility and trade in services on the one hand and the categories identified in these two frameworks does not exist. Table 1 summarizes links between the coverage of RSIM, Rev. 1 and IRTS 2008 in terms of the purpose and duration of stay. This table shows that to obtain a full picture of labour mobility and mode 4, one would need to draw information on the basis of both frameworks, and also envisage a number of extensions to these frameworks (e.g. breakdown, extension of duration of stay criteria).<sup>15</sup>

27. The table identifies in bold the purposes of stay that are relevant for mode 4 analysis. Rows presented in italics are not separately available in RSIM, Rev. 1 and IRTS 2008 but are indicated in this table as possible future breakdowns that would better serve information needs of mode 4. There are two overlapping items between both statistical systems: personal visits for less than twelve months but more than three, for the purpose of education and training and other personal reasons. Short-term and long-term migrants employed in the host economy, identified under "Employment (migrant workers and employment-based settlement)", are of interest for labour mobility. "X" indicates the minimum mode 4 information requirement. "x" shows supplementary statistics (i.e. beyond the RSIM Rev.1 guidelines) that could be compiled to cover longer periods of stay (more than 12 months for non migrant categories and less than 3 months for migrant categories).<sup>16</sup> Finally the highlighted "X" shows that in the absence of further breakdowns, the category business and professional (corresponding to business travellers in RSIM, Rev.1) could be used as a first approximation for total flows and/or stocks of mode 4 persons staying abroad in the context of mode 4 trade in services (but excluding the vast majority of mode 4 movements and presence related to the supply of services through commercial presence).

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<sup>15</sup> It is important to note that the table below, which is extracted from the draft revised MSITS, was mainly built to identify the categories of persons of interest for assessing trade in services through the movement of persons.

<sup>16</sup> Although not limited to labour mobility and mode 4, a UNECE Task Force on the Analysis of International Migration Estimates Using Different Length of Stay Definitions was recently set up.

**Table 1. RSIM Rev. 1, IRTS 2008 and GATS mode 4: classification of persons by purpose of stay<sup>17</sup>**

| Purpose of trip or migration   | Length of stay of individuals |                |                     |
|--|-------------------------------|----------------|---------------------|
|  | Less than 3 months            | 3 to 12 months | more than 12 months |
| Visitors   | <i>IRTS 2008</i>              |                |                     |
| Personal   |                               |                |                     |
| Holiday, leisure and recreation  |                               |                |                     |
| Visiting friends and relatives   |                               |                |                     |
| Education and training   |                               |                |                     |
| Health and medical care  |                               |                |                     |
| Religion/pilgrimages   |                               |                |                     |
| Shopping   |                               |                |                     |
| Transit entering eco./legal territory  |                               |                |                     |
| Other  |                               |                |                     |
| Business and professional  |                               |                |                     |
| (no employer-employee relationship with entity established in compiling economy) |                               |                |                     |
| <i>Contractual service supply</i>  |                               |                |                     |
| - <i>self-employed</i> <sup>a</sup>  |                               |                |                     |
| - <i>employed</i>  |                               |                |                     |
| <i>Intra-corporate transfer</i>  |                               |                |                     |
| <i>Serv. salespersons/ commercial pres.</i>                                      |                               |                |                     |
| <i>Other</i>   |                               |                |                     |
| Employment (migrant workers, employment-based settlement)                        |                               |                |                     |
| <i>Intra corporate transfer</i>  | x                             |                | <b>X</b>            |
| <i>Directly recruited by a foreign established company</i>                       | x                             |                | <b>X</b>            |
| International civil servants   |                               |                |                     |
| <i>Other</i>   |                               |                |                     |
| Trainees   |                               |                |                     |
| Family reunification/formation   |                               |                |                     |
| Family based settlement  |                               |                |                     |
| Ancestry based settlement  |                               |                |                     |
| Retiree settlement   |                               |                |                     |
| Entrepreneurs and investors settlement <sup>a</sup>                              |                               |                |                     |
| Humanitarian reasons (refugees, etc.)  |                               |                |                     |
| Border workers   |                               |                |                     |
| Frequent border crossers   |                               |                |                     |
| Nomads   |                               |                |                     |
| Transit not entering economic/legal territory                                    |                               |                |                     |
| Diplomatic and consular personnel  |                               |                |                     |
| Military personnel   |                               |                |                     |

a In the case of self-employed staying more than 12 months, there can be an overlap with entrepreneurs and investors in services-producing industries.



Non-migrant categories



Migrant categories

Source: Draft revised Manual on Statistics of International Trade in Services (2008).

<sup>17</sup> The category "business travellers" as defined in RSIM, Rev. 1 does not refer explicitly to the employer/employee relationship but states that the persons are on "short visits related to business or professional activities not remunerated from within the economy visited."

28. If this information could be broken down according to other criteria this would greatly enhance the usefulness for trade in services and labour mobility analysis (reasons for settlement, by industry of employment and/or occupation of workers, length of stay). The IMF's International Transactions in Remittances: Guide for Compilers and Users suggests that household surveys (which are identified as source of information for compilers of remittance data) could be used to collect such detail by including a number of specialized modules or questions in existing surveys or by having specialized surveys where relevant households are identified. This would help analysts to understand the relations between remittances, labour mobility, trade in services, employment status etc.

29. What primary sources might be available for such statistics? One possibility that might be explored is the fact that all major traders in services through mode 4 have labour force surveys on a regular basis. By adding a limited number of questions on (recent) visits abroad of household members for the purpose of work, including questions about the contracting parties, the duration and forms of payment, it may be possible to separately identify mode 4 types of visits from other forms of international labour movements.

### **C. Use of inappropriate balance of payments items to measure mode 4 and international labour mobility**

30. The balance of payments items compensation of employees and workers remittances (and in some instances migrant transfers) are often used in economic literature as statistical indicators to estimate the size of GATS mode 4 trade. However, as stated above, compensation of employees and workers remittances are both labour income measures.<sup>18</sup> Both indicators provide income flows originating from the movement of people or migration; as such, they cannot substitute Balance of Payments (BOP) indicators which measure trade flows (transactions) that are specified and originating from service contracts between service suppliers and consumers.<sup>19</sup>

31. Compensation of employees covers transactions that go beyond the concept of labour mobility. This item covers transactions relating to border workers, staff of embassies, consulates and military bases as well as other residents who remain in their home territory but are paid by a non-resident employer. Finally if the BPM6 supplementary item worker's remittances is used to analyse long-term labour mobility, by its definition the transactions relating to self-employed persons will not be covered by this item.

### **D. Other aspects**

32. There are additional aspects of labour mobility and trade in services that are mentioned here but may require being explored in future papers. The first is the issue of trade in services as

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<sup>18</sup> In addition worker's remittances often cover all remittances made by residents as in many cases data collection systems are unable to separately identify the amounts originating from labour income.

<sup>19</sup> For more information on Remittances and GATS presence of natural persons see the draft Manual on Statistics of International Trade in Services (<http://unstats.un.org/unsd/tradeserv/TFSITS/msits.htm>) and the IMF's International Transactions in Remittances: Guide for Compilers and Users (<http://www.imf.org/external/np/sta/bop/2008/rcg/pdf/guide.pdf>)

intermediate input into final production, and in particular in the measurement of value added: the consideration of intermediate inputs may have no impact on trade but on value added measures. The second is a possible impact on labour productivity estimates, depending on the consideration given to transactions (trade in services supplied through mode 4 or labour input) as well as the type of productivity measure used. Although not limited to this aspect but particularly true in international trade in services statistics is the appropriate classification of transactions by type of service, in particular in the case of an international service contract with an employment agency. Finally it may be difficult to appropriately account for persons recruited illegally within all these statistical questions, and in some sectors and countries this may be an important measurement problem.

## V. QUESTIONS AND ISSUES

- (a) Is there a need to agree a common terminology when dealing with migration/labour mobility/trade in services within statistical frameworks?
- (b) Do participants see a need for developing further guidelines for differentiating employment and services contracts or are the current guidelines included in BPM6 and MSITS sufficient?
- (c) Should further research be conducted with respect to the impact of short-term labour mobility/trade in services through the movement of persons on productivity measures?
- (d) Should more appropriate measures be developed for analyzing short-term labour mobility and mode 4 (e.g. further breakdowns of existing balance of payments items/migration taxonomy)?
- (e) Should possible modifications to existing primary data collections be explored (e.g. business surveys, labour force surveys, populations censuses, the processing of tax records)?
- (f) In 2004 a proposal was circulated by United Nations Statistical Division (UNSD) to participants of the United Nations (UN) Technical Subgroup on Movement of Natural Persons (TSG) for the elaboration of a statistical framework on the measurement of the movement of persons.<sup>20</sup> The proposal stated that:

*"The proposed framework uses the national accounts framework and in particular the social accounting matrices which are linked to labour matrices (in volume and prices). The challenge in developing such a framework is to integrate different world of statistics, namely economic statistics, (national accounts, balance of payment and tourism statistics) and parts of social statistics, in particular migration and labour statistics. This is achieved through cross-classifying workers on the basis of (a) the economic activities to which they provide labour input, classified by International Standard Industrial Classification of All Economic Activities (ISIC); (b) the products resulting from their labour input, classified by Central Product Classification (CPC) and GNS/W/120<sup>21</sup>; (c) skill and education level*

<sup>20</sup> <http://unstats.un.org/unsd/tradeserv/TFSITS/TSGMode4/TSG%2009-04-Paris/tsg0409-12.pdf>

<sup>21</sup> WTO Services sectoral classification list

*classified by International Standard Classification of Occupations (ISCO-88) and/or International Standard Classification of Education (ISCED); (d) category of worker (e.g. business visitor, working for a foreign owned company, etc.); (e) length of stay and (f) country of citizenship. The workers are then allocated to the household sector where income is received from various sources, including the rest of the world and then used for consumption, saving or investment. The framework can be expanded to analyze also the social impacts of the temporary movement (e.g. poverty, returns on education and health in the home country and social services that the host country may have to provide to the temporary workers). The objective of the framework is to provide a more in-depth picture of the economic impacts of the movement of natural persons in the host and home countries including improved measures of the contribution to gross domestic product (GDP) and gross national income (GNI) of non-citizens."*

However in subsequent meetings of the TSG such a framework was not further discussed, despite the interest expressed for such of framework in order to conduct a detailed analysis of the movement of persons, and in particular labour mobility and mode 4.

Would participants see interest in the development of such a framework within the national accounts framework as described above?

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