



# THE RETURN ON INVESTMENT ON MIGRATION

## What is in it for Business?

### Study Highlights



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# Background

The Hague Process on Refugees and Migration (THP) is an independent, not-for-profit organisation, with a global network of over 4,000 individuals, public and civil society organisations and institutions, which brings together stakeholders to seek policy and practical solutions to migration and refugee challenges. THP, together with the Global Forum on Migration and Development (GFMD), composed of governmental and civil society actors, designed the current study called: “The Return on Investment on Migration: What is in it for Business?”. This study contributes to bridging the gap between business and migration and builds upon other projects undertaken by THP.

THP has been active in engaging the private sector to address migration related challenges and promoting the formal collaboration between businesses and local governments. THP has, for example, formed an alliance with the City of Rotterdam, the Port of Rotterdam and other key businesses in the Rotterdam region to implement solutions for migrant participation in the labour market with the aim of improving economic outcomes for both the city and businesses. In 2014, THP also conducted a study together with UNU-MERIT and its School of Governance, called “Migrant and Refugee Integration in Global Cities: The Role of Cities and Businesses”, which identified good practices in partnerships between businesses and local city governments in eight cities around the world.

Within the 2013-2014 Global Forum on Migration and Development (GFMD) framework, the Swedish Chair of the GFMD and THP, together with the International Organisation of Employers (IOE), the World Economic Forum (WEF), and the Council for Global Immigration, conducted a mapping study to ascertain business practices, perspectives, and values with respect to global mobility, as well as the private sector’s position on the concept

of engagement with governments in migration policy. The results of the study indicate barriers identified by businesses which they face when engaging with migration issues:

1. **Businesses consider the issue too risky**
2. **Businesses are not convinced of their role or the potential of migration**
3. **Businesses have no time for, or interest in, the issue**
4. **Political processes on migration are too slow**
5. **Businesses do not have the capacity to influence policy and migration management**
6. **There is a lack of awareness in the private sector about migration**
7. **Local legislation hampers private sector’s ability to engage with migration**

These results highlight that despite ongoing efforts to bring the private sector into the migration discussion, barriers persist and must be addressed. The study also identifies that risk management and cost-benefit evaluation are central concerns for business leaders. Furthermore, it recommends that demonstrating return on investment (ROI) is an urgent priority and the dissemination of evidence-based regional and global data indicating benefits from talent flow is essential.

Building on the previous experience of THP in addressing private sector involvement in migration issues, this current study attempts to determine the ROI for businesses on migration.

The central research question is:

***What is the ROI for businesses engaging with migration?***

# Introduction

Migration not only constitutes an important aspect of human history, but is also a topic of immense relevance in contemporary life. In 2013, 232 million people worldwide were international migrants, representing a total of 3.2 percent of the world population (UN, 2013). In today's global economy, migration plays a vital role.

Migration is no longer an issue solely for the attention of governments; it is a topic that also directly concerns businesses. Businesses are in a position to influence positive change and improve the legal frameworks protecting migrant workers and migrant engagement can directly benefit company performance.

Although businesses are not considered the traditional stakeholders when discussing migration management and integration policy, private companies are increasingly dealing with topics relating to migration and development. Companies are also increasingly subject to scrutiny regarding their treatment of migrant workers in their own operations and supply chains.

Although many businesses already deal with issues related to migration, they are often not perceived as such or labelled in this way. One reason for this is that the term 'migrant' is broad and often misunderstood; it includes both high- and low- skilled and long- and short- term internationals. Another reason is that businesses often do not have the correct tools in place to monitor the outcome of their engagement with migration issues, and therefore may not be aware of the costs and benefits related to their already existing involvement with migrants.

Growing evidence from both practice and academia indicates that there are a number of reasons for which migration is a topic of direct relevance to businesses:

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***Migration is no longer an issue for only governments to be involved in; it is something that directly concerns businesses as well.***

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- Diversity leads to a stronger workforce, where individuals can share and learn from each other
- Migration enhances global competitiveness
- Migration allows companies to address labour shortages and specific skill needs
- Migrants represent an expanded customer base, often creating new market opportunities
- Better integrated migrants are successful due to higher motivation and productivity, and display higher loyalty towards their employer, resulting in less turnover and absenteeism
- A diverse workplace boosts competitiveness and innovation among employees
- Migration allows businesses to engage with local communities, often composed of migrants
- Migration allows businesses to engage with governments, for or against migration policies

Although it has not been measured extensively, experience does point out many benefits for businesses related to migrant engagement. If businesses are better informed to understand the benefits of migration in their daily activities and efficiency, they are likely to look into opportunities to access information and capitalise on this impact. One way for businesses to determine the effect of migration on organisational performance is to develop methods to measure ROI and track this impact.

Return on investment (ROI) is an economic metric comparing the benefits of investing in programmes, projects, and initiatives that support a company's policy or strategy to the costs of such programmes. ROI methods are among the most used business evaluation systems worldwide.

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***This study applies return on investment (ROI) metrics on the migration opportunity for businesses in order to tackle the existing barriers for private sector's active and effective involvement in this field.***

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# Methodology

In order to capture the perceived benefits and return on investment for the migration opportunity for businesses, this study uses a framework developed by the ROI Institute, Inc. This framework serves as a data categorization scheme, using the concept of levels, which ensures that a balanced set of measures is reported. This balanced set of measures includes qualitative, quantitative, financial, and non-financial measures. Data represents measures of activity related to migration, reactions to those activities, learning outcomes, changes in behaviour and action, impact on the organisation in terms of improved output, quality, cost, time, customer satisfaction, job satisfaction, work habits and innovation, as well as the ROI. Together these measures represent the full scope of contribution an investment has on an organisation.

Structured in-depth interviews were conducted with a total of 28 companies. Where possible, both the head of Human Resources and the person responsible

decisions were interviewed. Respondents were based in eight countries: Canada, Germany, The Netherlands, Spain, Sweden, Turkey, United Kingdom, and United States of America. The sample included both large companies as well as SMEs. Fifteen different sectors were covered and 12 companies were headed by migrant entrepreneurs.

Companies had a very diverse workforce, with employee nationality including: Portuguese, Polish, Ukrainian, Laotian, Chinese, American, Ukrainian, Russian, Dutch, Canadian, Turkish, French, Pakistani, Kenyan, Malaysian, Mexican, Australian, Belgian and Costa Rican, among others.



Figure 1. Countries in which interview respondents were based.

## Areas of business activity

Interview data were analysed using the thematic structure of the interview questions as a framework. Analyses were conducted for six areas of business activity: Recruitment and retention, Government engagement, Corporate social responsibility, Product and service innovation, Market expansion, Job creation. The six areas of business activity are deeply interconnected, and benefits identified in one impact others.

Figure 2. Areas of Business Activity



# Findings

## A. General Perceptions of Migration

Migration is still a topic that generates confusion and mixed perceptions among businesses. The findings show that while many of the businesses interviewed hold a negative view of current trends in global migration in general, their views were mixed about the relative benefits or detriments that migration creates for their specific organisations.

### Issues relating to mentality

Negative images of migration pervade current media reports on the subject. These stories are salient for many

managers; several of the respondents made reference to recent migration media coverage and voiced concern about current global migration trends in interviews. Words used included fear, ignorance, stereotypes, misconceptions, misunderstanding, prejudice, cultural judgments, lack of focus/understanding, racism, discrimination, comfort zone. Also mentioned were “political agendas fuelled by media” and a general misunderstanding about migration (it is not always permanent and does not always result in negative consequences).

Terminology plays a big role in the perceptions and understanding of migration. Businesses were often able to distinguish between different types of migration, including internal and international migration, and voluntary and forced migration. Both positive and negative aspects of migration were highlighted, and some observed that migration is a natural human phenomenon, noting that such movement is “part of the human DNA.”

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*“Despite what’s in the media at the moment, I think generally migration is good. It enables the cross-fertilisation of ideas in the increasingly connected world we live in.”*

*- Interview respondent*

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### Migration and human capital

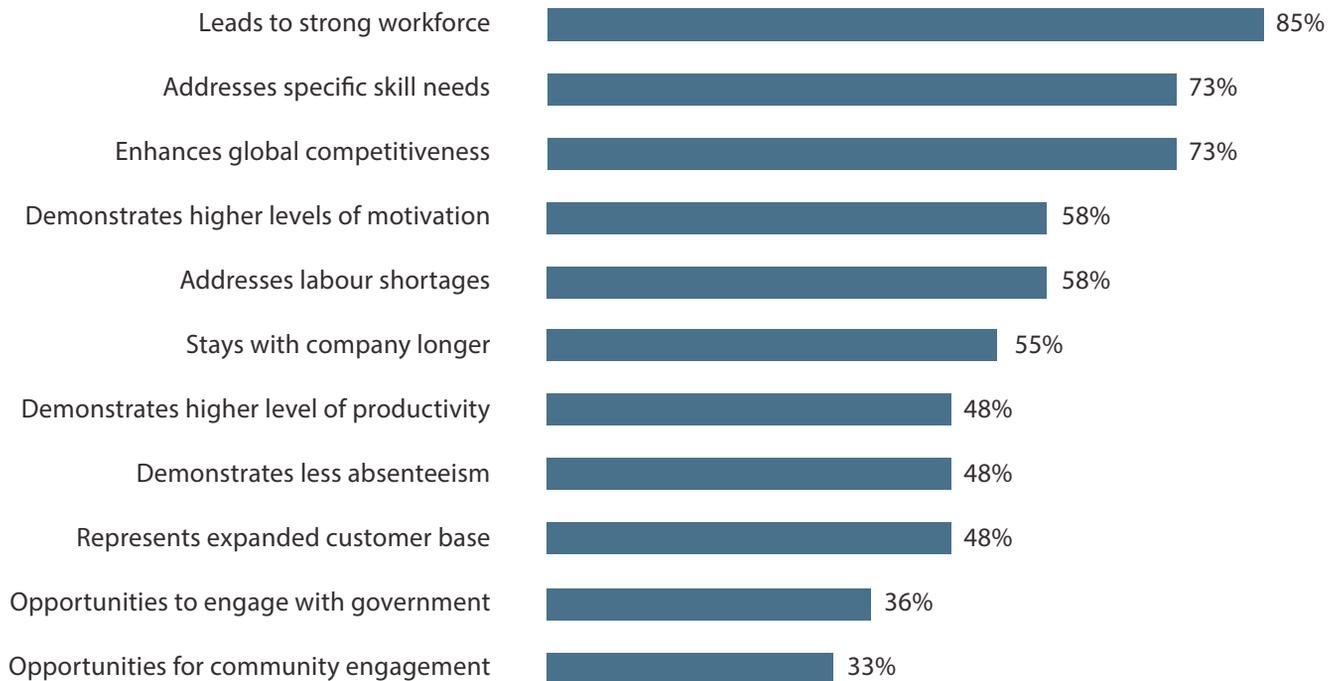
When thinking about their companies, respondents were able to relate migration more closely to human capital. Human capital was explained most commonly as the workforce, the team, investing in people, and people who work in, build, and support and are the face of the business, intellectual capital, knowledge, talent, production machine. The majority of respondents said that they did not differentiate between human capital and migrant human capital and thought of migrants simply as potential workforce, of what they can do, what skills they have and whether they have the ability to do the job.

## Positive aspects of migration relating to business

Overall, businesses agree with the positive aspects of migration, particularly that diversity leads to a strong workforce (85%). Businesses also recognise the importance of migration in addressing specific skill needs (73%) and labour shortages (58%), and enhancing global competitiveness (73%). Migrants also represent an expanded customer base (48%), and create new opportunities for a company to engage in

the community (33%). As shown in Figure 3, respondents also indicate that those migrant workers **who are effectively integrated into the organisation** tend to have higher levels of motivation (58%), demonstrate higher levels of productivity (48%), and are absent less often than those migrant workers who are not effectively integrated into the organisation (48%). Of all of the statements, businesses agree to a lesser extent that migration offers new opportunities for them to engage with governments for or against migration policies (36%).

Figure 3. % of Respondents that Agree with Positive Statements about Migration (n=33)



% Selected Rating of 6 or 7

Scale: 1 = Strongly disagree; 7= Strongly agree; N/O = Not observed

## TAKEAWAY A

A shift in mentality is needed for businesses to capitalise on the full potential of migration. It is clear that the framing of the interviews helped respondents articulate that there are benefits related to migration. Most of the businesses interviewed did not join the conversation knowing these benefits upfront.

The interview was an exercise in critical thinking about migration. Interviewees showed moments of realisation while discussing the positive aspects of migration within their companies. The interviews enabled the respondents to perceive the direct links between migration and their business. In the same way, media and governments can play an important role in promoting clarification with regard to migration issues.

## B. Areas in Which Companies Benefit From Migration

The breadth of migration and its meanings is also reflected in the multitude of ways in which businesses can benefit from it. Throughout the interview process, businesses were prompted to think about the specific benefits of migrant populations for the six different areas of business activity: recruitment and retention, government engagement, corporate social responsibility, product and service innovation, market expansion and job creation.

As shown in Figure 4, the study found that companies leverage migrants to the greatest extent for product service and innovation (55%) and recruitment and retention (52%). More specifically, businesses identified different ways in which they leverage migration for the six areas.

Figure 4. Areas in Which Companies Benefit from Migration



% selected rating of 6 or 7.

Scale: 1=Strongly disagree; 7=Strongly agree; N/O = Not observed

Although not every business was able to identify benefits in all areas of activity, the areas are deeply interconnected, and benefits identified in one impact others. There are common challenges revolving around costs, which present opportunities for improving cost-effectiveness and jointly addressing issues. The degree of cost is likely linked to the number of full vs. part time employees and how critical new market entry and new customers are to a company.

## Measurement and Evaluation

Measurement and evaluation are essential for business. With measurement, evaluation, and data monitoring, organisations can identify opportunities, mitigate risks, and improve programmes and projects. However, this study finds that generally businesses are not measuring or tracking the contribution of migrants to the different areas of business activity.

Businesses are not measuring migrant contributions, not due to lack of interest, but rather because they are likely failing to see the benefit of doing so. More often than not, businesses are unaware that migrants bring significant contributions to their operations. Migrants are not viewed as something separate from the rest of the company.

*“We don’t have a budget for a diverse workforce, but again, everything we do is about diversity, equality, and mutual understanding.”*

*- Interview respondent*

## TAKEAWAY B

There are many benefits for businesses if they engage on migration about which no one is talking. The lack of attention organisations give to these benefits prevents them from understanding how the benefits and costs compare, and the opportunities migration brings to advancing their company’s agenda. In order to respond to the call from businesses regarding a cost-benefit evaluation of engagement with migration, the measures need to be present.

Businesses are involved in various activities that influence diversity and the integration of migrants. These activities ultimately benefit businesses but are neither defining the investment nor measuring the impact. To leverage the migrant workforce to improve operational excellence, customer relationships, innovation, and sustainability, businesses must trace migrants’ contributions.

## C. Measuring Return on Investment (ROI)

To calculate ROI, one must know the level of investment an organisation makes in projects, programmes and initiatives.

### Why?

The key to benefitting from migrants in any of the areas of business activity is to leverage a well-integrated migrant workforce by tapping into their diverse perspectives, cultural norms, and innovative thinking to generate new ideas and solutions. However, this requires implementing programmes and initiatives that allow an organisation to do just that.

### How?

Four businesses provided their perception of the ROI in integrating migrants into the workplace. To calculate the ROI an organisation must capture the cost (or investment) in a programme that is intended to drive specified business outcomes. Additionally, the organisation must measure and monitor those outcomes, including early indicators that the outcomes are in sight. Using a set of standards that ensures reliable assumptions that drive the ROI process, a business can capture the benefits and costs of an initiative and report them in a single metric. To calculate the actual ROI, respondents were asked, among other things, to identify the benefits of integrating migrants into the workplace. Measures such as quality of work, employee satisfaction, job commitment were among those to which monetary value was tied. In addition to describing benefits, respondents were asked to estimate the annual monetary value of improving

these measures as a result of initiatives. These estimated values were based on how measures such as quality of work, employee satisfaction, etc., were perceived as contributing to the organisation. Because estimates rather than more scientific approaches (e.g., experimental design, trend line analysis, etc.) were used to define the monetary benefits, the estimates were adjusted for error by asking respondents to provide the confidence in their estimates.

### Results

As shown in the table below, the estimated value contribution of activities supporting migrants was adjusted down to a more conservative result. These values ranged from U.S.\$13,454 to \$452,048 for the four businesses providing the information. In addition to reporting the monetary value of these activities, respondents provided their estimated costs of the activities, which ranged from U.S.\$16,822 to \$75,893 for the four businesses providing the information.

As shown in Figure 5, the ROI for each business reporting ranged from -20 per cent to 706 per cent. An ROI of 706 per cent means that for every U.S. \$100 invested, the company profits to the effect of \$706. The broad range says little in terms of the overall effects of migration on business, as ROI cannot be interpreted on its own. To understand its meaning requires an understanding of the chain of impact (mechanisms) that led to a particular ROI, as well as the contextual factors.

For instance a negative ROI may be due to the nature of the company. In this case, the company is a start-up relying on migrant talent for market development; the returns start negative. Returns are often observed in the long term while costs are typically greater in the short term. The costs associated with having a diverse integrated workforce may impede or intimidate some native firms in engaging in this kind of activity.

Figure 5. ROI Measures as Reported by Respondents

	Measure	Annual monetary value of improvement	(b) % of improvement due to initiative	(c) Confidence in estimate	(d) Benefit due to Initiative*	(e) Fully-loaded costs	ROI**
C1	Quality of work	\$941,766	64 %	75 %	\$452,048	\$56,058	706.39%
C2	Quality of work	\$250,000	60 %	70 %	\$105,000	\$50,000	110.00%
C3	Employee satisfaction	\$151,786	80 %	90 %	\$109,286	\$75,893	44.00%
C4	Greater commitment	\$56,058	30 %	80 %	\$13,454	\$16,822	-20.02%

All monetary values in U.S. dollar; \*After isolating: a x b x c; \*\*Calculation: d-e/e x 100

On the other hand an extremely high ROI, such as 706 per cent, is often due to an organisation's ongoing efforts to embrace migrant workers and integrate them into influential positions as well as skilled and unskilled labour.

## Beyond ROI

ROI cannot be interpreted as a measure on its own without accounting for contextual factors. Contextual factors may include important market and industry developments, the size and diversity of the local talent in the labour market, the ease of legal and social integration into country of residence, market and business environment pressures (or niche opportunities) to localise products and services, and whether or not the business is owned by a migrant, among others. Contextual factors may be key enablers to achieving a positive ROI, as they will influence a business' level of engagement with migration, as well as the level and nature of integration investment within a company.

Understanding contextual factors and their potential influence on a business' ROI for migration is essential, as often both the company itself and outside stakeholders such as governments are in a position to influence contextual factors so as to boost or worsen the returns. Providing the adequate context for a positive ROI comes hand in hand with allowing a company to understand the potential benefits of migrant workers. For all four case studies, a relationship has been observed regarding the intentionality of a firm on leveraging migrants for their benefit and the amount of resources spent on recruitment and retention or integration of migrant workers. However, as this study indicates, intentionality is not enough, and a company will only be able to establish the actual ROI if the correct mechanisms are in place.

## Benefits of investing in activities to integrate migrants in the workplace

While most of the businesses do not have any specific programmes or initiatives for the integration of migrants in the workplace, respondents do provide their perspective on the overall benefits of having a well-integrated migrant workforce. Data presented here were reported as perceived by respondents and no monetary value was attributed to any of the effects observed.

There is evidence that regardless of the type of activities aimed at migrants, **new knowledge, skills, and information** are generated for the company. Most importantly, the knowledge, skills, and information generated from these activities is often being used or applied by the companies

and their employees. Businesses also indicated that their general integration initiatives and informal activities involving migrants resulted in the improvement of several measures. As shown in Figure 6, productivity (61%) and employee satisfaction (61%) are the measures perceived to be most influenced.

Figure 6. Observed Improvements as a result of Investment in Migration Related Activities



% selected rating of 6 or 7.

Scale: 1=Strongly disagree; 7=Strongly agree; N/O = Not observed

## TAKEAWAY C

Although ROI could not be measured for all of the participating businesses due to either lack of an existing programme or initiative, or lack of evaluation processes in place to determine the contribution and impact of migrants in the organisation, almost all businesses reported perceived costs and benefits associated with their migrant workforce. Some of the costs reported by companies are internal and others external to the company.

Often internal benefits lead to external benefits. It is essential to understand these linkages when looking at investments to integrate the migrant workforce, as a company operates as a holistic organisation, where all areas of business activities are deeply interconnected.

Having the right measurement tools and evaluation mechanisms in place assist companies in isolating specific effects and benefits linked to migration.

# Implications

The findings of this study suggest that businesses understand the value of migrants in the workforce. However, the use of the migrant workforce as a strategic lever is still a missed opportunity by most organisations. Of the 33 individuals interviewed, none identified a formal way in which to measure and monitor the migrant workforce. While the perceived benefits of migration are worth noting, respondents struggled to identify specific investments made to leverage the migrant workforce and to define specific measures that improved as the result of investments.

Nevertheless, the study demonstrates benefits for businesses as a result of embracing migration as part of their core business. It suggests that if companies are to leverage the talent a diverse organisation contributes, particularly the migrant workforce, they must focus on investment in specific programmes that drive outcomes important to the organisation. Companies must also ensure that measurement tools, and tracking and evaluation systems are in place to fully perceive and realise the potential benefits of migration. However, there is no one ROI for all businesses engaging with migration.

The ROI outcome is unique to each individual company and dependent on the characteristics of the company, the contextual factors and the mechanisms in place. The findings of the study also suggest that ROI for migration tends to be positive more in the medium to long term. Nonetheless, it is essential that businesses share their experiences, successful or not, so as to provide better understanding of the effects of migration on business outcomes.

This study identifies important implications for three stakeholders:

## Small and Medium-Sized Enterprises (SMEs)

SMEs can benefit from the global migration opportunity to the same extent or more than large corporations. The size of the company is not an impediment to benefitting from the global migration opportunity.

SMEs are in the same or better in state to measure and capitalise on opportunities. However, due to having fewer resources when compared to large global companies, SMEs are often overlooked in terms of private sector engagement.

The cost burden is particularly problematic for nascent and small companies. This is likely to result in negative ROI for migration in the short term, however, the implementation of innovative solutions, as well as favourable contextual factors, are likely to lead to a positive ROI in the medium to long term.

## Migrant Entrepreneurs

Migrant owned companies seem to be more willing to make the upfront investments required to capitalise on the migration opportunity.

Migrant entrepreneurs play a key role in capitalising on migrants for business outcomes. This effect is observed both for large and small companies founded by migrant entrepreneurs. This potential is of particular importance as the benefits can be realised not only internally for the company, but also externally.

External benefits are likely to have a spill-over effect on other businesses. Incentivising practices such as cross-cultural entrepreneurship may further enhance this potential.

## Government

Governments need to improve the communication of positive benefits of migration to businesses. A shift in mentality relating to migration is needed in order to create more opportunities for businesses to benefit from migration.

Governments will see more private sector engagement if they provide programmes for businesses to better leverage migrants for positive outcomes. Governments are in a privileged position to influence the contextual factors involved in achieving a positive ROI, including access to migrant workforce, as well as favourable policies.

Governments will see more businesses engage with migration if they facilitate the short-term returns and benefits for migration. This is of particular relevance for small businesses, as their cost burden is particularly problematic.

This study blazes a trail by answering to the call from businesses to demonstrate the costs and benefits, as well as the potential ROI for migration. The results of this innovative study provide a tool for businesses to apply in their consideration of direct involvement with the topic of migration, including those that do not have a history in addressing it. The results also serve as a foundation for further econometric and quantifiable analysis of ROI for businesses engaging with migration.

The complete study “The Return on Investment on Migration: What is in it for business?” and a number of case studies are available at: [www.thehagueprocess.org/roi](http://www.thehagueprocess.org/roi)

## Contributors

This study was developed and lead by THP in consultation with a multidisciplinary expert steering group consisting of:

**ROI Institute, Inc.**, is a leader in measuring return on investment (ROI) for all types of human capital programmes and projects. The ROI Institute reports ROI in the context of a framework that implies a logical change occurs as companies make investments in people. This methodology results in credible metrics and ROI reports accepted by financial executives and stakeholders.

**Dr Liesl Riddle**, Associate Professor of International Business and International Affairs at The George Washington University, leads the GW Diaspora Capital Investment Project which generates and disseminates learning about diaspora investment and its role in development to assist private-sector firms, policymakers, diaspora organisations, diaspora entrepreneurs, and researchers.

**Prof. Stuart Carr**, Massey University, is known for applying organisational psychology, with inter-related disciplines, to poverty reduction. His research 'breaks through' into world-class applied journals, the OECD's "Policy Insights" and UNESCO's "Higher Education Policy."

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## Acknowledgements

THP would like to thank all the businesses that took part in this study which allowed us to further develop the business case for migration.

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