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## Labour Markets Performance and Migration Flows in Arab Mediterranean Countries: Determinants and Effects

Volume 1  
Final Report & Thematic Background Papers

Directorate-General for Economic and Financial Affairs

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European Commission  
Directorate-General for Economic and Financial Affairs  
Publications  
B-1049 Brussels  
Belgium  
E-mail: <mailto:Ecfin-Info@ec.europa.eu>

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European Commission

Directorate-General for Economic and Financial Affairs

# Labour Markets Performance and Migration Flows in Arab Mediterranean Countries: Determinants and Effects

Volume 1  
Final Report & Thematic Background Papers



## STUDY

### LABOUR MARKETS PERFORMANCE AND MIGRATION FLOWS IN ARAB MEDITERRANEAN COUNTRIES: DETERMINANTS AND EFFECTS

The European University Institute (RSCAS) was selected by the European Commission to carry out a Study on “Labour Markets Performance and Migration Flows in Arab Mediterranean Countries: Determinants and Effects” (N° ECFIN/D/2008/036).



**Scientific Director:** Philippe Fargues

**Project Coordinator:** Iván Martín

#### Objectives

The objectives of the Study are two-fold:

- to analyze the key labour market determinants of migration flows from selected Arab Mediterranean Countries (Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia and the Occupied Palestinian Territories), with a particular emphasis on demographic pressures, wage differentials and relative income disparities with the EU, employment policies, labour market flexibility and unemployment rates; this analysis includes the impact of migration on the labour markets of Arab Mediterranean Country (AMCs) labour markets;
- to propose a series of specific recommendations to improve the design of the EU’s migration policies towards AMCs and policy options available to them for the management of mismatches between labour supply and demand.

#### Team of Experts for the Study

Philippe Fargues, Migration Programme Director, RSCAS-EUI

Iván Martín, Project Coordinator, RSCAS-EUI, and ICEI, Spain

Samir Aita, General Manager, A Concept Mafhoum

Rafik Boukolia, Université d’Oran, Algeria.

Jad Chaaban, American University of Beirut, Lebanon

Brahim El-Mouaatamid, Research Assistant, CARIM Project, EUI-RSCAS

Thoraya El-Rayyes, ILO Arab States Regional Office, Jordan

Tamirace Fakhoury, Research Assistant, CARIM Project, EUI-RSCAS

Larabi Jaidi, Université Mohammed V de Rabat, Morocco

Nathalie Jouant, Research Assistant, CARIM Project, EUI-RSCAS

Mustafa Khawaja, Palestinian Central Bureau of Statistics, Palestine

Azzam Mahjoub, Université de Tunis, Tunisia

Francesca Marchetta, University of Florence

Mohammad Omari, Palestinian Central Bureau of Statistics, Palestine

Ibrahim Saif, Carnegie Endowment for International Peace.

Fatiha Talahite, CNRS, Université Paris 13 Nord, France

Alessandra Venturini, Executive Director, CARIM, EUI, and Università de Torino

Jackline Wahba, University of Southampton, UK

## **Background papers**

To cope with the ample regional diversity and the variety of issues addressed in the Study, 10 background papers were commissioned to feed the Study:

**8 national background papers on labour markets performance and migration flows in Arab Mediterranean Countries.** A country-by-country analysis (Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia and the Occupied Palestinian Territories), following a common questionnaire, of the migration trends in the AMCs, with particular emphasis on key labour market factors such as demographics, labour costs, skills composition, effectiveness and efficiency of current employment policies, recent labour market reforms, contractual arrangements and size of the informal sector.

**2 thematic background papers** on “EU Migration Policy towards AMCs and its Impact on their Labour Markets” and “The Impact of Migration on AMC Labour Markets: A Bibliographical Review”.

## **Activities**

The Study was carried out between January and October 2009. The main activities were the following:

- **Methodological Workshop.** Florence, 28 January 2009. A one-day co-ordination workshop focused on methodology and data issues for the National Background Papers.
- **Validation Workshop.** Montecatini Terme, 26-27 March 2009. A two-day workshop to discuss and validate National and Thematic Background Papers and to undertake a regional comparative analysis of labour markets performance and migration flows in AMCs.
- **Policy-Makers and Experts Conference** on “Labour Markets and Migration Flows in Arab Mediterranean Countries”. Cairo, 11-12 October 2009. Jointly organised by the EUI, Cairo University and the European Commission. A two-day conference for policy makers, labour market specialists and experts on migration issues from the EU and the AMCs to present and discuss the final Study and proposals and recommendations to improve the design of the EU’s migration policies towards AMCs and policy options available to them for the management of mismatches between labour supply and demand.

## **For more information on the Study**

[www.eui.eu/DepartmentsAndCentres/RobertSchumanCentre/Research/Migration/LabourMarketsMigration/Index.aspx](http://www.eui.eu/DepartmentsAndCentres/RobertSchumanCentre/Research/Migration/LabourMarketsMigration/Index.aspx)

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**CHAPTER I – Final Report**

**Labour Markets Performance and Migration  
Flows in  
ARAB MEDITERRANEAN COUNTRIES:  
A Regional Perspective**

**Iván Martín\***

Project Coordinator, RSCAS-EUI, and ICEI, Spain

\* This Final Report is based to a large extent on the contents of the ten Thematic and National Background Papers commissioned for the Study; in some cases, entire paragraphs have been taken from them. For titles and authors, see Bibliographic References at the end of the Report. The author is grateful for the comments received on former versions of this report from Philippe Fargues as Scientific Director of the Study, Alessandra Venturini and Francesca Marchetta of the European University Institute, Umuhan Bardak of the European Training Foundation and Inmaculada Montero-Luque, Marga Peeters, Thorsten Christen, Gerhard Krause, Francesco Luciani and Chiara Capello of the European Commission. He also wishes to thank all the participants in the final conference held in Cairo on October 11-12, in particular Ibrahim Awad of the ILO, Jean-Christophe Dumont of the OECD, Ahmed Ghoneim of Cairo University, and Gemma Aubarell of the Anna Lindh Foundation for the Dialogue between Cultures, who acted as discussant of this report.

## Executive Summary

The main objective of this Study is to analyze the key labour market determinants of migration flows from selected Arab Mediterranean Countries (Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia and the Occupied Palestinian Territories) and the impact of outward migration on the labour markets of Arab Mediterranean Countries (AMCs). This has been done mainly on the basis of the evidence and analysis produced by the two Thematic Background Papers and the 8 National Background Papers commissioned for the Study. In turn, the National Background Papers are deliberately based on national statistical data sources: this makes comparability less straightforward, but has the merit of using original data available at the local level, where they are collected and generated.

The main findings of the Study can be summarized as follows:

### **INSUFFICIENT DATA AND RESEARCH**

- **Scarce and problematic DATA**

Despite recent improvements in the availability and the quality of employment and migration statistics for AMCs, any serious analysis of labour markets and migration in AMCs is seriously hampered by a widespread scarcity of data at the national level, the inaccessibility, unreliability and inconsistency of available data and the difficulty of comparing data from across the region. This Study is based on best available national data collected in National Background Papers according to a common template, but still all tables and data included in it should be subject to this major caveat.

- **INSUFFICIENT RESEARCH on the interaction between labour and migration in the region**

As the literature review produced for this Study underlines, there is a shortage of research on labour and migration in AMCs, and even more so on their interaction. The theoretical literature, indeed, comes mainly from other regions, and even this is scarce and fragmentary in some respects, for instance the impact of migration on labour markets in countries of origin. So a first step in facing the huge challenge of employment in AMCs and the complex issue of migration in the region is to know more about these issues, their magnitude and characteristics. This Study makes a contribution in this direction by systematizing the existent literature on the impact of migration on labour market and providing a possible analytical framework that could guide future research on this topic.

### **THE CHALLENGES OF EMPLOYMENT**

- **Employment in AMCs poses a CRUCIAL CHALLENGE for the region – and for Europe – in the next 10 to 15 years**

AMCs are, taken together, the world region with arguably the most daunting employment challenge, at least in relative terms. Official labour participation rates there are the lowest in the world (below 46% of working age population, compared to the world average of 61.2%), a consequence this of the lowest female participation rate in the world (below 25% as compared to a 42% world average). Despite this average unemployment rates (almost 15% of the labour force) are higher than in any other region with the exception of Sub-Saharan Africa. And the demographic prospects for the coming ten to fifteen years make all foreseeable scenarios even bleaker.

- **15 MILLION NEW JOBS NEED TO BE CREATED BEFORE 2020, between 1/3 and 2/3 more jobs per year than have been created during the last five years of high economic growth**

Adding together the projected needs for new jobs calculated for this Study under conservative assumptions on the basis of national statistical sources, the AMCs will need more than 1,500,000 additional jobs a year over the coming 10 years in order to provide employment opportunities for new labour market entrants and to keep the (already very high) number of unemployed unchanged, and this under the (hardly realistic) assumption that there will be constant labour participation rates. So the 15 million new jobs which are needed until 2020 would mean an increase of 30% in relation to the current level of total employment in those countries, and would amount to between 1/3 and 2/3 more jobs per year than those that have been created over the last five years in the region, a period, note, of marked economic prosperity. And the foreseeable decline of employment elasticity to growth (which, with an 0.9 average for the region, stands at a level three times higher than the world average) means that the economic growth rates needed to achieve this job creation goal will have to be substantially higher than in the past.

- **IMMEDIATE ACTION IS NEEDED...because the *STATUS QUO* in terms of employment risks causing permanent damage to the development prospects of those countries**

Thus in terms of employment policies and development models the *status quo* risks putting strains on the social fabric through tensions in the labour market, greatly affecting social cohesion and stability in the region – and hence adding to migratory pressures. The prevailing unemployment rates for young people also risk causing permanent damage to the development prospects of these countries, to the extent that young people will be discouraged from engaging in the labour market and will see their qualifications stagnate or deteriorate as the informal economy spreads. This would have long-lasting consequences for the development of human capital and productivity and for the functioning of a regulated market economy. This requires immediate policy action by AMCs – and by the EU, which would suffer from any instability in the region.

- **AMC WOMEN are largely absent from the labour markets**

Labour participation rates in AMCs are the lowest in the world: only one in four of their 180 million inhabitants actually have a job, giving a 3 to 1 dependency ratio. The main explanatory factor for this is the lowest labour participation rate of women in the world: only one in four working-age women are in the labour markets, and an average of 20% of these are unemployed. This means a de facto exclusion of 85% of working age women in the region from the labour markets. The loss of educational investment in women that this entails is enormous, not to mention the constraint this imposes on their right to economic and social emancipation.

On the other hand, if the participation rate of women increases over the next years to catch up to the world average (as is happening already, though at a slow pace), an increase of 5 percentage points on the labour participation rate of women in the next ten years, consistent with the increasing trend observed in the last decade, would mean that the number of jobs to be created in AMCs to cope with the expansion of the labour force would increase by more than 240,000 a year for the 8 countries under consideration.

- **Despite low labour participation, UNEMPLOYMENT is already at socially unsustainable levels, in particular for youth and women**

Although official unemployment figures in the region are arguably underestimated in many respects and often show striking discrepancies, the number of the unemployed exceeded 7

million by 2008, almost 15% of the labour force (which is in turn under-registered as a consequence of the very low participation rate of women). 80% are young first-time job seekers. Female unemployment averages over 20% in the region, and youth unemployment often exceeds the 20% mark or 30% for young women. Paradoxically, in all AMCs unemployment increase among workers with higher qualifications, and graduate unemployment is a widespread phenomenon. This involves a dramatic loss of educational investment and has attracted the attention of analysts and policy-makers alike. But one should not forget that university graduates are fewer than 15% on average of labour force in AMCs, and only slightly more than 1 out of the 7 million unemployed. This means that, in absolute terms, the main employment challenge in AMCs is not related to graduate unemployed, but to workers with no education or only primary education.

- **The HIGH ECONOMIC GROWTH RATES achieved by most AMCs over the last six years have not benefited all workers alike...**

In the six years since 2002 economies in the region followed a high growth path (in the 5-6.5% range on average), which led to an average annual job creation rate of 4.5%, enough to offset the labour force growth rate of 3.6% a year on average (for a working age population growth of 2.8%). So global unemployment rates have been reduced in all countries during this period of high growth rates, but average wages have not followed suit and the categories of workers most affected by unemployment or informal employment (women and youth, in particular) have hardly benefited from this trend. The rate of precariousness of employment increased in many AMCs.

- **...and the GLOBAL ECONOMIC CRISIS could turn the job crisis into a major destabilising force**

The present economic crisis is intensifying a series of labour market and education challenges that the Arab Mediterranean Countries have not solved in the last 20 years of relative macroeconomic discipline and which have hardly even been tackled in the last six years of high growth. As migration chances diminish as a consequence of the economic downturn and the return of temporary migrants, in particular from Gulf countries, becomes more notable the long-lasting job crisis the region is suffering might intensify in terms of its social destabilizing potential and end up causing major damage to the development prospects of this region. The situation is compounded by the lack of unemployment insurance schemes in most countries in the region, or a lack of coverage in existing schemes. In any case, the link between migration and development should be revisited in the light of the crisis.

- **This is making INFORMAL EMPLOYMENT a solution of last resort for increasing numbers in AMCs...**

Informal employment already accounts for between 45% and 55% of total non-agricultural employment in the region. This means that the chances of finding formal, decent jobs are very low. Informal employment depresses wages, hampers the development of human capital and introduces major distortions into the functioning of the goods and services markets in AMCs, including the operations of foreign investors and the prevalence of low productivity jobs. The extent of informal employment in AMCs has become the main objective symptom of labour market distortions in the region. However, we still know too little about the working of the informal economy and its impact on economic activity and development prospects in the region, not to mention its interaction with international migration.

- **...so that MIGRATION remains the first choice for many workers (in particular youths)**

The higher salaries and the job security of public administration jobs still exert a powerful attraction on young workers in AMCs, in particular graduates, in a region where public sector employment is already the highest in the world (over a third of all jobs are in the State sector). But the implicit social contract guaranteeing a State job to all graduates that prevailed until the 1980s has been terminated, and the State no longer provides realistic employment prospects. Thus, short of prospects for a decent job in the private or in the State sector, migration has become the employment solution of choice. Indeed, migration prospects, in some cases (e.g. Lebanon) combined with the high cost of living in urban areas, translates into a high reservation wage (i.e. the minimum income for which a worker is ready to work) which, in turn, creates severe distortions in some AMC labour markets.

- **But SKILLS MISMATCHES in the labour markets and the poor performance of education systems remain the main problem**

However, the main problem for the labour markets of the region is not so much the issue of the growing labour force and the concomitant need to create a substantial number of jobs. Rather it is the structural demand-supply mismatches in the labour market, in particular the discrepancy between the outcome of the education system and the skills required by the private sector.

## **EMPLOYMENT POLICIES**

AMCs are ill equipped in public policies terms to face these challenges.

- **LABOUR REGULATIONS are rigid...and poorly implemented**

Labour regulations in the formal sector are equivalent to those prevailing in developed OECD countries (in terms of hiring and firing regulations, working hours, benefits...). Social insurance schemes are costly (23% of wages on average) and inefficiently managed. However, the prevalence of informal employment and the poor implementation of applicable rules lead to a high level of de facto flexibility in labour markets, but in the worst sense, i.e., curtailing the rights of workers and the prospects of getting a decent job. So labour regulations in AMCs impose a high degree of rigidity and costs but, paradoxically, provide only a low level of protection for the majority of workers. As a consequence, segmentation of labour markets along gender, education and public/private and formal/informal lines is paramount in the region. This adds to migration pressures.

- **Current EMPLOYMENT POLICIES are not equal to the magnitude of the challenge and poorly implemented and evaluated**

In many countries there are hardly any recognisable national employment strategies which identify labour market challenges and try to address them in a consistent manner. Active labour market policies are often used as substitutes for comprehensive employment policies: they are expensive but suffer from poor targeting (they tend to favour mainly the graduate unemployed), dispersion, overlapping and inadequate evaluation.

However, there seems to have been some positive developments in this field in the last few months. In contrast to the typical lack of labour market regulation reforms in the region, the definition of new national employment policies in several AMCs in the last year or so (Jordan, Algeria, Tunisia) nurtures some hope and offer obvious points of contact for further cooperation with the European Union.

- **REAL WAGES are at a very low level in comparison to the EU and the trend in most AMCs is for further divergence from EU rates....**

Real wages in AMCs stand on average at less than 1/6 of EU net wages (in purchasing power parity). In the last few years, instead of converging towards EU levels, in Morocco, Algeria (where a negative average yearly decrease of PPP wages at -1.7% in 1996-2006 was registered, in contrast with the 3% annual increase in the EU-15), Tunisia, Syria and Jordan there has been a slight divergence of wage levels in relation to those of the EU. As for minimum wages, they are often too low to maintain a typical family and too high to ensure the international competitiveness of national industry.

- **...and the low PRODUCTIVITY prevailing in AMCs makes it very difficult to improve economic prospects for the coming years**

In a context of trade liberalization (and hence the imperative of competitiveness) and relative macroeconomic discipline, the convergence of wages depends, to a large extent, on productivity increases. But this is a very difficult path for countries suffering from inefficient education systems and a widespread informal economy, as the stagnation of aggregate productivity in AMCs over the last few years demonstrate. The current development model does not seem to guarantee the level of job creation required by demographic trends in AMCs.

## **MIGRATION AND LABOUR MARKETS**

- **AMCS HAVE A LONG TRADITION OF LABOUR MIGRATION, AND A LARGE MIGRATION POTENTIAL**

There are more than 10 million AMC citizens resident in third countries (see Table 4.2.1). This amounts to more than 8% of their working age population, with higher average levels of labour participation, employment and qualifications than those prevailing in the national labour markets. This is a very substantial share of the AMC labour force, both in quantitative and qualitative terms, even if in Mashreq countries, in contrast to Maghreb countries, women have largely abstained from migrating so far.

If this migration ratio is maintained through sustained migration, the growth of working age population in AMCs would translate into an increased yearly migration flow of 200,000 persons between 2010 and 2020 (i.e., 2 million more new AMC migrants over the period; see Figure 1.1.1). But there is strong evidence for increasing migration rates across AMCs in the last decade (23% in Tunisia, close to 100% in Lebanon), so that this flow could easily triple to 6 million more new migrants over the next ten years if migration rates reach, in a way that is consistent with recent evidence, a level of 24%. These figures could be easily multiplied if current restraints on the labour participation – and migration – of women were eased.

- **This makes economic development of AMCs PARTICULARLY DEPENDENT ON REMITTANCES**

As a consequence, several AMCs are heavily dependent on remittances: Lebanon (22.8% of GDP) and Jordan (20.3%) are the AMCs where money transfers from migrant workers represent the highest share in their economies; in absolute terms, Egypt, Morocco and Lebanon are amongst the top 20 remittance recipient countries in the world. This has, of course, major macro-economic consequences, but also affects the behaviour of people in the labour market, particularly in regard to education and labour participation: it may increase education investment given the prospects for migration and the skill premium abroad (there is evidence of this in countries like Lebanon); and reduce incentives to work (although the low participation rate of women seem to have mainly cultural as opposed to economic

roots). The current global economic crisis makes AMCs very vulnerable to a reduction of remittance flows.

- **IMMIGRANTS already play a key and increasing role in AMC labour markets**

The labour markets of AMCs are increasingly shaped by the presence and the inflow of labour immigrants. AMCs host more than 1 million legal immigrants of working age (2% of current employment), and an undetermined level of irregular or unregistered labour migrants (which could exceed 2 million). On the other hand, AMCs are one of the regions in the world with the largest presence of refugees (a total of close to 6 million); so that in several AMCs, such as Syria and Lebanon, geopolitical developments are a key factor in understanding labour market dynamics. Indeed, in some AMCs immigration has become a structural feature of labour markets. This is particularly the case in the smaller Mashreq countries such as Lebanon and Jordan (especially construction, agriculture and domestic service workers), but increasingly too in Maghreb countries (with migrants from Sub-Saharan Africa). In the context of high informal employment, this poses an additional challenge in providing decent work opportunities for local unskilled labour, increasing migration pressures for them as well.

- **In this context, there is a noteworthy deficit of explicit OUTWARD MIGRATION POLICIES in AMCs**

Despite an increasing interest in migration policy instruments and the recent creation of migration management institutions, it is surprising that most AMCs do not yet have an articulate and explicit outward migration policy, or have only a passive one promoting migration as a way of reducing labour supply, easing social tensions and generating revenues. Morocco is the only exception here and then only to a certain extent. In all AMCs there is much scope then for improving migration policy making and implementation.

- **As for MIGRATION PRESSURES, there is evidence that they are, to a large extent, related to wage and income differentials rather than to unemployment levels**

The lack of economic opportunities and prospects in AMCs are major drivers of migration pressures: according to different country-level surveys in Palestine, Lebanon, Algeria, Morocco and Tunisia reported in National Background Papers and in Fargues 2009 (pp. 20-21), more than half of AMC youth express the desire to emigrate. In this context, there is some evidence that the main economic driver of migration is the level of wage differentials (which are indeed increasing in most AMCs in relation to the average EU gross annual earnings), rather than unemployment. This has major policy implications; it means that migration pressures will remain high even after the current working age population boom is over, even if the quality of the education system and hence of the worker's skills is substantially improved and even if current unemployment levels are reduced.

- **Evidence of BRAIN DRAIN is inconclusive, but it could be a factor in certain AMCs**

Although the level of graduate unemployment is high across AMCs, the high rate of graduate migration (9% on average, doubling the world average, and exceeding 35% in Lebanon and 17% in Morocco, see Table 5.2.1) might pose a problem of loss in human capital for those countries. In some countries there is evidence that skilled migration is causing shortages of qualified labour in certain sectors (Morocco, Tunisia) or a drain on scarce qualified resources (Lebanon). In other countries, including Egypt and Jordan where more than 50% of their migrants are highly-skilled, the migration of skilled labour seems to ease the graduate unemployment problem rather than causing a loss of resources, i.e. skilled migration is preventing the brain waste caused by youth graduate unemployment and female

inactivity. But in any case migration brings about a loss of valuable investments on education that needs to be addressed.

- **In any case, there is strong evidence that SKILLED MIGRATION (i.e. graduate migrants) from AMCs is directed mainly towards the Gulf and the US, rather than towards the EU**

Wages seem to play the most important role in this respect, but migration policies also have an impact. This has important implications for the current EU drive to create instruments (such as the recently approved Blue Card) to attract a higher number of skilled immigrants to EU labour markets.

- **As for the EFFECTS OF OUTWARD MIGRATION ON LABOUR MARKETS according to the literature, they can be summarized in the following table**

**Synthetic table of the effects of outward migration on labour markets**

Effects on labour markets		Migration stages		Prospect to migrate	Actual migration (permanent; temporary)	Remittances	Return migration
Supply side	Factor Endowments	Labour supply (L)	-	-	-	+	
		Skills supply (H) (brain drain/gain)	+	-	+	+	
		Capital supply (K)	=	=	+	+	
	Behaviour	Education (H) (skills acquisition)	+	=	+	+	
		Labour participation (L)	-	=	-	+	
		Wages (reservation wages)	+	+	+	+	
Demand side	Consumption patterns	Labour demand	-	+	+	+	
	Investments, entrepreneurial activities	Labour demand (K)	-	-	+	+	
Structure	Informal employment		=	=	+	=	

L = Labour supply; K = Capital; H = Human Capital

However, empirical evidence in AMCs shows that, apart from easing the demographic pressure on the labour markets of AMCs, migration exerts little or no effect on the female participation rates, and that brain drain does not represent a serious threat for the development of most AMCs. Along the same lines, the demand stimulus derived from remittances has a limited job-creation effect. In contrast, return migration can have a more relevant long-lasting effect on employment opportunities.

- **In AMCs, REMITTANCES do not seem to affect labour markets to a large extent**

Neither National Background Papers nor the literature provide evidence of high remittance levels in AMCs affecting the labour participation rate of women (which is determined rather by cultural factors) or average wages (which are very inelastic due to the abundance of labour, the prevalence of informal employment and the high levels of unemployment). However, remittances or the prospect of migration do seem to have an impact on reservation wages, thus increasing the “equilibrium” level of unemployment, in particular for graduates. This seems to be particularly the case in Lebanon and Jordan and to a lesser extent in Morocco.

- **RETURN MIGRATION, in contrast, has very positive effects on labour markets of countries of origin, but so far its size is marginal in most AMCs**

Return migrants show a higher propensity for entrepreneurial activities, in part due to skills acquisition and in part as a consequence of capital accumulation, and earn higher wages than non-migrants (implying higher levels of productivity). However, so far return migration has been relatively marginal in size in all AMCs, if one puts aside the case of Egypt and of forced return migration to Jordan, Egypt, Lebanon and Tunisia, in particular after 1991 due to the first the Gulf war, which put significant pressures on these countries’ labour markets. Indeed, so far the propensity to return depends to a large extent on destination and not origin countries. In this context, circular migration and facilitating the voluntary return of migrants becomes a win-win strategy for the migration policies of both destination countries and countries of origin.

- **MIGRATION ALONE WILL NOT SOLVE THE LABOUR MARKET CHALLENGES of AMCs**

The magnitude of the employment challenge in AMCs in the coming 10 to 15 years is such that there is no realistic scenario which migration could ‘solve’. However, many of the policy actions and institutional reforms required to become more competitive in the global labour supply market—enhanced education and vocational training systems, increased labour participation for women—correspond with those needed to foster private sector job creation and labour productivity growth at home.

- **But the DEMOGRAPHIC AND SKILLS PROFILE OF THE EU AND AMCs OFFER OPPORTUNITIES FOR WIN-WIN MATCHING STRATEGIES between EU labour demand and AMC labour supply**

In the coming two decades, AMCs will provide a pool of increasingly educated young workers in which the EU labour markets could invest its increasing demand for medium- and high-skilled migrant workers. This matching would be mutually beneficial and partially dampen the main factor for social instability in the region, and hence have positive externalities for Europe by preventing spill-over into neighbouring European countries. To this extent, investment in the skill development of AMC labour forces has the characteristics of a public good for Europe.

However, this synergy is contingent upon an effective and immediate skills upgrading of labour forces in the AMCs (this should become a priority for EU-AMC economic cooperation) and the setting up of a friendly climate for legal migration in the EU, effectively attracting skilled migrants. The current instruments of EU migration policy, including the recently approved Blue Card, do not seem to provide for this. This notwithstanding the new Euro-Mediterranean regional dynamics put in place through the first Euro-Mediterranean Ministerial Conferences on migration and employment could eventually give rise to a comprehensive region-wide strategy on labour migration – provided that the appropriate policy tools and effective implementation plans are adopted.

On the basis of these findings, the following proposals for action and policy recommendations submitted for consideration in Section 7 are summarized:

## **PROPOSALS FOR ACTION AND POLICY RECOMMENDATIONS FROM THE STUDY**

### **• DATA AND FURTHER RESEARCH**

Given the difficulties of compiling basic information on labour markets and migration in AMCs and the lack of specific research focused on evidence from the region, the research agenda on labour markets and migration in AMCs should take a multilevel approach. This might include, in this sequence:

1. **A region-wide program to produce a complete set of standardised statistics on labour markets and migration** based on national statistical sources using the same methodologies throughout the region so as to allow comparability. This programme would necessarily involve national State statistical services and might be designed and implemented in the framework of the current Medstat III regional programme.
2. **A project to develop a set of complete statistics on labour and migration at the sub-regional level in one or two pilot countries.** The template of statistics might be the same as in 1). The project should provide resources to carry out specific region-level surveys when needed.
3. **A wide-ranging study to test to what extent research and theories on migration flows and labour markets developed on evidence from other regions apply to AMCs.** This scientific testing of theories and hypothesis would be based on the above-mentioned sets of pan-AMC and sub-regional labour markets and migration data. Figure 5.1.1 (reproduced above) offers a possible matrix of research questions to guide this research.
4. **An inventory of migration policies implemented throughout the region (both in the EU and in AMCs), with a scientific assessment of their working and their impact** through appropriate indicators and methodologies. This could serve as a basis for the transfer of best practices.
5. **A region-wide study on informal employment in AMCs** to make up for the lack of knowledge on the informal economy and informal employment in AMCs, its working and how it interrelates with the formal labour market and international (irregular) migration.
6. **A comprehensive study on the magnitude and characteristics of inter-Arab migration,** in particular AMC migration patterns to the Gulf countries and Libya.

### **• AMC ECONOMIC AND SOCIAL POLICIES**

There seems to be a reasonably broad consensus on the national AMC policies needed to face the challenge of employment. Some basic guidelines for action and policies are the following:

1. **Upgrading of national education and vocational education and training systems.** Quality of education at all levels, orientation to labour market needs and the employability of youths and women should be at the centre of this strategy.
2. **Putting employment creation and productivity increase at the centre of all economic and industrial policies,** promoting labour intensive activities and investments, but also high added value industries.
3. **Integration and coordination of public policies in four areas is required to render effective the national strategies to enhance creation of good quality jobs:** macroeconomic and fiscal policies, public investment and private sector promotion policies; education and training policies; social protection policies; and labour regulation

policies. This coordination should take on an institutional shape, i.e. formal exchange and consultation between the respective competent Ministries at the national level.

4. **Extensive employment policy assessments** should be carried out in every country, and monitoring and evaluation capacities be substantially strengthened. Active labour market policies should be systematically assessed and redesigned to achieve employment creation objectives.
5. **In-depth study on the obstacles to the labour market participation of women and the formulation of a strategy to remove these obstacles** (such as public transportation and child caring facilities, for instance).
6. **Creating incentives to private sector firms to hire new graduates and women and also training for workers** through tax rebates.
7. **Creating a set of incentives for transforming informal employment into formal employment** (this could include a reduction of current high social security contributions).
8. **Establishment of social protection systems guaranteeing universal coverage**, including unemployment insurance schemes. Emphasis should be put on the protection of workers rather than the protection of jobs.

#### • EU MIGRATION POLICIES

AMCs need to undertake structural reforms to upgrade their economic policies in order to create an encouraging investment and business climate to attract foreign direct investment and foster the private sector. The EU then should upgrade the mix of policies increasing its competitiveness for attracting the production factor it will need in the coming decades – labour. A multilevel strategy to address this policy reform should include the following measures:

1. **The creation of legal schemes allowing for permanent legal migration to the UE, and not only for skilled migrants.**
2. **The design and implementation of EU-wide schemes allowing for circular and temporary migration** from AMCs and leading to true mobility partnerships, but also liberalizing service provision through the temporary movement of labour from AMCs (Mode 4 of the General Agreement on Trade on Services).
3. **To improve the comprehensiveness of the new “Global Approach to Migration”** adopted in 2005 and to remedy the gaps left by its instruments, it is important to:
  - Promote ratification by all EU countries of the UN Convention on Migrant Rights;
  - Empower institutions and legal channels facilitating the recruitment of workers on both sides of the Mediterranean;
  - Draw the consequences of the existence of a Single Market for labour and devise work permits for labour immigrants valid throughout the EU;
  - Encourage visa and institutional policies that favour temporary patterns of migration and mobility; this should include the introduction of multiple-entry, multi-country visas and work permits;
  - Refine temporary migration programs and make them more attractive by guaranteeing social rights and the portability of benefits;

- Improve the recognition of educational degrees in the EU and create more institutional and legal synergies between academic institutions on either side of the Mediterranean;
- Remove obstacles to family reunification, which may act as a factor for human capital development.

• **EU-AMC COOPERATION**

The European Neighbourhood Policy and the new sectoral dynamics launched at the Euro-Mediterranean multilateral level by the first Euro-Mediterranean Conferences on Migration (November 2007) and Labour and Employment (November 2008) provide an enabling framework to implement the “Global Approach to Migration” not only as a unilateral EU strategy, but as a cooperative framework for true co-development.

To make progress in this direction, some initiatives could be undertaken:

1. **The launching of national projects in each AMC to support public employment services, to review and to modernize employment policies** in the framework of the Neighbourhood Action Plans for 2011-2013 currently being negotiated with AMCs. These projects should include:
  - a review of national employment policies with a common template;
  - technical assistance on employment policy-making, as well as capacity-building in managing labour markets, and in the review, assessment and upgrading of active labour market policies;
  - institutional strengthening of Employment Ministries and their policy-making capabilities, as well as of national employment agencies as labour market intermediaries;
  - promotion of youth and female employment and the gearing of public employment services to promote such employment.
2. **Quick implementation of a regional Framework for Actions on Employment as agreed in the First Euro-Mediterranean Conference of Work and Employment Ministers in 2008**; as seen with the European Employment Strategy, scope for regional co-operation in this field is great. Common objectives and a common policy-making framework, with a region-wide system of multilateral progress monitoring by each partner, could provide the right incentives to share experiences and best practices, adopt effective policies and follow-up implementation from a technical perspective.
3. **A region-wide review of national migration policies by AMCs and EU migration policy instruments** in relation to AMCs in order to identify the institutional framework conducive to a synergy – and at a later stage a joint strategy-between the EU and AMCs in the labour migration field. This could be done in the framework of the Neighbourhood Action Plans for 2011-2013 currently being negotiated with AMCs.
4. **A region-wide review of the working and impact of current bilateral temporary and circular migration experiences**, assessing their economic, social and human dimensions, and detecting positive gains and outcomes with the aim of activating new cooperative dynamics in the Euro-Arab Mediterranean context.
5. **Establishment of a Skills Enhancement Fund**, within the legal framework of the Global Approach to Migration and the institutional framework of the Euro-

Mediterranean Partnership, aimed at addressing the issue of brain drain caused by the migration of highly-qualified workers from AMCs to the EU. This scheme might be designed as a skill development cooperation fund whose amount would be calculated as a function of the number of skilled migrants who go from AMCs to the EU for a certain period (for example, the last ten years). This fund would be earmarked for cooperation programmes aimed at i) improving the skills of graduates staying in the country, ii) improving the quality of university programmes in the country, iii) increasing the number of graduates produced in the country (through scholarships), iv) encouraging the return of highly-qualified migrants to their country of origin.

6. **Establishment of a regional system for disseminating employment offers throughout the Euro-Mediterranean region** in order to better match the demand and supply of labour.
7. **Establishing a Euro-Mediterranean programme of traineeships** in European and AMC companies for AMC graduates and vocational training students.
8. **The design of an EU-wide scheme to encourage return migration to AMCs**, in particular the return of skilled labour migrants, through appropriate incentives implemented at the EU Member State and AMC level, including the possibility of returning to countries of destination.

## Introduction

This report explores the relationship between labour market performance and emigration flows in Arab Mediterranean Countries (AMCs). It examines recent labour market conditions and the impact of labour market reforms on employment, unemployment, the informal economy and migration flows. In a globalized world economy, workers perceive international migration as a channel to access overseas labour markets. Individuals choose, subject to certain constraints (such as those imposed by migration policies), whether to participate in the domestic labour market or in an overseas labour market. Thus, conditions in domestic labour markets play a pivotal role in the decision to migrate overseas. In turn, emigration can potentially affect national labour markets, though this reverse impact has been little studied.

### *Literature*

Literature on migration and development is vast, even if it is far from being a “burning issue of our time” (Hanson 2008). The interaction between migration and labour markets in countries of origin has excited less interest: the economic analysis of the impact of migration on labour markets has tended to focus on host countries. In contrast, the impact of migration flows on the working and performance of labour markets in countries of origin is less studied by researchers and national and international organizations. Policy-oriented research has focused to a large extent on EU and other developed countries’ labour markets, migration flows as such and the integration of incoming labour migrants. Only in the last few years has the magnitude of the labour market challenges in the countries of origin begun to attract research and policy-makers’ interest.

Indeed, although the literature on labour markets in developing countries is very large, research on labour markets in AMCs was limited until recently. The World Bank Report *Unlocking the Employment Potential of the Middle East and North African Towards a New Social Contract* (World Bank 2003) marked a surge in interest in these countries, and literature with a regional approach which has proliferated ever since. Of particular note is the series of FEMISE Country Profiles on AMCs with a major section on Human Resources and Labour Markets (FEMISE 2004-2005), and the studies undertaken by the European Training Foundation on employment policy reform (ETF 2006), vocational training systems (ETF and World Bank 2005) and the transition from school to work (Van Trier 2007) in Southern and Eastern Mediterranean Countries. Arab Human Development Reports (UNDP 2002, 2003, 2005 and 2006) were another milestone, pointing to a lack of participation of women and a deficit in knowledge and education (together with bad governance) as two of the main obstacles to development in Arab States. But once a general overview and assessment of the challenge has been made, it is fair to acknowledge that little progress has been made in the literature, to a large extent due to the lack of reliable and exhaustive data.

The same is true for migration in AMCs, where in a few years we have evolved from a no-man’s land to seeing the emergence of a series of specialized research centres, such as CARIM (Consortium for Applied Research in International Migration) and a boom in literature (see Schramm 2006). This late emergence of a literature on migration in the region is most remarkable, since, in fact, the region is more globally integrated through labour mobility than through investments and trade. According to the World Bank, the MENA Region accounts for some 3% of the world’s GDP, receives just over 1% of global direct investment and accounts for some 5% of global trade flows. In contrast, the region is a major player in the international movement of people: some 10% of the world’s remittance inflows are directed to MENA countries.

More recently, a connection between labour markets and migration has slowly been made. A first attempt was the ILO/IOM/OSCE *Handbook for Effective Labour Migration Policies in Sending and Receiving Countries in the Mediterranean* (ILO/IOM/OCE 2007). In the present year, the World Bank's research programme on MENA countries jobs and people mobility culminated in the publication of a wide-ranging report and four background papers (World Bank 2009a). But this is a research field still very much 'under construction'. In particular, the lack and the unreliability of data sources both for labour markets and for migration flows, a bigger problem in the region than anywhere else in the world with the exception of Sub-Saharan Africa, make any solid research extremely difficult, and forces researchers to work on empirical evidence from other regions or to repeat the same faulty data sources again and again. However, this interaction is fundamental if effective employment policies in countries of origin and migration policies in countries of destination are to be designed and implemented, and, in this respect, the present Study takes another step forward in our knowledge.

As such, this Study could be seen as a part of the new "Global Approach to Migration" that the EU has committed itself to<sup>1</sup> and which is analysed in one of the commissioned Thematic Background Papers (Venturini, Fakhoury and Jouant 2009). In its conclusions, the European Council notes that "*the migration and development agenda will be intensified by increasing coherence between the Union's various policies, including their financial instruments, with a view to addressing the root causes of migration.*"<sup>2</sup> And there is no doubt that the performance of labour markets in AMCs, both in terms of job creation and wages and working conditions, is one, if not the main root cause of migration.

The Study draws a mainly descriptive overview of the performance of labour markets in AMCs and how these interrelate to migration flows. To achieve that, it draws particularly on the 8 attached National Background Papers commissioned to offer an in-depth insight into the situation in each country. These papers, responding to a common structure and questionnaire, focus on the labour markets in each of the AMCs and look at the effect that outward migration is having in each. The authors are all national experts and researchers specializing in labour markets: this ensures that they have a "southern" perspective, and that they focus on the performance of labour markets as determinant factors in migration flow, but also as a space for the multiple and complex effects produced by labour migration. The National Background Papers are based on national data sources, a choice warranted by the fact that this is the level at which data is collected and generated.

The added value of this report consists on its regional perspective, however difficult this was to bring together given the lack of data comparability and the variations in the labour markets and migration situation across countries. The magnitude of the data problem is such that we have included, at the end of each National Background Paper, a quick reference guide to statistics on labour and migration in the respective AMCs.

## **Data**

The drafting of the National Background Papers for this Study has offered ample evidence of the shortcomings of national sources in the countries of origin: the inexistence of data on migration and heavily-contrasting official unemployment rates data (Algeria), the methodological contradictions (and hence confusion) despite the abundance of surveys and statistical sources in Morocco, the inaccessibility of much data in Tunisia, and the lack even of a census and official labour force surveys in Lebanon not to mention the inexistence of statistics on migration and the unreliability of data on employment in Syria

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1 Presidency Conclusions of the Brussels European Council (15/16 December 2005),

[http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/ec/87642.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/87642.pdf), Annex I.

2 Presidency Conclusions of the Brussels European Council (14/15 December 2006) "A Comprehensive European Migration Policy".

[http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/ec/92202.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/92202.pdf).

(the National Background Paper for this country highlights data inconsistencies over time and across institutions). All this means that any researcher interested in labour markets or migration in the region must complete a veritable obstacle race. Population and employment data are disseminated following censuses and surveys, and often present serious shortcomings if not inconsistencies; besides that, huge, unexplained variations have been observed in published data, sometimes from year to year. International organizations most often take up data coming from national statistical sources without questioning their validity or enquiring how the data was elaborated, incorporating the shortcomings of national data but blurring their origin. In turn, very often data published by international organizations are not established as a result of actual data collection but rather are self-generated by econometric models. The researcher becomes an investigator.

As the notes on data sources on labour markets and migrations prepared for this Study and included as Annexes to the National Background Papers have shown, this is a shared problem throughout the region, and on a scale unknown in other regions. A recent report on *Training and Employment in the Northern and Southern Mediterranean Region* (Medstat 2008) published in the framework of the Medstat regional statistical cooperation programme has not gone beyond compiling existing statistical sources, without a real added value. So the first major challenge any research on labour markets and migration in the AMCs has to face is the scarcity and unreliability of data sources. Most analysis on the region is made on the basis of guesstimates drawn from fragmentary and often incoherent data sources or from empirical evidence from other regions transposed to the region through econometric estimations; the inappropriateness of those methods is revealed when one submits the results to detailed analysis. Statistical work with current data, let alone quantitative economic analysis, is hardly possible. Even the construction of simple comparative tables for the region is often incompatible with methodological rigour (as shown in the tables of this report, which reflect inconsistencies in the National Background Papers, in turn taken from most reliable national statistical sources available<sup>3</sup>). Comparability and consistency is hampered by the discontinuity of sources, the delay in the availability of data (sometimes the most recent data available are several years old, as shown, for instance, in Tables 4.2.1 and 5.2.1), and the implicit assumptions or calculation methods. So, as with any other data on labour markets and migration flows in the region, all the data and tables provided in this report, extracted from National Background Papers, should be used with caution and double-checked. However, the order of magnitude they convey gives an accurate insight into the processes and challenges examined here.

### ***The Study***

Despite marked national variations, the ten background papers which are synthesized here show that there are common elements and trends in all AMCs, and that all of them, from Morocco to Syria, share roughly the same challenges (though, of course, with differences in magnitude and emphasis): they are net exporters of labour, have a large number of unemployed citizens, in particular among the young and among women, underperforming education systems, oversized State sectors and a very large informal sector. This justifies the AMC grouping selected for the Study, instead of other groupings more commonly used by international organisations for convenience (in particular, the Middle East and North Africa or the MENA countries grouping, which also includes Iraq and Iran and the Gulf Countries). It also opens up a wide area of opportunity for regional cooperation on these issues, particularly as all eight AMCs under study belong to the Euro-Mediterranean Partnership.

In the final chapter of the Study, this analysis is used as a basis for developing concrete policy recommendations both for the EU and for AMCs, but also for EU-AMC economic co-operation. The analysis and the recommendations here aim to be relevant for EU migration policy-making, but also

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<sup>3</sup> An example: data for the number of unemployed for Syria can vary between 454,000 and 1,444,074 depending on whether official figures or "corrected figures" are used to account for the larger than registered labour force. Discrepancies between figures in Tables 1.2.1 and 2.4.1 are explained by such data inconsistencies

for EU employment policy-making: as shown in one of the Thematic Background Papers, so far the latter has certainly taken labour immigrants in EU labour markets into consideration, but has barely touched on the labour markets in the countries of origin, and the impact that EU policies and labour migration to the EU could have on them. But, of course, the Study is also relevant for the design and implementation of economic co-operation in the framework of the Euro-Mediterranean Partnership and the European Neighbourhood Policy. Indeed, in the last two years, the first Euro-Mediterranean Ministerial Meetings on Migration and Employment have been held (in Algarve in November 2007 and in Marrakech in November 2008), with a view to substantiating co-operation between the EU and its Mediterranean Partner Countries in these fields. Finally, the performance of labour markets in AMCs and the implications for migration is a question of relevance too in the framework of the Euro-Mediterranean economic dialogue at a multilateral level taking place in the annual Euro-Mediterranean Meeting of Ministers of Economy and Finance, since labour market performance is directly related to the macroeconomic policies discussed in this framework. Coherence between all these policies and fields of cooperation is in itself a major issue.

In any case, what is clear is that labour market mismatches, both in quantitative (unemployment, low participation rate) and qualitative terms (qualifications, skills) are the major economic and social challenge that AMCs will face in the coming ten to fifteen years, and the EU cannot ignore these developments in its close neighbourhood. The current global economic crisis has already begun to hit AMCs (see Section 2.7), though with a lag in relation to Europe, and it may make the situation even worse than the one described in the National Background Papers; indeed, as we commissioned, discussed and reviewed the papers with the group of Study experts, evidence that the situation was already deteriorating emerged again and again. This makes policy action even more urgent, and the present Study even more timely, as pointed out by the Egyptian Minister for Manpower and Migration, Mrs. Eisha Abdel Hady, in the opening session of the Final Conference of the Study.

The Study is organized as follows. In the first chapter we undertake a brief analysis of demographic dynamics and the prospects for and the nature of employment in AMCs. This culminates with an estimation of job creation needs in the coming 10 years in order to absorb the increase in the working age population: 15 million new jobs will be needed over this period, 2.4 more if the extremely low labour participation rate of women (at around 20% of working age women now) increases by 5 percentage points.

The second chapter is devoted to an analysis of the performance of labour markets in AMCs in terms of wages and unemployment. We review the legal regulation of labour market as one of the determinants of this performance, as well as the role of the informal economy (which absorbs close to half of total non-agricultural employment in the region) and other major challenges such as women and youth exclusion from the labour markets. The composition of unemployment is analysed in detail, as well as the trend of average wages: in most AMCs, the gap with EU wage levels has increased over the last few years.

In the third chapter we try to establish a link between this performance and the national employment policies implemented in each country, with particular attention to Active Labour Market Policies and recent changes in labour market legislation or employment policies. We conclude that the scope for improvement in national employment policies in AMCs is very wide. This chapter ends with some general thoughts on policy options that might reduce the daunting labour markets mismatches in the region.

In Chapter 4 we address the issue of outward labour migration, its magnitude, characteristics and role in the economic system of AMCs. Chapter 5 then focuses on the impact of outward labour migration on AMC labour markets, one of the main focuses of this Study. In particular, we address the question of whether or not the migration of graduate workers leads to a “brain drain” of qualified human capital in

these countries, as well as the impact of remittances on wages, labour participation and employment. A brief analysis of circular migration and the impact of return migration closes this chapter.

In Chapter 6 we turn to EU migration policy. After a review of the process of development of a common EU migration policy (still incomplete) culminating in the *Global Approach to Migration* adopted in December 2006, we analyse the adequacy of the new policy instruments to attract skilled migration to the EU (in particular the Blue Card approved last May) and the scope for, implications of and conditions for matching EU labour demand as the population ages with the increasing excess labour supply AMCs experience as they complete the demographic transition. We conclude that there is a window of opportunity if the right policies are implemented (both as regards the implementation of legal migration schemes and the upgrading of the skills of AMC labour). Finally, we explore the extent to which the Euro-Mediterranean Partnership and the European Neighbourhood Policy become appropriate policy tools to take advantage of this opportunity.

All chapters (and sometimes sections) are preceded by a brief review of existing theoretical literature and empirical evidence related to AMCs. This review is particularly exhaustive in relation to the impact of migration on labour markets in AMCs (Chapter 5), as one of the Thematic Background Papers is devoted precisely to this literature review (Marchetta 2009).

The Study concludes with a chapter including some proposals for action and policy recommendations. Indeed, the Study is meant to trigger a much needed debate among policy-makers of EU institutions, EU Member States and AMCs and with social partners on the interaction between labour markets performance and migration flows, and the consequent policy requirements.

## **1. The Labour Supply in AMCs: Determinants and Prospects**

### **1.1 Demographic Dynamics and Prospects**

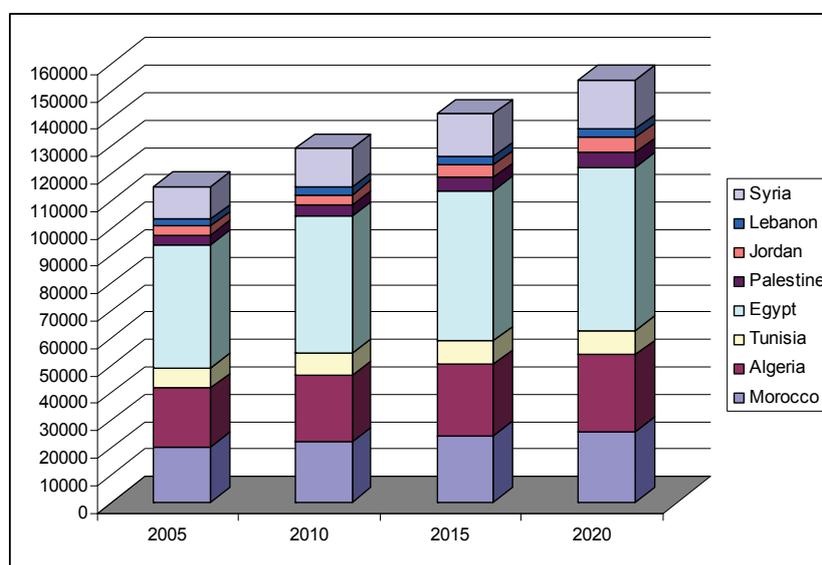
Arab Mediterranean Countries will face the most challenging phase of their demographic transition in the next ten to fifteen years. According to the latest available data, the total population of the 8 countries considered in this Study amounts to more than 180 million persons (see Table 1.2.1). The population growth rate, though it has decreased substantially over the last decade in all AMCs, is still at an average of 2% a year. In terms of fertility rates demographic behaviour there has already reached (in countries like Tunisia or Morocco) or is rapidly converging towards the long-term equilibrium level, but the rapid pace of this demographic transition has given rise to a very young population structure.

More than 30% of the population is under 15 and will enter working age in the next few years, and another 35% are in the 15-30 age bracket and so have entered the labour force in the last few years. This has been interpreted as a demographic gift to the extent that the proportion of the working age population to total population, two thirds on average, will increase steadily until 2035-2045, depending on the country in question. But it also entails an unprecedented challenge to Arab Mediterranean Countries: to create jobs for the largest generation in their history, to benefit from this advantageous demographic structure and to avoid large-scale frustration and social tensions.

This challenge will last for several decades, since the working age population will continue growing in most of these countries until at least 2040. But the highest growth rates will come in the next ten to fifteen years, as shown in Figure 1.1.1. Between 2010 and 2020, the working age population of AMCs will increase by 2.5 million persons a year, from 129 to 154 million over that period. Egypt alone concentrates almost 40% of the region's working age population and will provide much of that increase, and the three central Maghreb countries a third of it. Given the reference period

chosen, these figures are completely independent from fertility developments, since the young who will enter the labour market in fifteen year have already been born. So, save health or natural catastrophes, the size of the labour force will depend only on the labour participation rate.

**Figure 1.1.1. Working Age Population in AMCs (000 persons), 2005-2020.**



*Source:* National Background Studies from national statistical sources.

To sum up, the demographic scenarios in the region for the next decade can be described, in general terms, as follows: population will still grow at an average of 2%, with a more than proportionate 2.8-3% growth rate for working age population as new generations enter the labour market and a 4% labour force growth rate as an increasing proportion of working age population (in particular women) seek jobs. The National Background Papers describe this process in detail.

## 1.2 Characteristics and Composition of the Labour Force and Employment

The most salient feature of AMC labour markets is the very low labour participation rates. At less than 50% of the working age population, they have the lowest regional rates in the world, substantially below the world average of 61% (ILO 2009). This is due, to a large extent, to the lowest female labour participation rates (in relation to the female working age population) in the world: 21.66%. This, combined with high unemployment of close to 15% of labour force, leads to a high dependency pattern: less than one in three persons in the AMCs actually has a job (see Table 1.2.1).

Another important feature of AMC population is the fact that a high proportion of it, over 45% on average, still lives in the countryside: 45% in Morocco and 57% in Egypt (but only 22% in Jordan). The implications of this fact are manifold: indeed the activity rate may be overestimated (as it includes non paid family aid), and the main migration flow in the coming decades will not be outwards from the country, but from the rural areas to cities (and from lower productivity to higher productivity jobs), so that the economic growth needed to absorb the growing labour force must be higher than it has been to date.

**Table 1.2.1. Total Population, Working Age Population, Labour Force and Employment in Arab Mediterranean Countries, latest available years.**

	Morocco (2005)	Algeria (2007)	Tunisia (2007)	Egypt (2005)	Palestine (2007)	Jordan (2005)	Lebanon (2007)	Syria (2007)	TOTAL
<b>Population</b>	30172000	34096000	10225100	72850000	3719198	5473000	4227000	19405000	<b>180167298</b>
<b>Working age population</b>	20061000	22666401	7676700	45045800	2049273	3251000	2791000	12779420	<b>116320594</b>
<b>Labour Particip. Rate</b>	56,30%	44,00%	46,80%	49,90%	41,90%	38,30%	43,40%	50%	<b>49,37%</b>
<b>Male</b>	83,80%	72,80%	68,80%	74,60%	67,70%	66,40%	66,90%	78,80%	<b>75,38%</b>
<b>Female</b>	29,00%	14,70%	25,30%	22,70%	15,70%	11,70%	21,10%	20,10%	<b>21,64%</b>
<b>Labour force</b>	11312000	9968900	3593200	22483600	875285	1308000	1493000	6389710	<b>57423695</b>
<b>Current employment</b>	10056000	9146000	3085100	20443600	647711	1123780	1340000	4945636	<b>50787827</b>
<b>Unemployment</b>	1092194	1374700	508100	2040000	227574	184220	178756	1444074	<b>7049618</b>
<b>% Unemployment</b>	9,80%	13,80%	14,10%	9,30%	26,00%	14%	9,20%	22,60%	<b>12,28%</b>
<b>% Population employed</b>	<b>33,33%</b>	<b>26,82%</b>	<b>30,17%</b>	<b>28,06%</b>	<b>17,42%</b>	<b>20,53%</b>	<b>31,70%</b>	<b>25,49%</b>	<b>28,19%</b>

Source: National Background Papers from national statistical sources. Official figures. Average labour participation rates are weighted by the working age population.

### ***Women Remain Largely Absent from the Labour Market***

In the last three decades, one major phenomenon in AMC labour markets, besides the massive migration from the countryside to cities, has been the growing feminization of labour supply, to a large extent linked to an improvement in education attainments amongst women and job opportunities arising in the public sector. Over the last years, there has been a consistent trend in the integration of women into the labour markets, as reflected in the labour participation rates. These have increased in all countries in the region, adding between 0.3 and 1 percentage points a year over the last decades. Though it must also be said that there were setbacks in female labour participation in certain countries, such as Morocco (where the absolute number of active women fell between 1995 and 2005 from 1,491,000 to 1,320,000) and Syria (where the official labour participation rate for women fell from 21.3% in 2001 to 14.40 in 2007), in both cases closely related to fluctuations in agricultural production and employment.

This notwithstanding, the labour participation rate of women in AMC is still the lowest in the world (an average of 21.64% of working age women in the region, more than 20 percentage points below the developing countries average), and combined with high female unemployment rates leads to a striking fact: five out of six women of working age in the region do not have a job, with major implications for equality and even development (see Martín 2006 and 2008). Taking into account that in all AMCs except Morocco new female graduates outnumber male graduates, the waste of educational investments this exclusion entails is unsustainable for the AMC economic systems. Extreme cases of low female participation rates are Jordan (11.7%), Algeria (14.7%) and Palestine (15.7%). And this despite the fact that female labour force data includes so-called “non paid family aid”. On the other hand, advances in the labour participation rates of women are often precarious: as the cases of Syria and Morocco show there are episodes of regression due sometimes to bad farming years, sometimes to a reduction of jobs in the exporting-manufacturing sector, and sometimes to a retreat from the labour force following on from a fruitless job search. In general terms, the volatility of the labour participation rates of women is higher than for men, reflecting the more frequent entry and

exit of women from the labour market, in particular in the urban context, which highlights the often subsidiary role of their work. In any case, women's participation in the labour force is strongly correlated with education and urbanization.

In the near future, the dynamics of the labour supply in AMC's will depend to a large extent on the pace of the increase in the labour participation of women.

### ***Low Qualification of the Labour Force***

Free education, publicly provided, has been a central tenant of the social contract in most AMC's since independence. Governments significantly expanded the education system, driven by rapidly expanding young populations and the need to build national identities. Formal education indicators have been improving rapidly with massive investment in education and training, in particular in terms of enrolment rates. However, the focus on universal access to education has often overshadowed the issue of quality resulting in some serious labour market imbalances caused by inadequate educational and training systems, which do not respond to a changing demand in skills.

On average, only one in seven persons in the AMC labour force has a university degree (with Palestine, Egypt and Jordan having higher than average rates). Although there has been a wide access to secondary education throughout the region (and in some cases, such as Egypt, to vocational training), 44% of the AMC labour force still has no diploma or only a primary education diploma. Morocco and Syria are the countries with the lowest formal education profile (see Table 1.2.2), and the urban-rural education gap is still remarkable in all countries, with major implications for the prospects of productivity increase in the rural sector.

The higher unemployment rates amongst educated workers makes the picture even more worrying when the qualification profile of employment instead of labour force is considered. This is clearly shown in National Background Papers (Sections 1.2). Combined with the high concentration of qualified workers in the public administration, this means that there is a significant number of employees in the industry, trade and communication sectors who have not even finished their primary level studies. This poses an enormous challenge in terms of productivity increase and competitiveness prospects for AMC economies.

**Table 1.2.2. Composition of AMC Labour Force by level of education (% , latest available year)**

	Morocco (2007)	Tunisia (2007)	Egypt (2006)	Palestine (2008)	Jordan (2007)	Lebanon (2004)	Syria (2001)	TOTAL
<b>Labour force</b>	11148373	3593200	23624780	875285	1403600	1493000	6369000	<b>48507238</b>
<b>None</b>	40,4%	11,6%	28,9%	14,0%	4,0%	10,0%	23,7%	<b>28,0%</b>
<b>Primary</b>	40,9%	36,7%	14,2%	31,4%	44,3%	50,1%	53,5%	<b>29,4%</b>
<b>Secondary</b>	10,2%	36,7%	33,0%	27,4%	26,7%	16,0%	14,9%	<b>24,9%</b>
<b>University</b>	8,5%	15,0%	18,9%	27,2%	24,9%	20,1%	6,1%	<b>14,9%</b>

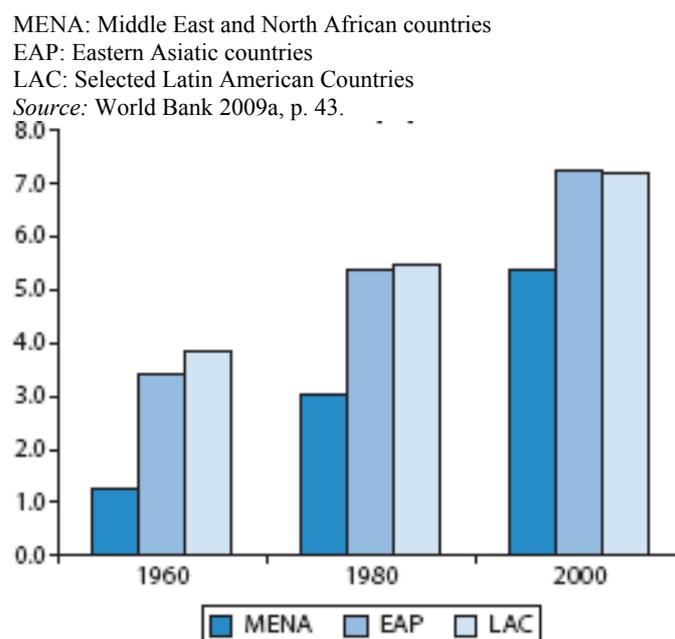
*Sources:* National Background Papers from national statistical sources. Data for Algeria is not available. Please note that the figures do not refer to the same years. Aggregation of levels of education to four main levels has been necessary for comparability purposes, but should not mislead about the diversity of the education systems across AMC's and the diversity of options available in each country for each level, in particular for secondary education (including vocational training, lower and higher secondary) and sometimes university (including post-secondary institute degrees, for instance in Egypt). The total sum of percentages for Egypt, Lebanon and Syria do not add up to 100%. For Lebanon and Syria, labour force figures are the latest available.

However, in some AMCs, such as Egypt, the qualifications held by the labour force are improving substantially. Indeed, a significant growth in educational attainment in Egypt has altered the composition of the labour force over the past three decades. In the 1980s, 40% of those entering the labour force had not achieved a primary level of education. By 2005, 70% had received a secondary education or better (Assaad 2007). In this respect, the most dramatic shift in the educational composition of the male working age population is the sharp increase in the proportion of technical secondary school graduates from 1988 through 2006. This was accompanied by a steady reduction in the proportion of illiterate males and literate males with no educational degrees. The proportion of university graduates has also increased over the last 25 years, but at a slower pace than that of technical secondary graduates. The male labour market is, therefore, increasingly dominated by technical secondary school graduates who now make up over 30% of the male working age population in both urban and rural areas. The educational composition of the female working age population exhibits similar trends: the share of vocational secondary school graduates has increased, especially in rural areas, and the share of illiterates has come down significantly. These compositional shifts have enormous implications for female labour force participation, since female participation rates increase significantly once women reach the technical secondary level.

This particular case notwithstanding, in general terms, it can be stated that the level of qualification of workers in AMCs is very low, to the point of jeopardizing both the development prospects of their countries (bleak prospects for productivity increases) and the possibility of benefiting from the increasing demand for medium-skilled labour coming from developed countries, and in particular Europe, in the coming decades. A recent report by the World Bank focusing on labour migration highlights this risk:

“the [Middle East and North Africa, MENA] labour force is currently predominantly low skilled. If these ratios do not change (and assuming constant labour force participation rates), [by 2050] the labour force under 40 years of age will mainly expand among those with primary education or less (25 million) and to a much lesser extent among the secondary educated (9 million) and the tertiary educated (7 million). [...] Poor education outcomes in MENA countries remain an obstacle to compete in global labor markets. More important, MENA’s education systems do not deliver and remain at the root of MENA’s educational and technological shortcomings.”  
(World Bank 2009a, pp. 40-48).

As Figure 1.2.1 shows clearly, although educational attainment more than doubled between 1980 and 2000 in MENA countries, there is still an important gap to be filled in comparison to other developing countries. Beyond this low level of formal qualification, the lack of skills demanded by the labour market (be it due to a misalignment of demand and supply of labour for certain disciplines or to the lack, among “skilled” labour, of soft skills such as communication or labour environment skills) is the other education-related challenge in the region.

**Figure 1.2.1. Average years of schooling in the adult population. Developing countries**

### ***High Prevalence of Employment in the Public Sector***

The public sector has been pivotal in AMC labour markets. It has played a major role in absorbing the increasing labour force during the past three decades. It has been the preferred sector of employment for many new entrants to the labour market, particularly women and graduates, as it offers better working conditions and salaries. The guaranteed civil-service employment for graduates of secondary and higher educational institutions which prevailed until the 1980s in most of these countries led to a concentration of educated workers in the public sector and pushed university studies towards the humanities and social sciences, the disciplines demanded by the public sector. The State or public sector employment absorbs around 30% of employment in Arab Mediterranean Countries, and a far larger percentage of working women.

Guaranteed employment, without concern for productivity in the public sector, led to the prevalent rent-seeking behaviour among graduates and created strong disincentives for work in the productive sectors. The result has been the poor use or even the waste of educated labour by distorting incentives in labour markets. In an analysis that can be extended to many other countries in the region, Assaad (2006) argues that the longstanding policy of the Egyptian government to guarantee government employment to upper secondary and university graduates has given households misleading signals. These shaped the educational decisions of households and encouraged them to invest heavily in forms of education, such as technical secondary and higher technical institute education that have very low returns in the private sector. Faced with strong demand, the government supplies this kind of education at the expense of being able to guarantee basic quality education to all. This combination of educational and hiring policies have resulted in the distortion of household decisions and the misallocation of human resources to unproductive activities, leading to the low productivity of these resources in the economy.

So by the early 1990s – prior to the economic reforms – the public sector was overstuffed and inefficient, and its wage bills a huge burden on government, while the growth of the private formal sector in job creation and absorption was limited. Thus, all structural adjustment programmes in the region had to address the question of public sector employment. Despite adjustment, public employment has continued to grow in most countries in the region (Morocco being a major exception),

though at a slower rate than private employment. Indeed, the State continues to be the employer of last resort for women in the region.

### 1.3 Estimation of Job Creation Needs Until 2020

Estimating the number of new jobs needed (locally or abroad) to absorb the increasing labour force is not straightforward as it depends on a number of assumptions such as the growth level in the working age population, labour force participation rates (which are reduced for young people as they stay longer in the education system but which increases with the increase in educational attainment, in particular for women) and unemployment rates. To provide a rough estimate of the number of jobs needed, a number of assumptions have been made: first, that the current number of unemployed workers remains constant; second, that the same is going to happen to current labour participation rates. Finally, that no migration flows will take place (which is of course a counterfactual assumption, but necessary to make projections with a certain degree of certitude). To exclude any impact from fertility rate developments and to frame our projections in a reasonable policy-making time framework, we decided to limit our exercise until 2020, i.e., to limit our estimates to the next 10 plus years.

Indeed, this makes sense, as tensions in all AMC labour markets will peak in the coming ten to fifteen years. As shown in Table 1.3.1, adding together the projected needs for new jobs calculated for this Study under conservative assumptions, on the basis of national statistical sources, AMCs will need more than 1,500,000 additional jobs a year over the coming 10 years just in order to provide employment opportunities for new labour market entrants at current levels of employment and to keep the (already very high, almost 7 million) number of unemployed unchanged. And this assumes constant labour participation rates. This amounts to a sustained growth rate in total employment of 3% over those years. These estimates should be considered the lower limit of job creation needs.

**Table 1.3.1. Estimation of Yearly Job Creation Needs until 2020\***

	Morocco	Algeria	Tunisia	Egypt	Palestine	Jordan	Lebanon	Syria	TOTAL
<b>2009-2020*</b>	180000	225100	84600	715526	45977	53501	15000	221000	<b>1540704</b>
<b>+5% labour participation of women</b>	228000	317600	107077	742286	70294	54845	16700	247000	<b>1783802</b>

\*Assuming unchanged labour participation rates and number of unemployed.

Source: National Background Papers from national statistical sources.

The 15 million new jobs which are needed over the next ten years amount to a 30% increase in relation to the current level of total employment in those countries, and between 1/3 and 2/3 more jobs per year than have been created over the last five years of relative job creation boom in the region. Thus the *status quo* in terms of employment policies and development models risks making tensions in the labour markets unsustainable for the social fabric, greatly affecting social cohesion and stability in the region – and hence adding to migration pressures.

Assuming that, as is happening already in most countries in the region, the participation rate of women increases over the next decades to catch up to the world average, an increase of 5 percentage points in the labour participation rate of women in the next ten years, consistent with the average trend observed in the last ten years, this would add 243,000 jobs a year to the number of jobs to be created for the 8 countries under consideration. This, together with migration, is the main adjustment variable to these projections and to the dynamics of AMC labour markets in the coming years.

### *A Declining Employment Elasticity to Growth*

An often neglected aspect in the analysis of AMC labour markets is the question of the job intensity of economic growth. Most of the estimates of average growth rates needed to absorb the growing working age population are made under the assumption that current employment elasticities to growth, i.e. that the percentage change in employment will remain constant with every percentage change in GDP growth.

Estimates for the elasticity of employment in AMCs are sketchy (and often disparate; see Table 1.3.2), and often transferred from estimates in other developing countries. However, what is clear is that AMCs have, in most cases, employment elasticities which largely exceed the world average: for the MENA region, an 0.88 value over the 2000-2005 period is almost three times the 0.3 world average (see Table 1.3.2). This, and the observed downwards trend over the last years, point to a further decrease in this elasticity in the near future. Indeed, the trend towards lower elasticities is confirmed by the results from most countries in the region (with the notable exception of Egypt). A particular case is Lebanon: the latest estimates provided by the World Bank's resident mission suggest that the labour elasticity to value added growth during the period 1997-2007 did not exceed 0.1, which indicates a significantly inelastic domestic labour market (virtually no job creation).

**Table 1.3.2. Employment elasticity to growth**

	Morocco	Algeria	Tunisia	Egypt	Jordan	Lebanon
<b>Labour demand elasticity (ILO)</b>	0.78	1.37	0.72	0.68	0.97	0.61
<b>Labour demand elasticity (national calculations)</b>	0.35		0.5		0.855	0.1

*Source:* ILO Bureau of Statistics and National Background Papers.

The region's high elasticity figures suggest that GDP growth has been very employment-intensive in the last few years, but this also suggests that labour productivity growth is poor. This weak increase in labour productivity over the last years can be explained by the fact that many of the jobs created in these economies are created in the agriculture sector, the State sector or low productivity services. Indeed, average employment elasticity in the industrial and service sector in the region (0.35 and 0.5, respectively) are clearly below the average current ratios. To the extent that future job creation will concentrate itself in the modern, urban segments of those sectors (with employment elasticities of 0.5 or even lower), a higher growth rate than in the past will need to be brought about through a certain amount of job creation. This may determine whether, in order to achieve the average 3% growth of net employment needed every year to absorb the increase in the labour force, a sustained growth rate of 4% or 6% or higher a year will be necessary.

## 2. The Labour Markets Performance in AMCs

### 2.1 Labour Market and Employment in AMCs: A Review of International Reports

The 2003 World Bank report set out a series of alarming projections on job creation needs in MENA countries over the coming two decades, underlining how national employment policies, and indeed AMC economic models at large, are ill-equipped to face those challenges. World Bank (2003) estimated that, in order to absorb labour force growth in the region, 80 million new jobs would need to be created before 2020, plus 20 million more to absorb the existing unemployment at that point (15% of the labour force). To achieve these goals, the region would have to maintain average annual economic growth rates of 6 to 8% a year, far higher than the average 3.6% growth witnessed in the 1990s. So, it concluded, “in no small measure, MENA’s economic future will be determined by the fate of its labour markets”, and “if current trends continue, economic performance and the well-being of workers will be undermined by rising unemployment and low productivity”. This has been confirmed by all later reports on this issue. As a solution, the World Bank proposed a thorough review of the social contract established since independence that had produced high growth rates between 1965 and 1985, but poor labour market (and economic) outcomes in the two decades since. To unlock the job creation potential of the Middle East and North Africa, it argued, labour market reforms were necessary, but insufficient, and MENA countries needed to travel the road of three transitions: from a public sector dominated to a private sector dominated economy, from closed to more open economies, and from oil dominated to more stable and diversified, that is, a completely new social contract. It linked the need for these economic reforms to political reform and liberalization in the region (improving governance) and, although it recognised external partner support as critical, it stated that the main responsibility rested with MENA countries themselves. So it set up a framework for a thorough review of the economic model, but without entering into details on a country by country or sector by sector basis.

Three years later the World Bank published a further report on Middle East and North African labour markets, this time with a more optimistic tone: *2007 Middle East and North Africa Economic Development & Prospects: Job Creation in an Era of High Growth* (World Bank 2007b). It took stock of the four successive years of high growth experienced in the region and the high level of job creation (4.5% on an annual basis between 2000 and 2005, the highest of all developing regions) over this period, with the subsequent decline in unemployment (from 14.3 to 10.8 of the labour force), with even a moderate increase in the labour force participation of women. The double challenge of the quantity and the quality of jobs created was underlined, the latter depending on an increase in productivity, which would only assure the sustainability of the jobs created. In a section devoted to migration (section 2.2.3), it was stated that migration provides an important mechanism for risk diversification and income growth, but the sheer size of the job challenge means that labour demand abroad cannot fill the employment gap. Thus, the region must maintain through 2020 the exceptionally high rates of employment growth seen in recent years, while advancing reforms to provoke even greater job creation, particularly in the private sector. The World Bank insisted on structural reform, in particular in the field of governance (quality of public administration and public sector accountability), improvement of business climate and trade policy. It also advocated the establishment of efficient safety nets to protect those who may be left behind by structural changes, so that “labour policy must strike a balance between these two fundamental objectives – protecting workers from the risks of unemployment, lost income, and poor working conditions, and encouraging job creation and the allocation of labour to its most productive users”.

The same year, the EuroMed Employment project<sup>4</sup> published its conclusions and recommendations. There (Martín *et alia*, 2007) the employment challenges of AMCs were once again highlighted on the basis of 8 national studies. It was concluded that, despite a wide consensus on the status of employment as the main economic and social challenge to the Euro-Mediterranean region, employment as such had not been considered a direct priority of the Euro-Mediterranean Partnership and no single cooperation or technical assistance project had addressed this issue to date. It also anticipated the weak or irrelevant impact of the Euro-Mediterranean Free Trade Areas on employment, except in some specific manufacturing industries which could damage female employment in the region. The project report made a series of concrete proposals on the issue of employment in the framework of the Euro-Mediterranean Partnership, including a regional multilateral system of monitoring and evaluation of employment development and employment policies in AMCs and the adoption of a Euro-Mediterranean Employment Strategy.

In turn, the Forum of Euro-Mediterranean Institutes of Economic Research (FEMISE) published its first report on “The Challenge of Employment in the Mediterranean Countries” (FEMISE 2007). It followed a series of Country Profiles on AMCs including extensive studies of human resources and labour markets in each country (Country Profiles 2004-06). The report sized up the magnitude of the employment challenge in the region and analysed its root causes, underlining high employment elasticity to growth (reflecting low productivity growth, low investment levels and a mismatch between education outcomes and labour market demands). It estimated that, in order to maintain present levels of activity and unemployment, 22.5 million jobs would be needed before 2020, and even so the number of unemployed in AMCs would increase from 6.5 to almost 9 million. This level of job creation was consistent with the figures reached over the last five years of high growth. The report addressed the possible contribution of migration to absorb an increasing labour force in the AMCs: it insisted on the brain drain effect of migration for AMCs and the socio-cultural barriers to massive migration to the EU. The report concluded that the structure of employment and the specialization of AMC economies indicated that they were not taking advantage of trade liberalization, and that the level of wages in the region were high in relation to labour productivity, and that minimum wages, ignored in the informal sector, undermined competitiveness. It concluded advocating further reform of macroeconomic policies and labour codes and establishing “cooperative migration schemes”, in particular with EU countries.

As regards AMC employment policies, the only region-wide review published to date has been the report *Employment Policy Reforms in the Middle East and North Africa* (ETF 2006), also based on a set of country reports; but these stop short of undertaking comprehensive employment policy assessments. The report highlighted the weak relation between education investment and growth and employment in MENA countries, explaining this by the lack of concomitant labour market reforms to make effective use of the increasing pool of educated workers. But its main focus was on public interventions in the labour markets (institutional setting of employment policy formulation, social dialogue, labour legislation, active labour market policies and vocational training systems), reviewing reform initiatives already on course in the region (in most cases with international donors support) and advocating for a “comprehensive labour market reform”, analyzing the political economy factors affecting the prospects for such reforms. Of particular interest is the discussion of the transferability of the *flexicurity* approach to MENA countries (p. 59).

Barbier (2006), meanwhile, undertakes a thorough analysis of labour market intermediation in Maghreb countries, focusing on the question of employment policy institutions, an important source of inefficiencies throughout the region.

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4 A joint research project by the Euro-Mediterranean Trade Union Forum, Fundación Paz y Solidaridad, Friedrich Ebert Foundation and the Euro-Mediterranean Human Rights Network, financed by AECE, Spanish International Cooperation Agency.

In December 2007, the European Commission organized a “Euro-Med Employment Workshop” in preparation for the first Euro-Mediterranean Conference of Employment and Labour Ministers held in Marrakech in November 2008<sup>5</sup>. FEMISE, the European Training Foundation and the International Labour Organization prepared reports for this workshop (see ILO 2007.)

Two very recent reports returned to these issues: the World Bank (2009) *Shaping the Future. A Long Term Perspective of People and Job Mobility in the Middle East and North Africa* report (see below in Section 4.1, since it deals precisely with the interaction between labour migration and national labour markets), and the recent Middle East Youth Initiative report on employment prospects for young people in the region. The latter (Middle East Youth Initiative 2009) summarises several years of research and a series of working papers from across the region. It stresses the challenges imposed by the mismatch between the qualifications of young people in the Middle East and North Africa and the demands of the labour market, in particular as the six years of economic boom since 2008 have not contributed much to fix those challenges or reduce youth unemployment. It looks particularly at the school-to-work transition and how institutional arrangements in MENA countries are at the heart of youth exclusion in the region before focussing on the new risks the economic crisis entails for young people.

Finally, it is important to refer to the five editions of the Arab Human Development Report (UNDP 2002, 2003, 2005, 2006 and 2009). The first of the series pointed to the “knowledge gap” and the “capabilities deficit” on the one hand (UNDP 2003), the underutilization of women’s capabilities through political and economic participation (UNDP 2006), and the lag in “participatory governance” (UNDP 2005) as the main factors in Arab underdevelopment. The 2007 report on human security pays special attention to unemployment as one major component of human insecurity in Arab countries (UNDP 2009, pp. 10-11 and 108-111).

## 2.2 Regulation of Labour Markets in AMCs

As shown in the National Background Papers detailed descriptions of labour law concerning hiring and firing and Boni (2009), AMC labour legislation is extremely rigid on paper – with labour regulations similar to the ones in continental Europe and levels of labour market rigidity close to or even above those of the OECD – but highly flexible in practice due to poor enforcement and the prevalence of informal employment.

The Doing Business Database of the World Bank summarizes this situation: AMCs, with the exceptions of Tunisia and Jordan, are in the lowest bracket of the world ranking (under rank 100 out of 183 countries in the database) (World Bank 2009b). Significantly, no single AMC undertook any labour market regulation reforms in 2006, 2007, 2008 or 2009 (last major labour code reforms in the region date back to 2003 in Egypt and Morocco). This lack of reform endeavours in the “Employing workers” field contrasts with the remarkable reform zeal of AMCs in other “Doing Business” dimensions, in particular in Jordan and Egypt (World Bank 2009b, pp. 3-7). Given the labour markets reforms undertaken in other regions of the world, the relative rank of most AMCs is deteriorating (in all of them but Syria and Tunisia, see World Bank 2008).

The consequences of this kind of rigidity are straightforward: as shown by the same report, rigid labour markets regulations are associated with a high informality rates and high female unemployment. Figure 2.2.1 shows this correlation and just how relevant it is for AMCs (see sections 2.4 and 2.5).

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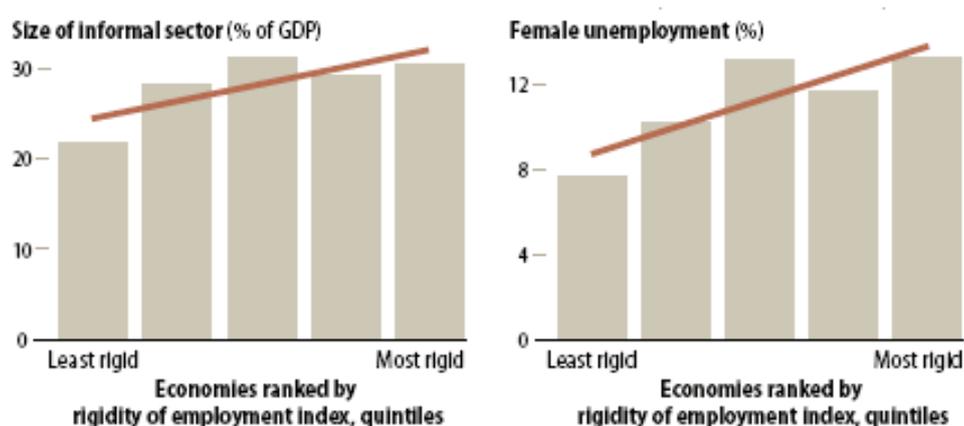
<sup>5</sup> Conclusions of the first Euro-Mediterranean Conference of Employment and Labour Ministers, Marrakech, 9-10 November 2008, [http://ec.europa.eu/external\\_relations/euromed/conf/employment\\_health\\_conclusions\\_1108\\_en.pdf](http://ec.europa.eu/external_relations/euromed/conf/employment_health_conclusions_1108_en.pdf)

**Table 2.2.1. Indicators of Labour Market Flexibility, Doing Business Report 2010**

Indicator	Morocco	Algeria	Tunisia	Egypt	Palestine	Jordan	Lebanon	Syria	MENA (2009)	OECD (2009)
Difficulty of Hiring Index (0-100)	89	44	28	0	33	11	44	11	22.5	25.7
Rigidity of Hours Index (0-100)	40	40	13	20	40	0	0	0	41.1	42.2
Difficulty of Redundancy Index (0-100)	50	40	80	60	20	60	30	50	31.6	26.3
Rigidity of Employment Index (0-100)	60	41	40	27	31	24	25	20	31.7	31.4
Redundancy cost (weeks of salary)	85	17	17	132	91	4	17	80	53.6	25.8
Employing workers (World Rank 2010)	176	122	108	120	135	51	66	91		
Rank 2009	168	118	113	107	109	52	58	122		

Source: World Bank 2009b and World Bank 2008.

The extreme case is that of Morocco. It has one of the most rigid labour market regulations of all Arab and European countries. Yet interestingly, this is no obstacle to increasing work precariousness, as section 2.1. of the National Background Paper on Morocco demonstrates (Jaidi 2009). The proportion of manufacturing industry workers with temporary contracts (average length of 2.6 months) has increased from 10% in 1999 to 15% in 2006.

**Figure 2.2.1. Correlation between rigidity of labour market regulations and informal sector and female unemployment (181 countries)**

Source: Doing Business 2009, p. 20.

The rigidity of labour regulations, combined with the low qualification pattern of the labour force, leads to a high degree of segmentation in labour markets in all AMCs. In general terms, five different wage-formation tiers are observed: the State sector, public companies, the private sector with the collective bargaining system, the private sector without collective bargaining (SMEs) and the informal

sector. The most important by far in absolute numbers is the latter. The public sector is highly regulated and workers cannot be dismissed and wages are set relative to seniority rather than performance. On the other hand, in the private sector, a small proportion of firms abide by labour market regulations while the majority do not. So the labour market is highly compartmentalized and “labour mobility between economic sectors has been limited. Where it does occur, it has flowed from poorly-paid jobs in the agricultural sector to low-paid service sector jobs” or informal employment (see Saif 2006 for Jordan). The same is true of Jordan, Egypt, Syria, Morocco and Lebanon. Furthermore, labour mobility between civil service and private sectors, and also within the private sector is discouraged by the inadequate portability of benefits. This segmentation, and the low labour participation rates, explains the coexistence of high job creation rates over several years (2000-2007) with high unemployment rates, rates which even grew over the period in Jordan.

In several countries, such as Lebanon and Jordan (the latter until 2008), whole categories of workers are not subject to labour market regulations, in particular domestic servants employed in private homes and seasonal agricultural workers. The same applies in some countries to all foreign workers.

The social security regime, despite its low coverage (as a percentage of the total population, less than 50% on average; only 5 to 10% of the elderly receive a pension), adds to this general rigidity. Social security contributions for formal employment in most AMC countries are in the range of 20% of wages for Morocco and 34% for Algeria (Lebanon 26%, Tunisia 24%) and discourage labour-intensive investments. In practice, the effective rate of deductions as a percentage of total labour costs is much lower. In addition: (a) employers and workers evade them, through mutual agreement and under-reporting of wages; (b) employers may impose tax avoidance on workers as a pre-condition for employment; or (c) employers may also diversify their workforce through the use of contract/informal labour with a resulting decline in their overall obligation to payroll contributions.

In conclusion, AMC labour markets are characterized by *de facto* flexibility, due to the widespread evasion of labour regulations (not only in the informal sector), high unemployment and poor law enforcement. So labour regulation in AMC countries imposes a high degree of rigidity and costs but, paradoxically, a low level of worker protection. This pattern may have severe implications for the levels of informal employment in general and of female unemployment in particular, partially explaining these two specificities of the AMC labour markets (see Figure 2.2.1).

In this context, recent European labour markets experiences with so-called *flexicurity* schemes, providing at the same time more flexibility of the labour markets and more protection to workers, combined with enhanced active labour market policies, could only be usefully explored in AMC countries for the small segment of the population enjoying extensive social protection systems. But for any flexicurity scheme to be effective in AMC countries, a precondition would be to extend coverage of social security systems (as mentioned above, social protection systems in AMC countries are notoriously weak, and unemployment insurance schemes, for instance, do not exist or cover only a small fraction of the working population) and improve the design and implementation of active labour market policies (see section 3.1) to effectively contribute to the employability of unemployed workers.

### 2.3 Increasing Wage and Income Differentials

Wage and income levels and differentials are recurrently mentioned as among the most important pull factors for labour migration. They might also explain the direction of migration flows: as set out below in Section 4.2, AMC skilled labour tends to migrate to the US and Gulf countries (an income of almost 37,000 euros PPP/year/person in 2007), whereas European countries are a less attractive destination and tend to receive unskilled workers.

Data on average wages is scarce, not collected in a systematic way and unreliable, and is to be considered under the caveat of widespread non-compliance and informal employment (absorbing between 45% and 55% of total employment). Table 2.3.1 provides an overview of wage averages and

minimum wages in AMCs. The segmentation of labour markets mentioned above makes the picture even more complex, since it is often the case that a country has different minimum wages for different categories of workers (Algeria, Morocco, Syria). However, all AMCs have some form of minimum wage regulation.

**Table 2.3.1. Minimum and average wages in Arab Mediterranean Countries.  
Monthly wages, in euros**

	Morocco	Algeria	Tunisia	Egypt	Palestine	Jordan	Lebanon	Syria
<b>Public sector (avg)</b>	489	180		153	349	335		150
<b>Private sector (avg)</b>	281	220	338	106	315	268	484	144
<b>Minimum wage</b>	163	120	133,5	102		157	256	103

*Source:* National Background Papers based on latest available official data. For Lebanon private sector, the labour costs and not wages are considered.

Minimum wages are often too low to maintain a typical family and too high to ensure international competitiveness. In Syria, for instance, the minimum monthly salary amounts to 103 €, nowhere near enough to sustain a typical Syrian family (on average 5.6 persons) above the poverty line. An economist has recently<sup>6</sup> calculated the minimum monthly family salary for assuring food subsistence above the poverty line at 13,580 SYP (224 €), and, if other needs are taken into account, 22,063 SYP (364 €). Jordan's national minimum wage is currently 150JD (157 €). Given that the average Jordanian household is composed of 5.7 individuals, a household with one member earning the minimum wage would fall far below the poverty line, which is currently set at 506JD (530 €) per person annually. This poverty gap is even more pronounced given that average household size among the poorest three deciles is 7 individuals.<sup>7</sup> To lift a household of this size above the poverty line would require a monthly income of 295JD (308 Euros). This is significantly higher than even the income of one breadwinner earning the average wage for low-skill jobs. Minimum wages tend to operate as a ceiling for informal sector workers. On the other hand, in several countries (such as Lebanon and Jordan) the minimum wages are not applied to foreign workers and exclude certain categories, causing high unemployment among unskilled workers.

As shown in the case of Morocco, this does not prevent a debate about the level of minimum wages. In comparison to some of their industrial competitors in EU markets, minimum wages in AMCs are higher and closer to average wages than in competing countries (Romania and Bulgaria are often quoted in this respect, where according to Eurostat in 2009 minimum wages stand at 140 € and 122 € respectively), hence reducing AMC competitiveness and encouraging informal employment. However, as shown in National Background Papers, this has not prevented the distribution of income from becoming more unequal over the last years.

As for the comparative development of wage and income levels in purchasing power parity, National Background Studies demonstrate that in the cases of Morocco, Algeria (with a negative average annual increase in PPP wages of -1.7% in 1996-2006, in contrast with the 3% year increase in the EU-15), Tunisia, Syria and Jordan a divergence of average wages with those of the EU is observed. Thus, the good macroeconomic performance of most AMCs in the last ten years, which has been reflected in a progression of per capita GDP, has not been matched by a corresponding improvement in income distribution or wages nor a clear convergence path towards EU income levels (see Table 2.3.2).

<sup>6</sup> See Kadri Jamil, Syrian Economic Sciences Society, April 22, 2008: [http://www.mafhoum.com/syr/articles\\_08/jamil.pdf](http://www.mafhoum.com/syr/articles_08/jamil.pdf).

<sup>7</sup> DoS (2006) Household Income and Expenditure Survey 2006 Report.

**Table 2.3.2. GDP per capita 1995-2007 (PPP constant 2005 international US\$)**

	<b>1995</b>	<b>2000</b>	<b>2005</b>	<b>2007</b>
<b>Morocco</b>	2661 (10,69%)	2980 (10,57%)	3589 (12,13%)	3880 (12,55%)
<b>Algeria</b>	5631 (22,63%)	6087 (21,59%)	7176 (24,25%)	7310 (23,64%)
<b>Tunisia</b>	4422 (17,77%)	5444 (19,31%)	6445 (21,78%)	7102 (22,97%)
<b>Egypt</b>	3586 (14,41%)	4211 (14,94%)	4574 (15,46%)	4628 (14,97%)
<b>Jordan</b>	3547 (14,25%)	3632 (12,88%)	4342 (14,67%)	4628 (14,97%)
<b>Syria</b>	3759 (15,11%)	3725 (13,21%)	4002 (13,52%)	4260 (13,78%)
<b>Lebanon</b>	7979 (32,06%)	8328 (29,54%)	9561 (32,31%)	9546 (30,87%)
<b>AMC (a)</b>	<b>4294</b> <b>(17,26%)</b>	<b>4743</b> <b>(16,82%)</b>	<b>5417</b> <b>(18,31%)</b>	<b>5537</b> <b>(17,91%)</b>
<b>Euro Area</b>	<b>24884</b>	<b>28194</b>	<b>29590</b>	<b>30921</b>

a) Weighted average. In parenthesis, the ratio to GDP per capita of the Euro Area.

Source: World Development Indicators Database, World Bank

### ***State Jobs, Migration and Reservation Wages***

The higher salaries and the job security of public administration jobs exert a powerful attraction on young workers, in particular graduates, in a region where public sector employment is already the highest in the world (over a third of all jobs are in the State sector). But the implicit social contract guaranteeing a State job to all graduates has been terminated, and the State no longer provides realistic employment prospects. Thus, migration has become the employment solution of choice (Martín 2009). Indeed, migration prospects and (in some cases, e.g. Lebanon) the high cost of living in towns translates into a high reservation wage (i.e. the minimum income for which a worker is ready to work) which, in turn, creates severe distortions in AMC labour markets.

Indeed, a widespread characteristic of wage structures in AMCs is the high prevailing reservation wage. The higher wages in the public sector typical of AMCs, as well as the prospects for migration to higher salary countries, disincentives many workers from searching out a low-paid job in the local market. When reservation wages are higher than equilibrium wages (in theory determined by marginal productivity) for a particular category of workers, this leads to structural unemployment. This is particularly evident in the case of the graduate unemployed having expectations of getting a public sector job despite the bleak prospects of getting one. In Jordan, according to research carried out by the World Bank (2007, p. 21), about 20% of all unemployed individuals and 45% of unemployed women have submitted applications to the Civil Service Bureau. This is a key factor in understanding AMC labour market behaviour.

## 2.4 Unemployment Situation and Trends in AMCs: Excluding Youth and Female Workers

The eight AMCs under study have an official number of unemployed workers close to 7 million, almost half of them in Egypt (2 million) and Syria (close to 1.5 million), with Algeria and Morocco also exceeding the 1 million mark (data from National Background Papers based on national official data, estimated using the ILO definition and hence excluding workers with an informal employment). The first comments these figures merit is that they are most probably a major underestimation. The ILO definition of unemployment (registering as employed any person having worked at least one hour during the last week before the survey is conducted, and hence including subsistence activities and non-remunerated work, as well as any kind of underemployment) is not fit for economies with a high incidence of informal employment. In any case, it is notoriously inappropriate as a variable in determining the migration potential of a county, for which the relevant variable would be full-time paid employment. But we do not have this kind of data.

Second, in all countries under study (with the exception of Palestine), unemployment rates have clearly fallen in the last few years, in the most dramatic case, Algeria, from 29% in 2000 to less than half of that figure today. Between 2002 and 2006, Morocco, Egypt, Jordan and Syria experienced too a significant reduction in unemployment rates of between 3 and 6 percentage points. But this positive trend has hardly benefited female employment, and, at least in some cases, female employment has actually fallen. Morocco is a good case in point. There the participation rate went down from 50% in 1996 to 44.8% in 2006. Young workers have also benefited to only a limited extent from this employment boom, which has tended to favour older workers and in some cases immigrant workers. Jordan is an extreme case in this respect: 63% of new jobs created between 2001 and 2007 went to immigrant workers. In this regard, the reduction in unemployment rate gives only a partial view of labour market performance: it is the employment rate, i.e. the ratio of total employment to the population, which is more significant (see Table 1.2.1). Now, given that population has been growing at a faster rate than employment over the last ten years or so, this ratio has tended to increase over time.

As shown in Table 2.4.1, unemployment is especially high for new entrants to the labour force and for women. Across the region, unemployment is essentially a problem relating to the labour market insertion of a growing and increasingly educated youth population. So the vast majority of the unemployed are younger than 30, have at least an intermediate level of education, and have never worked before. Indeed, a unique feature in AMCs is the increase in unemployment rates as the educational attainment of workers increases, with graduate unemployment rates typically doubling the rates for workers with primary or no education (which points to a major mismatch between educational qualifications and labour market demand, and a worrying waste of educational investment). This unusual unemployment structure suggests that a significant part of unemployment may be the result of high job expectations on the part of workers with some formal education, and a low valuation of these credentials on the part of the private sector because education systems have concentrated on making public sector jobs accessible rather than on building the skills that are in demand in the private sector. In the case of women it may reflect as well a lack of alternatives to public sector employment. Young women with secondary or university studies, which already, as we saw above, have the lowest participation rates in the world experience unemployment rates of close to 30%.

**Table. 2.4.1 Unemployment by sex, age and level of education (latest available year)**

Unemployment (2007, latest available year)	Morocco (2007)			Algeria (2007)			Tunisia (2007)			Lebanon (2004)			Syria (2007)			TOTAL		
	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT	M	F	TOT
(by age, 000)	<b>794,5</b>	<b>297,6</b>	<b>1092,1</b>	<b>1072</b>	<b>302,7</b>	<b>1374,7</b>	<b>334,1</b>	<b>174</b>	<b>508,1</b>									
15-24	17,90%	15,50%	17,20%	25,35%	39,93%	27,38%	31,58%	30,94%	31,4%									
25-34	13,80%	15,80%	14,40%	16,14%	22%	17,31%	17,43%	22,45%	19,9%									
35-44	5,60%	6,50%	5,90%	6,06%	6,56%	6,11%	5,27%	7,55%	5,9%									
45-54	2,80%	1,50%	2,40%	3,20%	2,50%	3,11%	3,26%	3,31%	3,3%									
55-64	0,60%	0,40%	0,60%	1,50%	1,96%	1,53%	3,11%	1,48%	2,9%									
<b>(by level of education, 000)</b>																		
None	3,00%	1,60%	2,40%	4,58%	2,59%	4,23%	6,3%	5,2%	5,9%									
Primary	11,60%	14,10%	12,00%	14,48%	16,28%	14,64%	12,4%	18,0%	13,5%									
Secondary	18,00%	25,60%	19,80%	12,97%	21,53%	14,68%	14,8%	17,4%	15,4%									
University	17,20%	30,40%	21,80%	12,37%	23,30%	16,99%	13,4%	27,5%	19,0%									
Unemployment rate	13,9%	20,9%	15,4%	12,9%	18,3%	13,8%	12,8%	17,8%	14,1%									
<b>(by level of education, 000)</b>																		
None	1,2%	0,4%	0,9%	30,4%	4,7%	23,8%	9,1%	11,0%	9,3%									
Primary	1,7%	4,3%	2,0%	31,5%	6,0%	29,0%	11,8%	26,3%	12,6%									
Secondary	6,6%	34,2%	13,8%	24,3%	16,6%	23,6%	8,1%	25,6%	12,4%									
University	9,3%	24,9%	14,4%	18,5%	39,4%	27,2%	9,6%	26,1%	15,5%									
Unemployment rate	4,7%	18,6%	8,3%	26,5%	23,5%	25,6%	12,0%	25,0%	13,8%									

Total AMCs average rates are weighted by population. For Egypt, the age brackets stated in the statistics are different from those stated in the Table: 15-19, 20-29, 30-39, 40-49 and 50-59; the same happens for the level of education categories, which have been regrouped. In the case of Syria, uncertainty about official figures does not allow for a reliable breakdown of unemployment figures (see National Background Paper).

Source: National Background Papers based on national statistics.

## Youth Unemployment

An important characteristic of unemployment in AMCs is its young face. The average unemployment rate in AMCs for the 15-24 age bracket is 21.6%, well over the world average of 14%. So the young in these countries comprise between 70 and 80% of all the unemployed<sup>8</sup>. It is this age bracket too that has the highest propensity towards migration. The risks of youth unemployment for social instability are well known<sup>9</sup>, and in AMCs the share of youths between 15 and 24 who are neither active participants in the labour force nor in education is estimated at 15% for males and 47% for females. But the economic costs of this labour market exclusion should not be underestimated either. Based on the assumption that youths earn on average 80% of the average national wage, and, in addition, that females earn on average 25% less than males, it is possible to calculate the exact financial impact on a national economy of excluding youths from the job market (Chaaban 2008, p. 8). If it is assumed that youth unemployment should be equivalent to adult unemployment (as zero unemployment among youths is arguably unrealistic), youth unemployment is costing Algeria 1.76% of its GDP annually, Egypt 1.38%, Jordan 1.84%, Lebanon 1.07 %, Morocco 3.6%, Syria 2.36% and Palestine 1.69% in foregone earnings, with a total yearly cost for these seven countries of 14.4 billion US\$ (in PPP) (*ibid.*). The cost of male youth unemployment is more than twice as high as that of female youth unemployment. This is, to a large extent, the result of fewer females participating in the active workforce. If this gauge of youth exclusion is expanded so as to examine the cost of youth inactivity, the figure grows significantly. The definition of the joblessness rate includes the official unemployment rate as well as the inactivity rate of youths who are not engaged in education. Such a measure is perhaps more illustrative of the real costs involved in the inability of youths to successfully enter the job market. In the case of AMCs, based on the same assumptions as above, youth joblessness is costing Syria 9.09% of its GDP yearly, Egypt 7.29%, Jordan 4.14% and Lebanon 2.74%, an annual cost of 28.8 billion US\$ (in PPP). These figures highlight the fact that hardly any other policy measure could make a bigger contribution to the economic development of those countries than the promotion of youth employment.

Beyond its economic cost, youth unemployment is also consolidating the generational gap and the segmentation of the labour market, where the insider/outsider dynamic tends to prevail. The decline in unemployment rates in higher age groups (see Table 2.4.1.) reflects two factors: first, the problems facing young persons when they enter the labour market, in terms of the aforementioned mismatch in education and skills and the long period necessary to find a job. Second, to an increasing extent, at least in certain countries, the migration of young workers of 25 and above helps lower the unemployment rate, as it tends to 'evacuate' persons who cannot find a job on the local market.

Many reasons could explain high unemployment rates among young workers. On the demand side, a scarcity of entry-level opportunities for young people in the productive sectors stems from factors including economic instability and the deterioration of macro-economic conditions (inflation, budget deficit and public debt); and the recruitment practices of employers, who frequently resort to personal contacts, thereby reinforcing the perception of a lack of opportunity. On the supply side, the most important factors are the gap between the skills of the new entrants to the labour force (professional training and a high level of education) and the labour market needs, as well as the reluctance of young workers to accept low-skilled jobs with poor wages and working conditions. The lack of an effective guidance and orientation system and the lack of internship opportunities to gain work experience also play a role. This situation has led to a mismatch between the demand for and the supply of labour.

<sup>8</sup> Youth unemployment data from National Background Papers are substantially lower than rates registered, for instance, in the Arab Labour Organization database: over 45% for Algeria in 2005/2006, 39% for Jordan, 33% for Palestine, 27% for Tunisia and 26% for Egypt, 22% for Lebanon and 20% for Syria and 16% for Morocco (UNDP 2009, p. 109).

<sup>9</sup> The last Arab Human Development Report underlines the threat to human security in Arab States derived from youth unemployment (UNDP 2009, pp. 10-11 and 108-111).

The situation has improved in some cases for young male workers, but still entails long spells of unemployment prior to a first job: in Egypt, in 2006, 50% of male school leavers had found their first job within 2 years of leaving school, down from three years in 1998. 75% found jobs in 2006 within 5 years of leaving school, whereas in 1998 it would have taken nearly 8 years for that proportion to find jobs. However, the female rates of transition from school to work are much lower and do not exceed 25% even after 15 years: for women there is no perceptible improvement in the transition period from 1998 to 2006.

### ***Female Unemployment and Precariousness***

The other important (and aggravating) aspect of unemployment in AMCs is its gender dimension: female unemployment rates are higher than those for males for all ages and all levels of education (with the exception of the “over 45s” and the “no education” categories, where the retreat of women from the labour market, and hence inactivity, leads to frictional unemployment rates). The increase in female unemployment rates generally experienced in AMCs over the last years is due to the growth in the female working-age population and the rising labour force participation rates brought about by higher educational attainment. Like female participation in the labour force, female unemployment is strongly correlated with education. In Jordan, for instance, more than half of all unemployed women have post-secondary educational qualifications.

Educated women have been much more negatively hit by unemployment than educated men. As a result, in part, of structural adjustment programmes and privatization they can no longer find jobs in the public sector, while the private sector gives clear priority to men (in Egypt, for instance, in 2006 37% of working women worked in the public sector, compared to 54% in 2006). In Morocco, between 1999 and 2005, women got a third of all new jobs created in the private sector, more than their 27% share in the labour force, but they occupied two thirds of the jobs lost, so that, in net terms, they only experienced a 4.8% net increase in employment over this six years period. And female employment remains concentrated in low productivity sectors (62% work in the agricultural sector).

Barriers for female entry into the private sector are due to a number of factors, including employers who are unwilling to hire workers whose commitment to the labour force may be short-lived, predominant social norms, and attitudes limiting what constitutes gender-appropriate employment, as well as mobility constraints, constraints that limit women’s job search activities to local labour markets (a barrier underlined by four of the National Background Studies, those for Egypt, Jordan, Lebanon and Palestine). At the other end of the spectrum, it is important to take into consideration that a growing proportion of total female employment (up to 50% in Egypt and Morocco) corresponds to unpaid family aid, in particular in the agricultural sector.

### ***Graduate Unemployment***

University graduates are still a minority of the AMC labour force, ranging from 6.1% of it in Syria and 8.5% in Morocco to 26.9% in Palestine and 24.9% in Jordan (see Table 1.2.2). Indeed, at least half of the AMCs (Morocco, Algeria, Tunisia and Syria) still produce a relatively low proportion of university graduates. However, graduate workers show a higher than average propensity to unemployment. The data demonstrates that, in the past decade, unemployment has been rising among individuals with secondary and university education, reaching double the unemployment rate levels for persons with no education at all.

Graduate unemployment reflects, in part, a major mismatch between skills of supply and demand (and hence a distortion of the education systems in those countries): there are too few graduates in technical and scientific disciplines and those there suffer from the poor quality of university education. More than half of the graduates are women, who are mostly excluded from participating in the labour market. It also reflects a problem of expectations (see discussion of reservation wages in section 2.3).

But one should not forget that one of the main causes of graduate unemployment in AMCs is the lack of demand for graduate employment in the private sector, reflecting the underdevelopment of high added value economic activities and more generally the choice for a low wages, low added value export-oriented economic model, often promoted by the tax incentives structure (see Saif and El-Rayyes 2009, National Background Paper on Jordan). To this extent, it is a whole review of industrial policies, and more generally economic policies, what is required to face this challenge (see Section 7.3).

In any case, graduate unemployment is a source of major macro-economic inefficiency, as the human capital of the country is wasted, the education investment made in these workers is lost and does not contribute to economic growth and, most worryingly, it reduces the incentives for new generations to invest in education (unless this investment is related to migration prospects) instead of engaging in informal employment, bypassing the positive externalities derived from this investment for the economy as a whole.

In all countries but Palestine there is a positive correlation between the level of education attained and the unemployment rate, which is very specific to the region (see Table 2.4.1). In Maghreb countries, in particular, this is a major problem. In Tunisia, for instance, the average level of education among unemployed workers exceeds that of the employed population: between 1994 and 2007 it has gone up from 4.5 to 8.3 years of education for the unemployed and from 5.4 to 7.3 for the employed.

Expectations and reservation wages also play a role in explaining high rates of graduate unemployment, to the point that, as stated by other authors in the past (see Middle East Youth Initiative 2009, pp. 8-9), the National Background Paper for Egypt points out that “probably for them [graduate workers] unemployment is a luxury”.

This phenomenon of graduate unemployment in AMCs is attracting much public and specialized attention, in part due to the higher degree of political mobilization among this class, and in part also to the higher potential interest they have as migrant workers for host countries. However, it should not be forgotten that, whereas graduate unemployment underlines a major distortion in resource allocation and incentives in the economy, in most AMCs the majority of the unemployed are not graduate, but have only a primary or secondary education. In Tunisia, for instance, 35% and 40% of the unemployed have only primary or secondary education, whereas graduate unemployed make up 20% of total unemployment. So it is unemployment among workers with only primary or secondary education that poses the main challenge in absolute figures (and hence also in migration potential terms): only slightly more than 1 out of the 7 million unemployed in AMCs are graduates.

## 2.5 Informal Employment

Given the current state of labour markets in AMCs, an active and dynamic informal sector remains the only systemic response to their malfunctioning, working as a buffer to allow an important part of the workforce to make a living. So in practice it serves as a kind of security net, offering jobs or at least income generating activities to excluded workers. This has become a structural, integral part of labour markets in AMCs and indeed the main objective symptom of the distortions they are exposed to.

If we know little about employment in AMCs and data is very unreliable, the knowledge about informal employment is even slighter, even in those countries, such as Morocco, where specific surveys have been conducted to gauge the informal economy (in 1999 and 2008). The share of informal employment in AMCs can be estimated in the 35-55% range for non-agricultural employment, but estimates for the same country show huge variations (depending on methodology and definition of “informal”). For Syria, for instance, they varied between 19% and 59%. In Morocco, informal employment has been estimated at 45% of non-agriculture employment. And in Algeria, excluding the public administration, where by nature there is no informal employment, and agriculture, where it is not well measured, informal employment goes to make up 45% of total

employment. According to Assaad (2007), in Egypt informal employment has increased from 57% in 1998 to 61% in 2006.

Moreover, informal employment is a very dynamic reality, and shows a higher degree of resilience to economic crisis. In Egypt, 75% of new entrants to the labour market in the first five years of this decade were entering informal work, compared to only 20% of workers in the early 70s. Furthermore, half of those who found work with formal private sector employers did not have a formal work contract, and even more lacked social security coverage, i.e. had no decent job. In Syria, 69% of jobs created between 2001 and 2007 were in the informal sector. Thus, the informal sector has acted as a buffer for unemployment. However, the jobs created in this sector tend to be of lower quality in terms of wage, sustainability and work conditions.

The economic implications of this state of affairs are far from negligible. On the one hand, whereas informal employment provides the sole income source for large segments of the population, it has become a major obstacle to the prospects of a *decent* job to the biggest generation in AMC history: the informal sector is a lever for precariousness and lack of protection for workers. On the other hand, informality hampers the human capital development of this generation, since informal first employment translates into fewer opportunities for better jobs in the future (Middle East Youth Initiative 2009, p. 10). Beyond these effects for workers, in some labour intensive sectors the informal economy hampers the development of the formal private sector (through unfair competition) and negatively affects the incentives for international investors to get established in AMCs (since they cannot afford to ignore labour regulations), undermining two pillars of the current economic model in those countries. In fact, the high degree of informality in the economy renders institutional regulation ineffective: it turns regulation into “paper procedures” imposing a transaction cost on economic actors, but without achieving its goals: this happens for minimum wages, social protection, the regulation of layoffs and severance payments or even trade union activity. To the extent that the scope of the informal sector favours a gap between *de facto* and *de iure* regulation, it reduces the elasticity of employment to reforms in labour market institutions, hence reducing the effectiveness of employment policies (see Chapter 3). And the prevalence of low productivity jobs in the informal sector poses another stumbling block for development of these countries

Boukllia-Hassane and Talahite (2008) argue that the size of the informal sector is positively correlated to the rate of unemployment, and indeed the National Background Paper on Syria shows how difficult it is to differentiate between the two. The dissemination of unemployment feeds a “reservation army” ready to accept the conditions of precariousness and the lack of institutionalization specific to the informal sector (see National Background Paper on Algeria, Boukllia-Hassane and Talahite 2009, pp. 24-25). With a model inspired by the Harris-Todaro rural-urban model, Boukllia-Hassane and Talahite explain why the informal sector does not absorb unemployment entirely under the (plausible and empirically supported) assumption that wages in the informal sector are below the minimum wage.

## 2.6 Inward Migration in AMC Labour Markets

Although evidence for inward migration is even scarcer than for outward migration, there is no doubt that this is an increasingly important phenomenon in AMC labour markets: this includes labour migrants from poorer Sub-Saharan Africa and Southern Asia countries seeking labour opportunities, refugees and transit migrants mostly on their way to Europe (who often end up remaining).

AMCs host more than 1 million legal immigrants of working age (2% of current employment), and an undetermined number of irregular or unregistered labour immigrants (which could exceed 2

million)<sup>10</sup>. In some countries of the region, such as Jordan and Lebanon, and with different specificities Syria, this has become a structural feature of their labour markets, favoured by the prevalence of informal employment. There are currently over 300,000 migrant workers in Jordan who filled 62.8% of the new jobs created in Jordan between 2001 and 2005 (World Bank 2007a, p. 21). Moreover, 89% of them have no formal education. So around one quarter of Jordan's workforce is composed of migrant workers the overwhelming majority of whom are engaged in low-skill, low-wage employment. Many of these migrants compete with low-skill unemployed Jordanians for employment, rather than complementing the existing workforce, and contribute to maintaining depressed wage levels.

In Lebanon, there are 120,000 registered foreign workers, mostly maids from Asia and Africa. There are also an estimated 500,000, mostly undeclared, Syrian workers, working primarily in construction and agriculture (even if their number was greatly reduced after the pull-out of Syrian troops in Lebanon in 2005). There is a lack of statistics and studies on the status of Syrian workers in Lebanon: some sources state that fewer than 100,000 are legally registered (Kawakibi, 2008), but other sources talk of between 300,000 and even 1.5 million Syrians; independent observers, however, estimate the number at between 400,000 and 600,000 (almost 47% of the Lebanese labour force). Although Syrian workers mostly work in construction, according to Kawakibi (2008) increasing numbers of Syrian workers are engaged in manufacturing, though with no health or social insurance. In contrast to Jordan, in Lebanon it cannot be stated that foreign workers compete for low-skilled jobs with locals. Indeed, Kawakibi (2008) states that many studies prove that unemployment in Lebanon is not affected by immigrant Syrian workers, as the majority of unemployed Lebanese are skilled workers, and the highest rate of unemployment occurs among residents with a secondary education and university degrees. There are too almost 450,000 Palestinians refugees, with a 60% unemployment rate and a lack of full working rights (according to UNRWA); translating into almost 150,000 unemployed Palestinians. This figure exceeds total unemployed Lebanese residents, estimated at nearly 137,000 in 2007.

Both in Jordan (where migration policy has been described as “easy entry for low skills; easy exit for high skills” – World Bank 2007a, p. v) and in Lebanon, there is a strong structural link between immigration and emigration flows. The Jordanian labour market is characterized by the emigration of a large number of highly-skilled Jordanians to GCC countries and the immigration of a large number of foreign workers to fill low-skill jobs. Inward remittances help to fuel the Jordanian construction industry, which mostly employs Egyptian migrant workers. Thus, inward remittances partly fund outward remittances. However, because inward remittances far exceed outward remittances, there is still a significant net financial gain for the Jordanian economy. In 2008, inward remittances were valued at 2.73 billion euros whereas outward remittances were only 354 million (but of course this accounting has to be qualified with the impact on skills endowment in the labour force, since emigrants are, in this case, far more educated than immigrants). In Lebanon, remittances amount to more than 4.5 billion USD per year, almost 23% of GDP<sup>11</sup>. Yet remittances mostly finance domestic consumption, and outward remittances are also very high (almost 4 billion USD). The country is therefore experiencing an economic cycle where remittances fuel real estate and service investments; which in turn increase the demand for unskilled workers mainly in construction and the cleaning sectors; thus contributing to an increase in inward emigration flows. Inward remittances are indirectly contributing to the high rates of outward remittances.

In other countries of the region legal labour immigration is rather marginal and is strictly regulated, although lack of thorough and reliable statistics may conceal part of this phenomenon. In all cases, immigrant workers in AMCs are often exposed to informal employment and below standard work conditions (in several countries they are excluded from labour legislation protection) and wages, undermining the decent job agenda. Data on irregular immigrants in AMCs are particularly scarce, but

<sup>10</sup> National Background Papers and Fargues (2009, pp. 24 and 486).

<sup>11</sup> Data from National Background Paper. Remittances to Lebanon as registered in the World Development Indicators database amount to 5.769 US\$.

estimates place their number at close to 1 million overall (with Lebanon with 400,000-500,000 and Jordan with around 100,000 as top rankers). Another group worth mentioning are refugees: AMCs have one of the largest presence of refugees in the world, with a total of 1,400,000 official UNHCR refugees, the bulk of them in Syria (707,000) and Jordan (520,000) (Fargues 2008, p.12), plus the 4,5 million Palestinian refugees reported by UNRWA (in Jordan, Palestine, Syria and Lebanon). According to World Bank (2008b) figures, four AMCs stand amongst the Top 10 world countries in terms of the numbers of refugees that they host: Jordan (1.8 million), Palestine (1.7), Syria (0.4) and Lebanon (0.4)<sup>12</sup>. Obviously, these refugees also pose a serious market labour challenge.

Overall, in many AMCs geopolitical developments are a key factor in understanding labour market dynamics. In Syria, for instance, two major events in the last five years will shape any possible analysis of labour markets (and make national statistics largely inaccurate): the inflow of 1.7 million Iraqi refugees (7% of total population) and the sudden reduction of Syrian circular migration to Lebanon (involving several hundred thousand workers).

## 2.7 The Impact of the Economic Crisis

The global economic crisis has added to the series of labour market and education challenges the Arab Mediterranean Countries have not solved in the last 20 years of relative macroeconomic discipline and which have only begun to be tackled in the last six years of high growth. In the six years since 2002 economies in the region followed a high growth path (in the 5-6.5% range on average), which led to an average annual job creation rate of 4.5%, enough to offset the labour force growth rate of 3.6% a year on average (for a working age population growth of 2.8%). So global unemployment rates were reduced in all countries during this period of high growth rates, but average wages have not followed suit and the categories of workers most affected by unemployment or informal employment (women and the young, in particular) hardly benefited from this trend. The rate of precariousness of employment increased in many AMCs, rendering employees more vulnerable to economic downturns (Morocco and Algeria are two clear cases in point, as shown by National Background Papers).

AMCs have already begun to suffer the global economic crisis, though with a certain lag in relation to other regions of the world (see European Commission 2009, pp. 27-50). Growth prospects have been substantially readjusted downwards, in particular in countries like Jordan, Egypt or Morocco which are best integrated into the world economy: real GDP growth across the region is expected to shrink by more than two percentage points below the 4% mark in 2009 (IMF 2009a), or even further to halve to a regional average of 2.4% (European Commission 2009, p. 28). Thus, it seems that the high level of job creation witnessed in previous years will not be sustained over the next few years, though the impact on unemployment rates could be limited relative to other regions of the world (Behrendt, Haq and Kamel, 2009, p. 7). Only in Jordan, the downwards revision of growth projections between March and September 2009 translated into a readjustment of job creation projections from 893,000 to 734,000 over the 2009-2020 period, i.e., a reduction amounting to almost 10% of current employment over that period (see Saif and El-Rayyes 2009, National Background Paper, p. 10, and p. 9 of the former April 2009 version).

In any case, this crisis coincides, for AMCs, with the peak years of the youth bulge, i.e., the years when the number of entrants to the job markets will be highest (see Sections 1.1 and 1.3). As migration chances vanish as a consequence of the economic downturn in developed countries and the Gulf and some labour migrants return to their home countries (100,000 Egyptian migrants have reportedly already returned from Gulf countries), the long-lasting job crisis the region is suffering

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<sup>12</sup> See also the figures in Fargues 2009, p. 26, that are substantially higher for Jordan and Syria.

might intensify its social destabilizing potential, and the potential of AMCs to face it will be reduced. The link between migration and development has to be revisited due to the crisis.

Indeed, the current global financial crisis is already having indirect impacts on AMC labour market. First, as the demand for exports (e.g. textile industry and agricultural products) for European markets falls, this affects both manufacturing and agricultural sector outputs and employment and might lead to higher unemployment. Moroccan exports, for instance, registered a 32% fall in the first quarter of 2009, meaning that 20,000 jobs have been lost in the textile industry since the beginning of the crisis (more than 10% of total employment in this industry). Foreign direct investment has also been hit by the global financial crisis. In addition, as tourism declines (the fall in the number of visits amounted to 20% in Morocco for the first quarter of 2009 and 11% in revenues for Egypt in the first four months of 2009) this has wider implications given the importance of this sector for the economy as a source of foreign exchange and for employment. Finally, if the crisis affects the Gulf States and Arab labour importing countries this will lead to less demand for AMC workers in the region and may result in significant numbers of these returning. Indeed, the global recession may even lead to an increase in the number of skilled workers in some AMCs, as newly unemployed emigrants return from the Gulf and other destination countries; Lebanon and Jordan are particularly vulnerable to this scenario. For hydrocarbon exporters (first and foremost Algeria, but to a lesser extent Syria and Egypt), the fall in international prices relative to 2008 has had a major impact on export revenues, which in turn will affect State investment and social expenditure.

Thus, the AMC labour markets are not, by any means, immune to the repercussions of the current global crisis, and the International Labour Organisation foresees an increase of unemployment in 2009 of up to 2 million in the Middle East and North Africa (ILO 2009, p. 35); it is worth noting that those countries have no unemployment insurance scheme or only very limited coverage. The negative impact of the crisis on employment compounds the impact on living conditions of the food and oil price shock experienced since the summer of 2008, which seriously affected the purchasing power of many households. Official estimates by CAPMAS, in Egypt, put the inflation rate in urban areas at around 22.3% in November 2008, and although the situation has eased since then, it has not returned to previous levels.

Another key transmission channel of the global economic crisis to AMCs, though more resilient than other sources of revenue, are remittances (for a review of their importance in AMCs, see section 5.2). They are the main inward financial flows in many AMCs (22.8% of GDP in Lebanon, 20.3% in Jordan, 14.7% in Palestine and 9.5% in Morocco). The volume of migrant remittances is already reflecting the effects of the global economic crisis, despite the higher degree of stability remittances have shown in the past relative to other financial flows. After the stagnation they experienced in 2008 (following on from a decade of double-digit growth), remittances to Middle Eastern and North African countries are, after many years of growth, expected to shrink in 2009 between 1.4 and 5.2% (Ratha and Mohapatra 2009), depending on employment developments in OECD countries (exchange rate development and the eventual hardening of migration policies in development countries are the other relevant factors). Indeed, in Morocco, for instance, they already experienced a 15% fall in the first quarter of 2009. Apart from the negative impact of this decrease on the current account balance of recipient countries, this will cause a contraction in consumption (with an impact on employment) and a deterioration in the living conditions of the beneficiaries (for many families in AMCs, remittances partly compensate for the lack of access to formal social protection mechanisms).

### **3. National Employment Policies and Labour Markets Reform in AMCs**

Faced by such daunting challenges and the added pressure the global economic crisis is certain to impose, it can be stated emphatically that AMC employment policies are not up to these challenges. A common element is the dissociation between good performance of macroeconomic indicators and a lagging behind in terms of better employment and increased social welfare for different segments of the population (National Background Papers and Middle East Youth Initiative, 2009).

A comprehensive employment policy should comprise the following elements: (i) investment promotion (mainly related to macroeconomic and sectorial policies) and a friendly business environment for the private sector to encourage job creation; (ii) active labour market policies (ALMPs), direct State intervention in the labour markets to increase the employability of workers; and (iii) labour market regulation. However, the performance of employment policy has to face the constraints derived, for all AMCs, from the size of first job-seekers unemployment, institutional rigidities and the extent of the informal sector, which sets a limit on the effect of institutional regulation and the performance of the labour market. Indeed, the importance of informal employment over total employed population points to the weak impact of institutions and institutional reforms on the development of employment and labour market structure. This is a vicious circle that is very difficult to break: labour reforms are ineffective because of the size of the informal economy, and the lack of effective implementation of labour regulation strengthens informal employment.

The other component which should be encouraged in all AMCs is the training-employment interface across all education levels and cycles. Any employment policy should, by nature, be articulated with an education and training policy aiming at increasing the employability of the young. This is at the heart of the failure of the education system both in terms of its internal (school drop-outs) and external (lack of integration into the labour market) effectiveness.

The situation varies across AMCs, but all of them offer wide scope for employment policy upgrading, both in terms of institutional setting and in terms of instruments. In Jordan, for instance, the work of the Ministry of Labour and its local offices largely centres on issuing work permits to foreign workers and ensuring compliance with labour regulations. Relatively few efforts and resources are directed towards the provision of active labour market programs.

In other AMCs, it is still not possible to speak of genuine national employment policies as such. The Lebanese Government, for instance, does not have a national employment strategy which identifies labour market challenges and tries to address them in a consistent manner. There is a Ministry of Labour (MoL) in Lebanon, but it has a minimal role in developing and engaging in national employment policy. No serious reform program is being currently contemplated. A draft Labour Law was proposed in 1992 and again in 2000 but remains just that, a draft. For this, there are, to date, no Active Labour Market Policies in the country. This situation is a by-product of at least two main factors: (i) labour market challenges have always been diffused in Lebanon by a 'passive' policy of encouraging emigration, as the Lebanese authorities have failed to address, in the last decades, the 'push' factors that cause Lebanon's mainly skilled workforce to seek jobs abroad; (ii) Lebanese policy-makers have done very little to address the issue of high reservation wages (mostly linked to high private educational investments and a high cost of living), which discourage Lebanese workers from engaging in low-skilled jobs. Instead, an influx of foreign workers has been encouraged to take on low-skilled jobs, particularly in the construction and agricultural sectors. Thus, the case of Lebanon brings to the fore the structural linkage between employment and migration policies. This lack of a

true labour market policy is compounded by the absence of public strategic human-resource planning. The only reform was a 70% increase in the minimum wage in 2007, the first rise since 1996.

### 3.1 Active Labour Market Policies

In several AMCs, employment policies are limited in practice to active labour market policies (ALMPs). ALMPs aim to correct labour market failures and have been used in Europe and the US to deal with high unemployment and deficient aggregate demand. These policies take the form of direct job creation to restore the employability of workers, labour market training to give workers the skills required by firms, and job brokerage to improve the match between job seekers and vacancies such as employment services that provide better information on vacancies or help to improve the search effectiveness of the unemployed. In several AMCs (notably Morocco and Tunisia, Egypt and to a lesser extent Algeria), ALMP have become the main tool of national employment policies, absorbing substantial financial resources.

Several active labour market policies in the form of employment and training programmes have been set up in Egypt to promote job creation and reduce unemployment. De Gobbi and Nesporova (2005) argue that the ALMPs in Egypt have not always met their set targets since there are skill mismatches between workers and jobs and hence obstacles in job placements; and the credit schemes for self-employment perform poorly. El-Megharbel (2007) argues that ALMPs should be considered as short-term solutions to overcome labour market failures. Consequently, the impact of these policies on job creation should not be overstated. These policies must also be aligned with macroeconomic policies in the global framework of a national employment strategy that aims to increase employment. Assaad and Barsoum (2007) argue that most active labour market programs are primarily provided through governmental or quasi-governmental bodies and suffer from limited efficiency, skewed targeting, and a heavy reliance on international donor support. These programs fail either because they came from the top down, or because they were implemented badly. Many programs are initiated and supported through foreign donor support and are insufficiently institutionalized or integrated into a policy framework. Despite the success of some NGOs, these programs remain limited in scale and depend heavily on grants and, therefore, are not sustainable over the long term. Finally, there have been no systematic evaluations of most of the programs and policies addressing youth employment in Egypt. Studies with pre- and post-intervention designs involving control and intervention groups are very rare. This creates a huge knowledge gap that hinders the learning of lessons and the building of new projects. To conclude, ALMPs have not been effective in creating jobs in Egypt. There have been too many dispersed and uncoordinated policies. There is a need for a more integrated set of policies that address the roots of the malfunctioning of labour markets.

In Tunisia, ALMP instruments are characterised by a wide diversity and an accumulation over the years. This complexity poses problems of transparency, overlapping, coordination and relevance of programmes in relation to the structure of unemployment. There is no systematic and regular process of evaluation concerning their effectiveness and their equity, and they tend to benefit young graduates, whereas the vast majority of the unemployed (75%) have just a primary or secondary education. Only public work programmes have a high orientation towards the unemployed with primary education. Despite a high concentration of unemployment in rural areas in certain regions, ALMPs are focused in urban areas, where all public labour market institutions are concentrated as well. The continuous education component of these policies does not exceed 4.5% of all expenses, and benefits big companies more often than SMEs. Between 1994 and 2004, there was a proliferation of public programmes to assist the transition of young people from school to work or the promotion of self-employment. Often, these programmes led to the creation of a large number of precarious, short-lived jobs. Due to their multiplicity and overlapping, often ALMPs do not distinguish, short of targeting and evaluation, between the assistance dimension (passive employment policies) and a true promotion of labour integration (quality and stability). A recent assessment by the National Consultative Commission on Employment

has shown that it is the graduates from prestigious and select universities and colleges who benefit most from these schemes: among the university graduates,  $\frac{3}{4}$  of graduates from the medicine, pharmacy, the ENSI, the ENIT and the HEC benefit from support for their professional insertion. In contrast, less than  $\frac{1}{4}$  of graduates from other science and humanities universities have access to such programmes. Although current ALMP instruments have an overly-limited scope to deal with the core of unemployment, most of them (SIVP and PC50, to give two examples) have a positive impact on the employment prospects of beneficiaries. However, the evaluation showed that one of the main instruments, the Fonds National pour l'Emploi (21-21) has a negative impact, i.e. the chances for beneficiaries to find a job are less than if they had never taken part (see Mahjoub 2009, pp. 28-34).

Also in Morocco ALMPs have been focused on graduate workers and have suffered from dispersion and lack of coordination between the different public labour markets operators. In Algeria, barely 12% of jobs created through ALMPs between 1998 and 2002 became permanent jobs, pointing to another weakness in these programmes.

These results show that, while ALMPs are a necessary ingredient of a comprehensive national employment policy, they can only be effective in the framework of a larger integrated economic policy promoting employment.

### 3.2 Recent Changes in Labour Market Legislation and Reform Projects

In contrast to the lack of labour market regulation reforms in AMCs in the last few years (see Section 2.2), recent developments as regards national employment policies in several AMCs allow for some hope and lend themselves to further cooperation in this field with the European Union.

In Algeria, a national employment strategy worthy of this name was only adopted in July 2008. The 'Action Plan to Promote Employment and Fighting Unemployment' defines for the first time a coherent policy framework to promote job creating investment and to pursue active labour market policies. Its objectives are as follows: (i) supporting job creating investment; (ii) promoting vocational and technical training; (iii) a multidimensional policy to encourage companies to create employment; (iv) modernizing the labour market management by strengthening labour market institutions, particularly the National Employment Agency; (v) promoting youth employment through a new scheme to support professional insertion; and (vi) follow-up and evaluation mechanisms for the Action Plan by national structures.

In Jordan, the Government *National Employment Strategy* was put together in 2008 by the Ministry of Labour with assistance from the International Labour Organization. According to the *National Employment Strategy* document, previous Jordanian employment policies and programmes were lacking for two reasons. First, they were fragmented and were not comprehensive enough to effectively address labour market dynamics and challenges. For example, employment creation policies were formulated separately from tax policies; now there is a commitment to the objective of 'joining up' employment policy formulation with other aspects of policymaking related to human capital and the economy. These include macro-economic, tax and education policies. Second, previous employment programs were not formulated with full stakeholder participation at all levels. These shortcomings are common to many other AMCs, and extend not only to employment policies, but tax, macroeconomic and trade policies as well.

There are other changes recently introduced in Jordan's labour regulation. In 2008, the Labour Law was expanded to include the previously excluded domestic work and agricultural sectors. Special legal regulations for workers in these two sectors are being formulated. These regulations will set parameters for workers' employment contracts, working hours and for the inspection of their workplaces. It is worth noting that the majority of the estimated 300,000 migrant workers in Jordan are either domestic or agricultural workers. On the other hand, the MoL, in partnership with the ILO, aims

to reform the financing of maternity leave benefits. At the moment, maternity leave benefits are financed by employers. This makes women more expensive to hire and discourages employers from hiring them, or means that employers offer women lower wages in order to recoup the cost of maternity benefits. MoL intends to design a centrally-financed system of maternity leave benefits to facilitate the entry of Jordanian women into the labour market.

In Tunisia, the Ministry for Employment is in the last stage of the definition of a new Employment Strategy aiming at restructuring national active labour market policies and focusing on youth employment. The National Consultative Commission on Employment has also stressed the problem of the quality of training and skills of graduate workers, in particular, which explains, in part, the unfulfilled demand for certain categories of employment and the gap between the formal qualification of the unemployed and their actual skills.

Of course, it is far too early to assess the effectiveness of these new policies, but the very fact that employment policies are being reviewed and revamped in this fashion is in itself a positive sign.

### **3.3 Alternative Strategies and Policy Options for Managing Labour Markets Mismatches**

There seems to be a quite a wide consensus on the policies to implement. Recent reports on labour, employment and migration in the Middle East and North Africa region are convergent (see, for instance, World Bank 2009a, Middle East Youth Initiative 2009, but also Section 4.4. or 4.5 of National Background Papers). The following are mentioned in all the reports: improvement in the education system (to bring transmitted skills closer to labour market needs); strengthening of vocational and technical training; support to SMEs; stimulating labour-intensive activities; incentives to private sector firms to hire new graduates and women and also in training for workers through tax rebates; the introduction of unemployment insurance schemes; and the restructuring and extension of social protection schemes.

Integration of policies is the keyword here. The national strategies to enhance creation of good quality jobs require integrating and coordinating public policies in four areas: macroeconomic and investment promotion policies; education and training policies; social protection policies; and labour regulation policies. This coordination should take on an institutional shape, i.e. formal exchange and consultation between the respective competent Ministries at the national level.

There is ample scope for innovation, however, in the policy monitoring and evaluation field. Extensive employment policy assessments should be carried out in every country to begin with, and monitoring and evaluation capacities be substantially strengthened. In this field very little has been done so far in terms of technical assistance for the design, implementation and monitoring of training and employment policies, let alone migration policies. In any case, the contrast with training, assistance and aid ear-marked over the last few years for improving policy-making and implementation in the macroeconomic, financial or trade fields is obvious. In Chapter 7 we advance some concrete proposals along these lines.

On the other hand, the scope for regional co-operation is great. Common objectives and policy-making framework, with a region-wide system of multilateral progress monitoring by each partner, could provide the right incentives to share experiences and best practices, adopt effective policies and follow-up implementation with a technical perspective.

The European experience has shown that in order to fight unemployment efficiently, active and direct employment policies and joint strategies are necessary on a European level, along with growth policies and structural reform. There is no reason why this logic should not be applicable to AMCs, which share with European countries a similar labour market institutional structure, as described in Section 2.2.

## 4. Outward Labour Migration in Arab Mediterranean Countries

Labour migration has been an important source of employment in all Arab Mediterranean Countries over the last four decades. Neither their societies, nor their economies, including their labour markets, can be understood without considering the impact of outward migration. There are more than 10 million AMCs citizens living in third countries (see Table 4.2.1, where the number of Jordanian and Syrian emigrants is largely underestimated, and Palestine has not been considered). This amounts to more than 8% of their working age population, with higher average levels of labour participation, employment and qualifications than those prevailing in the national labour markets.

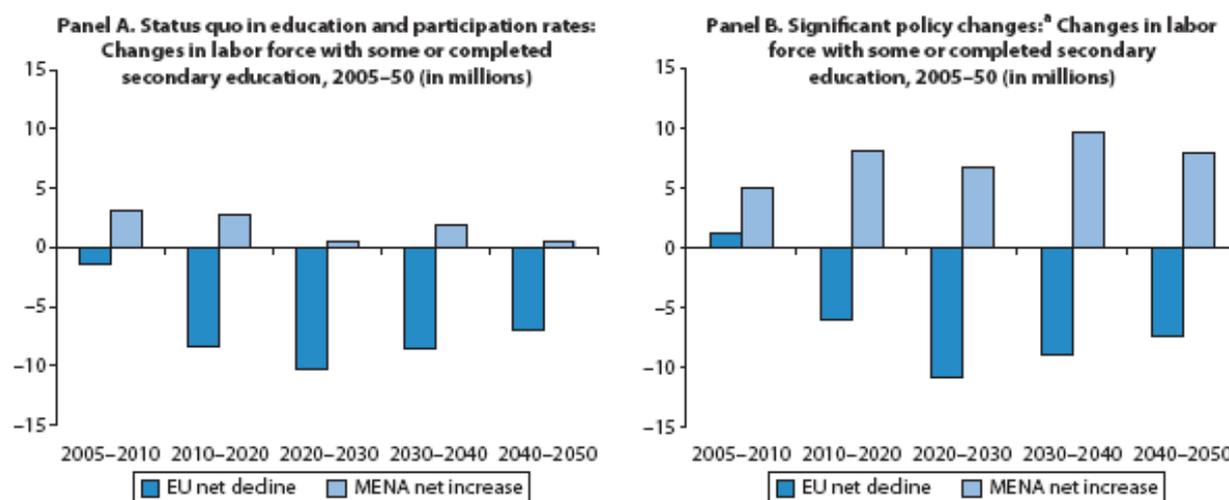
### 4.1 Outward Labour Migration in AMCs: Literature Review

Interest in migration flows in Arab Mediterranean, Southern and Eastern Mediterranean or MENA countries has grown considerably in the last few years. A series of specialized research centres have even emerged, such as CARIM (Consortium for Applied Research in International Migration). So far the literature has to a large extent focused on demographic aspects and migration flows (for a thorough review of literature on this topic, see Schramm 2006). For a comprehensive analysis of migration flows (outward, inward and transit migration) in 10 Southern and Eastern Mediterranean Countries (Arab Mediterranean Countries object of the present Study plus Israel and Turkey), with detailed studies on the demographic and economic, the legal and the social and political dimensions of migration in each country, see the *Mediterranean Migration 2006-2007 and 2008-2009 Reports* (Fargues 2007 and 2009). CARIM has also published more than 200 papers on issues of relevance in this field, in particular circular migration and irregular migration. In the last few years, inward labour migration to AMCs and inter-Arab migration have been subjects of growing interest as well.

In the traditional approach to labour migration, wages and *per capita* national income, or more precisely their differentials, are considered as strong migration drivers. Since evidence from AMCs seems to confirm the value of this theory, it is worth quickly reviewing it. If young  $i$  is assumed to face a wage  $w_0$  in his or her country of origin and a wage  $w_1$  if he or she migrates (wage in destination country) and if  $C$  is the cost of international mobility – which can be assumed to be fixed, proportional to wage  $w_0$  or decreasing as the level of education increases – the migration rate will equal the probability of  $[(w)_1 - w_0 - C]$  being positive (Chiquiar et Hanson 2002). So the migration rate is negatively correlated to average income in the country of origin and to the financial, human and social cost of mobility and positively correlated to average income in the host country. In this way, the analysis of the development of income in AMCs (minimum wage, average wage or per capita national income) and its comparison with that of the potential countries of destination (the EU eventually) provides information, in the first place, on the performance of labour markets in AMCs, as well as on the factors determining the migration choice.

However, the relation between income levels and migration flows is likely to be non linear, so that for a relatively poor sending country an increase in income will have a positive impact on the propensity to migrate, even controlling for the income differential with the receiving country, but if the home country is relatively better off, an increase in income may be associated with a fall in the propensity to migrate (see Faini and Venturini 2008). Quite clearly, most AMCs have left behind the poverty threshold where the financial constraint to migration does operate, but have not yet reached the home bias threshold. This, combined with the increasing wage differential (see Section 2.3), leads to an increase of migration pressures. Interestingly, beyond general surveys on the reasons for migration (see Section 5.1) there is no systematic research on wages of AMC migrants to developed countries.

From a different perspective, centred on demographic prospects and skills profiles, a recent report of the World Bank (2009, pp. 57-61) links increasing European demand for migrant labour over the next two decades, the education and labour force participation of women in the Middle East and North Africa. It argues that MENA countries are currently not well placed to meet increased demand for labour in the European Union. Whether assuming zero migration or a persistence of current migration rates the demand for replacement labour in the European countries is projected to peak in the 2020s. But it will predominantly concern medium-skilled workers who have completed a secondary education. Currently, however, workers from emigration countries in the MENA Region provide a poor match in relation to Europe's needs, as the 15-39 labour force will mainly expand among those who have completed their primary education. If education rates and labour force participation rates stay unchanged, the skill mismatch will become significant. This mismatch will be most apparent in the 2020s, when Europe's potential demand for secondary-educated migrants of roughly 10 million will coexist with a projected potential supply of labour migrant with secondary education of only 0.5 million in MENA. If MENA's emigration countries make efforts to increase labour force participation and education rates significantly, the scope for arbitrage would be much higher. Assuming, as in the scenarios developed for the report, that labour force participation rates and education rates can converge over time to the levels of southern European countries, the match between MENA and the European Union would improve considerably (as the Figure 4.1.1 clearly shows). Between 2005 and 2050, the MENA emigration countries would produce a net increase of 20 million people with secondary education and 10 million people with tertiary education. This scenario's outcome will depend partly on the success of MENA countries in improving participation rates for women. In Section 6.3 we take a different approach, based on Venturini, Fakhoury and Jouant 2009, to conclude that a matching opportunity does indeed exist.



**Figure 4.1.1. Skill Mismatch With and Without Policy Reform in MENA Countries**

Source: World Bank (2009)

What is clear is that the sheer size of employment creation in the AMC implies that migration cannot provide a solution to the AMC unemployment problem. The aforementioned World Bank report (World Bank 2009a) is very clear in this respect: "Migration is not a panacea for sluggish job creation in MENA countries or for an aging European population, but it could form part of the policy approach to address these challenges". However, many of the policy actions and institutional reforms required to become more competitive in the global labour supply market – specially enhanced

education and vocational training systems, the increased labour participation of women – correspond with those needed to foster private sector job creation and labour productivity growth at home.

A field where analysis is sorely lacking is that of migration policies in countries of origin. The ILO/IOM/OCE 2007 Handbook provides a general framework for policy-making (pp. 37-39) and labour policy options to improve labour migration outcomes are discussed in Chapter 4 of the World Bank report (2009a, pp. 69-93).

## 4.2 Outward Migration Flows: Extent and Characteristics

The lack of reliable and updated data on outward migration flows means that it is very difficult to draw a general picture of this phenomenon in AMCs. Some countries, like Syria, do not provide statistics for outward migration, and AMC migration to the Gulf States (mostly temporary) is largely unrecorded. So data are fragmentary, and it is impossible to construct a comprehensive, accurate and reliable table showing the size of AMC outward labour migration, their destination, educational profile....We are forced to work with data from different, inconsistent sources, often corresponding to different years for each country, or with fragmentary data from destination countries. As noted in the Thematic Background Paper (Marchetta 2009), “most widely-quoted figures on emigrants are immigration-based, i.e. obtained through the aggregation of data gathered in the destination countries. Such an approach can give rise to substantial discrepancies with emigration-based statistics, which – in the case of Egypt - can even be 246% higher than data gathered in the countries of destination (Fargues, 2007)”. Available figures (summarized in Table 4.2.1) should be considered as minimum estimates, while actual levels could be significantly higher.

In any case, labour migration has played an important role, both economically and socially, in all AMCs in the last three to four decades, with Morocco and Egypt (with close to three million each) amongst the top 20 countries in the world with the largest number of emigrants. According to World Bank 2009a figures, on average in 2005 the Middle East and North Africa countries had 3.9% of their total population as migrants abroad (a higher proportion than the 2.9% world average). As a percentage of the total population, apart from Lebanon (where emigrants make up 17% of their country’s population), migrants from the Maghreb amount to 5.5% of the total population, and move predominantly towards European OECD countries, while migrants from the Mashreq are estimated at 3.3% of the population, and approximately two thirds of them reside in the Gulf and other Arab countries. Overall, roughly 56% of MENA migrants live in EU countries, 32% in Gulf and other Arab countries and a mere 12% in other countries, mainly North America and Australia<sup>13</sup>. In Europe, around four-fifths of MENA immigrants come from the Maghreb countries, compared with less than 10% in the case of Australia and North America, where MENA immigrants come mainly from Mashreq countries.

Cross-country differences in terms of the geographical distribution of migrants are also related to the predominant pattern of migration: while migrants towards the Gulf Countries tend to move on a temporary basis, migration towards the OECD is mostly on a permanent basis (World Bank, 2008a). These differences in geographical distribution and in the prevailing length of the individual migration experience have far-reaching consequences on the impact of migration on the labour markets. Characteristics of the labour markets at destination are a relevant mediating factor in shaping the impact of migration upon the countries of origin. This also entails that the empirical relevance of the various potential channels of impact which will be highlighted in the following Chapter are likely to differ across the Maghreb-Mashreq divide. Another relevant feature is the fact that migrants from AMCs are predominantly male, although migration flows from Maghreb countries have recorded an increasingly important role for women and children (Schramm, 2006b).

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<sup>13</sup> In World Bank 2009, pp. 13-26, the shares stated are 42% in the EU, 45% in the Gulf and other Arab Countries and 13% in North America and Australia. This is due to the inclusion of the Palestinian diaspora, most of which lives in other Arab countries.

**Table 4.2.1 Outward Legal Migration Stocks in Arab Mediterranean Countries  
by Groups of Countries of Destination (a)**

Destination countries Countries of origin	Year	Arab Countries	Europe	Other Countries	TOTAL
<b>Morocco</b>	2007 (b)	281,631	2,837,654	173,314	<b>3,292,599</b>
<b>Algeria</b>	1995	66,398	991,796	14,052	<b>1,072,246</b>
<b>Tunisia</b>	2008 (b)	153,256	873,947	30,594	<b>1,057,797</b>
<b>Egypt</b>	2006	1,928,160	106,398	381,400	<b>2,415,958</b>
<b>Jordan</b>	2008 (c)	141,202		36,432	<b>177,634</b>
<b>Syria</b>	2000 (d)			130,178	<b>130,178</b>
<b>Lebanon</b>	2005 (c)	187,219	109,104	258,487	<b>554,810</b>
<b>TOTAL</b>	<b>(e)</b>	<b>2,757,866</b>	<b>4,918,899</b>	<b>1,024,457</b>	<b>8,701,222</b>

- a) Estimates by the Palestinian Central Bureau of Statistics indicate a number of 4,707,471 Palestinian emigrants, but this includes all the Palestinian diaspora, the vast majority of which was born after 1948 and can hardly be considered as migrants. Hence we have removed Palestine from this table.
- b) National Background Paper (Mahjoub 2009).
- c) National Background Paper (Saif and El-Rayyes 2009). Due to missing statistics, "Other countries" indicates the figure of Jordanian immigrants in Database on Immigrants in OECD Countries. According to some estimates, Jordanian emigrants could amount to 500,000.
- d) Syria has no official statistics for its nationals abroad. The figure of the Database on Immigrants in OED Countries has been included in the "Other Countries" column, but the total number of emigrants probably exceeds 1 million.
- e) If Palestinian, Syrian and Jordanian migrants not considered in this Table are accounted for, the total number of AMC migrants will easily exceed the 10 million mark.

Source: Fargues (2009) and National Background Papers based on national sources.

In the Egyptian economy, international migration has played an important role over the last three decades. Egypt has been a major labour exporter since the early 1970s, exporting both educated labour (mainly to the Gulf States and Libya, but also to the US, Canada and Australia) and uneducated labour (to Jordan, Lebanon and Europe) and becoming the largest labour exporter in the MENA region in absolute terms. In 2005 according to CAPMAS there were around 2.8 million emigrants, 71% of whom were temporary and 29% permanent; 95% of temporary migration was to Arab countries, and less than 4% to Europe. According to the 2006 Census, there were 3.9 million Egyptians abroad in that year. This is 8.6% of the working-age population. According to the ELMPS 2006, 4.8% of households had a member of the household working overseas. However, it is important to remember that this figure underestimates the real number since it does not include migrant *households* who are currently overseas; i.e. it does not include migrants with their families currently overseas.

In Lebanon, it has been estimated that there was a stock of almost 560,000 first generation migrants in 2005, i.e. close to 20% of the working-age population. It is also estimated that somewhere between 15,000 and 20,000 people emigrate every year (Characteristics of Emigrants, 2000), around the same number of net new entrants to the labour market (which reveals a rapidly increasing migration rate).

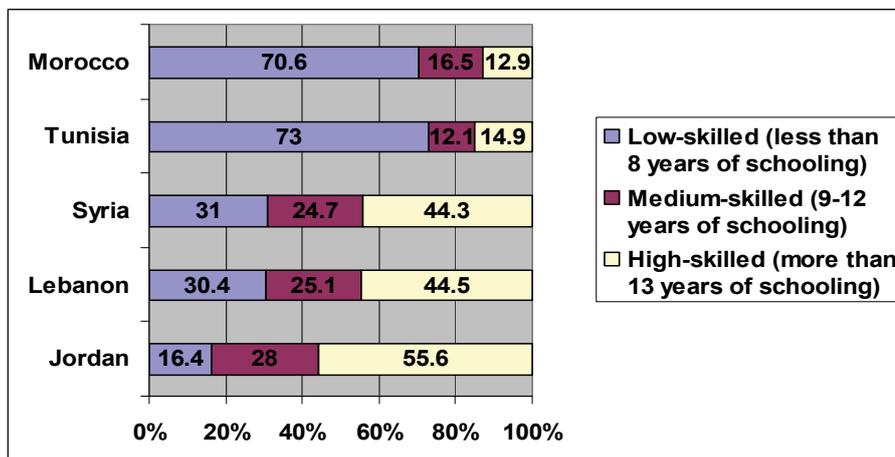
Most migrants are highly-skilled (more than 10 years of schooling), males (80%) and young (below 35). Today, just under half of the country's population has one or more family members living abroad (46.2%), these having emigrated between 1975 and 2000.

In other countries, the relative size of labour migration to the working age population is smaller, but nevertheless substantial: almost 10% in Jordan, 8.6% in Morocco and less than 5% in Syria, for instance. Tunisia is a special case where the net migration balance was positive for the period 1990-2007 (i.e., more immigrants or returning emigrants than emigrants), although after a year-to-year positive balance between 1990 and 1999 (of between 3000 and 9000 net entrants a year, with a peak in 1990 of 84,974 due to the first Gulf War), net outward migration has resumed, with a growing negative net balance over the period reaching the 20,000 a year mark in 2006-2007 (a migration rate of 23% of new entrants to the labour market) (see National Background Paper, Mahjoub 2009, p. 39).

In any case, although statistics for flows are even more difficult to find than for migration stocks, there is evidence of increasing migration rates across AMCs. Taking the current migration rate of an average 8% as a minimum level of probable migration, the increase in the working age population of AMCs will translate into a minimum yearly migration flow of 200,000 persons between 2010 and 2020 (i.e., 2 million new AMC migrants over the period; see Figure 1.1.1). But there is strong evidence of increasing migration rates across AMCs in the last decade (23% in Tunisia, close to 100% in Lebanon), so that this flow could easily triple to 6 million new migrants over the next ten years if migration rates reach, for instance, a level of 24%, a level which is more consistent with recent evidence. The World Bank (2009a, p. 56) estimates a substantially higher level of migration from AMCs, projecting it at 1.3 million migrants a year between 2010 and 2020 if current migration rates are maintained.

As for the educational profile of AMC migrant workers, the share of highly-educated migrants among all migrants is smaller for MENA migrants as a whole than for other migrants in OECD countries. And the highly educated immigrants from MENA are concentrated in Anglo-Saxon countries, where the share of MENA immigrants is relatively low. Adams (2006) shows evidence of a clear difference in the educational profile of Maghreb and Mashreq emigrants (to OECD countries): whereas most of Syrian, Lebanese and Jordan emigrants are highly-skilled (more than 13 years of schooling), in the case of North African countries more than 70% of registered migrants are low skilled (See Figure 4.2.1). Although this data is outdated, more recent evidence tends to confirm this pattern: as shown by Figure 6.3.1.1, skills levels of non EU-born workers in the EU in 2008 (both for recent immigrants and for those with more than 7 years of residence) are the lowest of any of grouping of countries (with the exception of Turkey) for North Africa, whereas skill levels for Near and Middle Eastern migrant workers are well above average.

**Figure 4.2.1: Distribution of emigrants from the MENA to OECD by level of education (2000)**



Source: Adams (2006)

If we take the extreme case of Morocco, around a third of Moroccan migrants in the EU do not have any formal qualification, and another third only a primary education certificate. But there are important differences across countries of residence. The most critical situation is that of Spain and Italy, countries of recent Moroccan immigration. In Spain, around half the Moroccan immigrants have no formal qualification; in Italy, this percentage is 43.6%. However, in the case of Morocco there is evidence of inter-generational progress among Maghreb immigrants in Europe (see National Background Paper, Jaidi 2009, pp. 73-75).

### ***Reasons for Migration***

Evidence from the region confirms the common sense intuition pointing to employment prospects as the main driver of migration, although wages and living conditions tend to play a greater role than unemployment as such. A field survey was carried out by the Egyptian Ministry of Manpower and Emigration to determine the push factors in Egypt as identified by current and potential migrants. The results of this survey indicate that push factors in Egypt are overwhelmingly economic. Egyptian youth regard migration – legal or illegal – as a possible way to escape poverty and unemployment. With respect to the reason for migration, the study indicates that the main reasons behind migration are the low wages and salaries in Egypt compared to Europe, bad living conditions and the lack of job opportunities in Egypt, especially among new graduates. An important factor that plays a major role in stimulating migration streams to Europe is the wealth of successful migrants and return migrants. Remittances of Egyptian migrants who work in European countries are important factors that stimulate a continuous stream of migration. Potential migrants claim that the “*savings of one-year work in Europe is more than a lifetime salary in Egypt*”. The current stream of Egyptian irregular migration to Europe started on the eve of the 21<sup>st</sup> century with massive number of newly-graduated and poorly-educated unemployed youth engaged in irregular migration to Europe either across the Mediterranean Sea via Libya or by over staying on tourist Schengen visas. Zohry (2008) argues that the main reasons behind this new type of migration are not related to the tightened policy adopted by the European Union, but instead to: (i) unemployment: the increasing severity of unemployment is one of the main push factors that stimulate a strong irregular migration stream to Europe; (ii) associated with unemployment is the difficulty for Egyptian youth to find employment opportunities in the Arab Gulf countries due to the competition they face there from the cheap South East Asian labour now arriving in massive numbers; and (iii) geographical proximity and the ease of travelling to Libya where most of the migrant boats to Europe set-off.

Another survey carried out in Morocco shows that reasons stated for migration are predominantly (between 2/3 and 3/4) related to work and wages (National Background Paper, Jaidi 2009, pp. 79-81).

In any case, the National Background Papers show that the main push factor for migration is not unemployment as such, but rather the large (and in most cases growing, see Section 2.3) wage and income differentials. So wage differentials, not unemployment as such, are the main drivers of migration. This seems to be confirmed by the fact that, in Lebanon, a significant majority of those who departed were people aged between 25 and 29 who were in employment when they made the decision to leave the country.

In Algeria, the survey carried out by Hammouda (2008) does not relate directly to this issue, but nonetheless gives us an insight into how young people represent migration and how they project their future through it. It demonstrates that unemployment and the lack of employment prospects are not the main reason given by young people. The results suggest that the propensity to migrate depends, in the first place, on belonging to a migration basin (agglomeration effect), sex (men are more inclined to migrate than women), instruction level (the more educated a person, the more he or she wishes to migrate) and living conditions. For Hammouda, the high cost of migration explains why it attracts mainly graduate workers, and why the unemployed are excluded. However, the most original result of

this study is the fact that the individual situation of a person in the labour market (employee, unemployed or inactive) does not seem to be significant in terms of propensity to migrate.

Besides that, as reported in Section 4.1 above, the income inequalities between countries of destination and countries of origin of migration have a non-linear impact on the rate of migration: when inequalities are relatively small initially, an increase in those inequalities will cause a growth in migration rate, up and to a threshold beyond which further increases in inequality have a negative impact on migration. Interestingly, income and wages differentials between the EU and AMCs have increased substantially since the 1980s, but have stagnated or have only increased marginally over the last few years (see Section 2.3).

### ***Destination of Migration***

Overall, AMC migrants head mainly for Gulf States and other Arab countries (45% of total AMC migration and the majority destination for Mashreq countries), Europe (another 42%, predominantly from Maghreb countries) and to a lesser extent to the US, Canada and Australia (the remaining 13%; they attract mainly skilled migrants from AMCs). Of these migration streams, AMC migration to Gulf countries is by far the least studied.

However, traditionally migrants from the AMCs have followed two clearly distinct patterns, with Maghreb migrants going mainly to Europe and in particular to France and the Mashreq ones going mainly to Arab and non-European countries. Recent, more educated outflows are changing direction with an increase of emigration from the Maghreb countries toward other European countries and Canada and the US and also some Arab countries. This is the case of Algerian migrants<sup>14</sup> where UK (41%), US (53%) and Canada (61%) have the largest share of educated migrants. The same is true for Tunisian migrants; this country has experienced an increase in the education of emigrants and emigration to Arab countries: the share of emigrants in Arab countries has increased from 12% in 2005 to 25% in 2008.<sup>15</sup> A similar pattern applies to Morocco.<sup>16</sup> As a consequence, four fifths of AMC immigrants to Europe come from the Maghreb countries; in particular, 85% of Algerian labour migrants are established in the EU, mainly France. Of these, only 10% have university degrees, in contrast to 84.1% or 72.8% of Algerian migrants to, respectively, the US and Canada. More than 85% of Moroccan migrants are also established in the EU, distributed in France (close to 40% of the total), Spain, the Netherlands, Italy and Belgium. Once again, the vast majority of them (79% in France) have primary or no education, whereas around 70% of migrants to North America have a university degree (World Bank 2009a, p. 96). In the case of Tunisia, close to 70% of total migration is established in France.

Mashreq emigration to the Gulf has a long tradition. At least 80% of Egyptian migrants work in Arab countries, where at least 40% of them hold highly-skilled jobs<sup>17</sup>. An interesting finding is that Egyptian migrants in the Gulf countries and in North America are more skilled than Egyptian migrants to Europe, and 55% of highly-skilled Egyptians going to OECD countries migrate to North America.<sup>18</sup> However, in the last few years there has been an increase in Egyptian migration to Europe. As argued by Zohry (2008) Egyptian migration to Europe is different from other migration streams that target the same destination: Egyptian migration is mainly male-dominated and temporary labour migration in general, while other streams involve males and females who usually intend to stay

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14 National Background Paper for Algeria (Bouklia-Hassane and Talahite 2009). Also H. Khelifaoui (2006) shows how much more skilled are the Algerian immigrants in the US and in Canada as well as the distribution of immigrants coming from the Middle East and North African (MENA) regions where the skill positions dominate over the unskilled positions.

15 National Background Paper for Tunisia (Mahjoub 2009).

16 National Background Paper for Morocco (Jaidi 2009).

17 National Background Paper for Egypt (Wahba 2009).

18 Nassar 2008, Table 6.

in the destination countries. Contemporary migrants to Europe are predominantly low-skilled males who suffer poverty and unemployment to the extent that one may call this new stream of migration a “*migration of the poor*” (see Zohry 2008). Examining the educational level of permanent Egyptian emigrants a very interesting pattern of emigration by education emerges, even though these figures refer to permanent migrants only. First, 96% of all highly-skilled Egyptian migrant workers reside in Arab countries and only 2% reside in European countries. At the same time, the majority of Egyptian workers in Arab Countries, 71% of all Egyptian workers, have intermediate education or below.

The difference is striking too in the case of Lebanon. Thus, 46% of all migrants are in the US, Canada and Australia; 19% in Europe; 9% in other southern countries and 27% in the Gulf countries, and 45% of emigration from Lebanon is highly skilled. Most Lebanese migrants go to the Arab Gulf countries, where job opportunities for skilled multi-lingual individuals have grown quickly in the past decade. The US, Australia and Canada follow as top destinations, capturing respectively 19, 15 and 12% of Lebanese migrants. These countries, together with Syria, absorb 80% of Lebanese labour migration. Migrants to EU countries have a somewhat smaller share, not exceeding 15% of total Lebanese migrants abroad.

Overall, only 15% of Jordan-born OECD workers reside in European Union countries. In absolute terms, this represents 5,523 workers which is a very small number when compared to the number of EU-based workers born in Morocco (655,716 workers<sup>19</sup>), Algeria (522,545 workers) or even Egypt (63,683 workers).<sup>20</sup>

In short, it can be stated that, in general terms, the main destination countries for skilled migrants from the AMC countries are the US, Canada and the Gulf countries, where the skill premium is relatively high. The wide difference between AMCs and European incomes might be a pull factor for AMC emigration to Europe, yet when compared to average incomes in the Arab Gulf region, Europe becomes less attractive as a destination.

### ***Circular and Temporary Migration***

As stated above, in contrast to other AMCs, Egypt provides a unique case where the vast majority of migrants tend to be temporary. This is due to a large extent to the Gulf Countries’ policy of not allowing the settlement of labour immigrants. The risk of this pattern is a higher degree of vulnerability to economic crisis in hosting countries, such as the one that has hit Gulf countries in the last few months. Indeed, emigration to the Gulf States tends to be affected by oil prices and political conditions in the region. The period 1992-1997 witnessed an upward trend in Egyptian emigration after a slowdown as a result of the Gulf war in 1991. The period 1998-2000 witnessed another downward trend due to the slowdown in the world economy as a consequence of the collapse of the East Asian financial markets in 1997. However, by 2005-07 estimates show a bounce back. The 2008 global financial crisis is already causing a return flow of migrant workers from Gulf countries, mainly to Egypt, Jordan and Lebanon (see section 2.7).

As Fargues points out (2009, pp. 28-31), many other forms of circular migration are common in and among AMCs, including Syrian workers in Lebanon, Egyptian farmers in Jordan and in Libya. Indeed, circular and temporary migration tend to play an important role in the framework of legal migration schemes, in particular to the EU. Both EU countries and AMCs are showing a growing interest in this kind of arrangements, and a series of bilateral agreements have been signed in the last few years to organize flows between Spain and Morocco<sup>21</sup>, France and Tunisia<sup>22</sup> and Italy and Egypt (signed back in

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<sup>19</sup> Germany has been excluded from this figure for purposes of comparability, though the number of Morocco-born workers in Germany is available from DIOC.

<sup>20</sup> OECD Database on Immigrants in OECD Countries.

<sup>21</sup> Agreement signed in 2006 between the Spanish Cartaya City Council and the Moroccan ANAPEC (Agence Nationale de Promotion de l’Emploi et des Compétences) and implemented with the support of the Aeneas Programme by which the latter recruits on behalf of the former a yearly number of female workers (13,600 in 2008) for the harvest of strawberries in Huelva.

2004 to facilitate the legal entry of Egyptian migrant workers – see Roman 2008. However, an assessment of the working and impact of these schemes has not yet been carried out, and administrative procedures seem to be a permanent hurdle for their success. In May 2007, the European Commission published a Communication on “Circular Migration and Mobility Partnerships between the European Union and Third Countries” (COM(2007)248final) which advocated the “incentives encouraging the return of seasonal or temporary migrants and favouring the truly circular character of migration”. This opened up the possibility of backing circular and temporary migration schemes at EU level.

In any case, the number of legal migrants from AMC recruited through them remains marginal in comparison with the total volume of migration from AMC to the EU (see Fargues 2009, p. 21). Venturini (2008) and the Thematic Background Paper on EU Migration Policy (Venturini, Fakhoury and Jouant 2009) show that the migratory potential due to the mismatch between supply and demand of labour in AMC is too large to be solved by repeated migrations. Using a stock-flow model, it calculates (see Table 4.2.2) the absolute excess yearly supply of labour (AES) in a country as the difference between flow supply (FS, first-time entries into the labour force, determined by working age population and participation rates; compare with data in the first row of Table 1.3.1) and flow demand (adding together replacement demand – RD, exits from the labour force – and additional demand, AD, additional jobs created by the national economy) and subtracting the traditional level of (permanent) annual emigration outflows (M). In AMC, this absolute excess supply of labour is too large to be solved through repeated emigration. This would, for example, mean that each year in Morocco 128,000 and in Egypt 72,000 workers would leave temporarily to work abroad, and if economic conditions remain the same, the following year the same people would leave temporarily for a second year abroad and the new entrants for the first time with a total of 252,000 for Morocco and 144,000 for Egypt and so on. For the four AMC considered in the model, this would mean close to half a million additional candidates for circular migration each year.

**Table 4.2.2 Absolute excess supply of labour in AMC**

Annual Labour Market Flows								
		1	2	3	4=2+3	5=1-4	6	7=5-6
	Year	FS Flow Supply	RD Replacement Demand	AD Additional demand	Total Flow Demand	Internal Excess Supply	M Emigration outflows	AES Absolute Excess Supply
<b>Tunisia</b>	2005	113,000	35,000	48,000	83,000	30,000	4,113/9,000	26,000/21,000
<b>Morocco</b>	2006	310,000	92,000	30,000	122,000	188,000	60,000	128,000
<b>Egypt</b>	2006	938,000	150,000	624,000	774,000	164,000	92,811	72,000
<b>Algeria</b>	2005	357,000	37,000	12,000	49,000	308,000	42,000	266,000

Population data, Labour force data, Exit data: ILO statistics.  
Additional demand CARIM data  
Migration data CARIM Report 2006-7

Source: Venturini, 2008.

Spain, for a daily gross wage of 35 euros. (See Moreno 2009). In 2009, due to the crisis, the programme will be discontinued, and only Eastern European workers and Spanish unemployed will be recruited.

22 The agreement between both governments in 2008 in force on July 1st 2009 provides for 9,000 multiple entry visas a year for highly skilled potential migrants (3,500 for potential employees, 2,500 for “seasonal workers”, in particular in agriculture, and 1,500 each for “talents and skills” and for “young professionals”).

In conclusion, circular and temporary migration cannot be considered in any way a panacea to solve the twin challenges of employment and migration between AMCs and the EU, but they are part of the complex equation and they should be explored as such to ensure the appropriate legal and institutional schemes are put in place.

### ***Temporary Migration of Public Employees in Egypt***

One channel which has facilitated the temporary migration of public sector workers has been Law no. 73 which was passed in 1971. This law allowed an Egyptian worker who emigrated and had been working in the government or in public sector, and whose resignation had been accepted for the purpose of permanent emigration, and who returned back home within two years of when the worker's resignation was accepted, to be re-appointed at the entity where he/she had been working before emigration if the worker applied for this within three months of his/her final return. A worker shall be appointed to his/her last post, if it is still vacant, or to another similar post. A person whose emigration duration exceeds two years may be reappointed, if the worker meets the conditions required for filling the post. In such case, the said worker shall be exempted from the examination procedures or the contest required for the filling of the post. In practice, this law allowed many public-sector employees to emigrate for up to two years and keep their public-sector jobs, in particular in the 1970s and 1980s. In 2006, 40% of returnees went back to the public sector.

National Background Paper on Egypt

Jackline Wahba (2009)

### ***National Migration Policies***

Despite an increasing interest by AMC authorities in the management of migration (Fargues 2009, p. 19), one common feature of AMCs is still their lack of migration policies or, in several cases, *passive* migration policies. Migration has often been used as a substitute for employment creation in the local labour market, a source of welcome foreign currency and a release valve for social and labour market tensions. Indeed, encouraging outward migration has been one of the main strategies for decreasing unemployment over the past 35 years at least in Jordan, Lebanon and Morocco, where overseas employment has become an integral part of national development strategies. In Egypt, the government's approach towards international migration was, for a long time, one of *laissez-faire*. In 1996 the responsibilities of the Ministry of State for Emigration Affairs was transferred to the Ministry of Manpower and Employment, which was later re-named the Ministry of Manpower and Emigration. The MOME currently provides information to potential migrants about jobs and to existing migrants about various facilities.

The extreme case is Algeria, where there is no migration policy as such, and the phenomenon has been largely ignored by public institutions since the halt to legal migration imposed by France in 1974. In fact, migration continues to be concealed: there is no particular financial scheme to attract remittances, no statistics, no public institution charged to monitor this issue, no migration policy as such. According to Collinson 1996 and Fargues 2004, this ambiguous stance regarding emigration and its expatriates is largely due to a contradiction between internal policy stakes – containing unemployment and therefore favouring emigration – and external policy stakes – opposing what it considers neo-colonial policies of labour imports. However, the political approach to migration is evolving, and in 2009 some new institutional developments are to be noted: the creation of a Department for Emigration at the Ministry for Employment and National Solidarity as well as the establishment of the Consultative Council of the National Community Abroad.

Morocco is the only case among the AMCs where the outline of a comprehensive migration policy seemed to emerge after 2007. There was the legal reform of the Moroccan Nationality Code to grant Moroccan nationality to the children of Moroccan women with non-Moroccans; the creation of the Council for the Moroccan Community Residing Abroad (CCMRE), a community of 3.3 million residents registered in Moroccan consulates abroad; the creation of a Ministry in charge of the Moroccan community residing abroad; and the presentation of a Five Year Plan to Promote the Situation and Interests of Moroccans Residing Abroad in June 2008. This has been complemented with the signing of bilateral agreements to organise legal migration (see description of the Spain-Morocco agreement in footnote 21).

This notwithstanding, given the sheer size of migration as an economic flow in AMCs, there is an acute need for articulated migration policies to optimize their impact on national labour markets and ultimately on development.

## 5. Elements for Analyzing the Impact of Migration Flows on National Labour Markets

The literature on the developmental impact of migration is enormous and growing. Indeed, the prevailing theory has seen a marked evolution. At the end of the 1990s, empirical research and policy debates revolving around the effect of emigration on the economic development of origin countries received additional impulses. Up until the 1990s, the classical economic theory prevailed, according to which migration – by reducing the supply of labour and unemployment and inducing remittances transfers to the countries of origin – contributed to their development, reducing income disparities and ultimately rendering migration unnecessary.

Remittances were considered to be beneficial both for the aggregate economy and for the migrant's family (Kapur 2005, Adams and Page 2005). It was commonly argued that remittances alleviated poverty, increased schooling levels and reduced child labour, and that they were useful for the sending country's balance of payments. Moreover, the debate concentrated on the likely unproductive use of remittances, mostly employed in consumption and for buying a house or a piece of land, and only partially for productive investments. Policy interventions tried to favour the allocation of remittances in more productive assets by granting loans to start a business or to buy a house even before the migrant's return to the origin country.

In the last few years, a different approach has come to predominate, according to which migration causes brain drain and even labour shortages in certain sectors, and remittances boost private consumption and demand (which of course contributes to job creation), but at the same time distort markets, cause the Dutch Disease (through the overvaluation of national currency, with productive resources being transferred from traded to non-traded sectors), increase income inequality and reinforce the informal economy. Moreover, the presence of remittances reduces the incentives for participation in the labour market and hence gives rise to a *rentier* mentality in which reward is not a function of productivity or work in general (see Chami *et alia* 2005 and Chaaban & Gebara 2007 for the case of Lebanon).

The “brain drain-brain gain” literature (Stark, Helmenstein and Prskawetz 1997, 1998; Mountford 1997; Beine M, Docquier F., Rapoport H., 2001, 2003) shows how the increased probability of successful emigration among the more educated stimulates investment in education among potential migrants. The result is an increase in the number of educated workers in the origin country. While part of this labour force will eventually migrate, a more educated labour force, beneficial to the growth and long-term development of the country, will remain in the country.

Nevertheless, it is noteworthy that whereas empirical evidence on the negative impact of remittances exists, evidence revolving around the brain gain effect is very limited (Faini 2006). Thus, a widespread view is that migration is good for the migrant and for his/her close family because it alleviates poverty, but it is not positive in the long run either for the migrants' relatives or for the country. By creating a subsidized economy, it forces future workers to follow emigration patterns as employment prospects in the origin country remain slight. For a general review of research into how emigration affects sending countries, see Docquier and Rapoport (2008) and Hanson (2008).

It is the socioeconomic environment of countries of origin, and to a certain extent of hosting countries as well, that determines which theoretical approach is relevant. Correlation between migration and development is certainly highly dependent on the place of each country in the development scale. As far as the AMC region is specifically concerned, in 2006 the United Nations

organised in Beirut, Lebanon, an Expert Group Meeting on *International Migration and Development in the Arab Region: Challenges and Opportunities*. The contributions to that meeting review all the relevant topics in this respect (see, for instance, Gallina 2006).

### 5.1 Effects of Outward Migration on Labour Markets in AMCs: Literature Review<sup>23</sup>

As for the interaction between labour markets and international migration, the literature on how immigration affects labour markets in receiving countries is enormous and sophisticated (see Aydemir and Borjas 2007 for the US and Canada and Lumpe 2007 for a general review). In contrast, the research on how emigration affects the labour markets in sending countries is comparatively small. Indeed, very little is known about the impact of emigration on the AMCs labour markets. Research so far has focused on the macro- and microeconomic impact of remittances based on the analysis of the pattern of expenditure. However, the size of labour migration has reached a level where it is not possible to ignore anymore the impact it has on education strategies and investment, labour market participation, local wages and other aspects of local labour markets.

Emigration was seen as a safety valve reducing the supply of workers in the 1970s and 1980s. According to some authors (Nassar 2005), in certain countries emigration has reduced unemployment rates. They add that if all emigrants return unemployment would shoot up. However, little is known about the impact of emigration on labour demand, incentives to work, wages, contracts, female labour supply, or young people's labour supply. But, with migration levels from AMCs likely to peak at more than half a million a year between 2010 and 2020 if current migration rates are maintained, the importance of this economic development for their labour markets can hardly be exaggerated.

A first order effect of migration is, indeed, its impact on the labour supply of the countries of origin (and hence reducing unemployment in labour abundant countries such as AMCs), as shown in the first row of Figure 5.1.1. However, the high degree of segmentation of AMC labour markets (see Section 2.2) reduces the impact of migration on unemployment levels. Beyond that, the impact of the different stages of migration on education strategies and hence skills availability, incentives to work, wages and labour demand is potentially significant. Indeed, outward migration affects national labour market in many ways and through many channels. Figure 5.1.1, based on existing literature and economic analysis, undertakes the systematization of those effects from a theoretical point of view, reviewing the positive, negative or neutral or contradictory effects on the performance and the structure of labour markets of different stages of migration (Prospect to migrate, Actual migration, Remittances or Return Migration) through nine different channels (including labour supply and demand and the degree of informalization of the economy, as well as its factor endowments); this holistic approach is more relevant than the frequent limitation of the analysis to the impact of remittances.

This notwithstanding, effects related to social capital (and so-called social remittances) have been deliberately left outside the analysis, although they are implicitly considered as part of the positive effects of return migration<sup>24</sup>. The same applies to the impact of migration networks (which mainly affect the prospects for migration and whose effects correlate with the level of migration). Finally, the level of unemployment as such has also been left outside the Table, since it is determined through some of the channels appearing in the Table, such as the labour participation rate (a decrease in this rate reduces unemployment) or reservation wages (an increase in the minimum wage a worker is ready to accept in order to work will increase the unemployment at prevailing wages). So Figure 5.1.1 allows us to infer, for instance, that the prospect to migrate increases reservation wages (something which is empirically observed in Lebanon, for instance), or that remittances may decrease the labour

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<sup>23</sup> Literature review throughout this section draws heavily from the Thematic Background Paper on The Impact of Migration on the Labour Markets in Arab Mediterranean Countries: A bibliographical Review, commissioned for this Study (Marchetta 2009).

<sup>24</sup> They are considered, however, in the Thematic Background Paper (Marchetta 2009) and in the National Background Paper for Algeria (Bouklia-Hassane and Talahite 2009).

participation of their beneficiaries (often women). However, as Section 5.2 will show, the evidence collected in AMCs does not always confirm those effects; so the Figure mainly provides a first analytical framework for further research into those effects.

Two conclusions can be drawn from an overview of Figure 5.1.1. First, the more the migration process extends through its different stages (from the prospect to migrate or the actual migration to the transfer of remittances through return migration), the more positive the impact it has on labour markets. This highlights the interest of promoting return migration from the perspective of the countries of origin. Second, the effects of migration on labour markets are complex and often contradictory, so it is not possible to draw any conclusion on its net balance. It depends very much on the context and the characteristics of migration. This calls for a differentiated policy mix.

**Figure 5.1.1 Synthetic table of the effects of outward migration on labour markets**

Effects on labour markets		Migration stages		Prospect to migrate	Actual migration (permanent; temporary)	Remittances	Return migration
Supply side	Factor Endowments	Labour supply (L)	-	-	-	+	
		Skills supply (H) (brain drain/gain)	+	-	+	+	
		Capital supply (K)	=	=	+	+	
	Behaviour	Education (H) (skills acquisition)	+	=	+	+	
		Labour participation (L)	-	=	-	+	
		Wages (reservation wages)	+	+	+	+	
Demand side	Consumption patterns	Labour demand	-	+	+	+	
	Investments, entrepreneurial activities	Labour demand (K)	-	-	+	+	
Structure	Informal employment		=	=	+	=	

L = Labour supply; K = Capital; H = Human Capital

As far as empirical evidence in the literature is concerned, Jordan provides a good example of the relevance of the labour market impact of migration flows, as – according to Chatelard (2004) – Jordanian economic development is closely intertwined with the prevailing dynamics of international labour mobility. This was true in particular in the 1980s, when it was estimated that 42% of the labour force was expatriated, and that such a massive outflow of the labour force led to a substantial decline in unemployment. When, in the early 1990s, a large number of Jordanians were repatriated due to the first Gulf war, the country experienced a 10% increase in its population, putting great pressure on infrastructures, public services and housing, and unemployment climbed up to 30% (De Bel-Air, 2008).

By the same token, international migration has always been an essential route of escape for the excess Palestinian labour supply: the restriction on entry into the Israeli labour market after the beginning of the

second *Intifada* created a sharp rise in unemployment, which increased from 13% to 29% between 1999 and 2006 (Hilal, 2007) – see box on this topic in Section 5.2.

As far as the large countries of the Arab Mediterranean area are concerned, Ramamurthy (2003) finds that Egypt is the only country in his sample where emigration has a significant effect on employment. Nassar (2005) argues that – notwithstanding data limitations and despite the fact that the best workers rather than the unemployed migrate – the direct impact of migration on the Egyptian labour market can be gauged from what happened during the Gulf crisis, when Iraq and Kuwait closed their borders, and many Egyptians were repatriated. Finally, it is important to underline that the labour market effects of migration need not be confined to the areas of origin of the migrants, as international migration is closely linked to internal movements of people: it often induces the internal relocation of the labour force in a country<sup>25</sup>.

But other effects (such as the effect on wages, the availability of skilled labour, participations rates...) are more difficult to gauge. Take, for example, the net impact of remittances on the incentives to work or to invest in education (the possibility of migration raises the expectations of students and their parents, encouraging increased investment in education). Analysing differences across regional job markets or basins in the same country could give valuable indications by correlating differences in labour market performance with the level of migration in each of them (controlling for other factors to take into consideration), and hence on how migration affects labour markets.

So the National Background Paper for Tunisia (Mahjoub 2009, pp. 45-48) approaches this issue by correlating an index of migration intensity (calculated as the number of migrants per 1000 inhabitants between 1999 and 2004) and unemployment, labour participation rate (of women) and school enrolment rate (for the 6-14 age bracket). Whereas results of the correlation are not significant for the labour participation rate, the exercise shows a significant inverse correlation between migration rate and unemployment rate by governorates and a positive one between migration rates and school enrolment rates. It exceeds the brief of this Study and of the National Background Papers to undertake such kind of analysis for all countries and labour market variables; but such a region-level analysis of labour market and migration patterns, often requiring specific household surveys to be carried out, would be extremely interesting for this topic.

## 5.2 Does Migration Cause Brain Drain in AMCs?

Apart from the impact of financial flows generated by migration on the labour market and the direct effect on labour supply, the other major channel through which labour migration affects national labour markets is its impact on the availability of skills and qualifications in the workforce. Here the academic debate (to a large extent based on evidence from outside the region) is far from conclusive.

Literature on the brain drain is very rich and has also taken a twist in the last few years (see Beine, Docquier and Rapoport 2001; Beine, Docquier and Rapoport 2006, and Docquier and Rapoport. 2008). There is a strong empirical evidence that, in most of the developing world, it is the more skilled who have the highest propensity to emigrate (Docquier and Marfouk, 2006; Hanson 2008). Traditional literature on the so-called brain drain (Bhagwati and Hamada, 1974) emphasized the adverse static effects of migration upon the endowment of skilled labour, with an ensuing negative developmental impact. If there are positive spillovers (externalities) associated with human capital or if education is financed through taxation, the emigration of skilled labour can hinder economic development. Possible corrections include taxing the emigration of skilled labour or requiring receiving countries to admit more unskilled workers from the developing world (Pritchett, 2006).

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<sup>25</sup> For instance, De Haas (2007) shows how migrant sending areas in Morocco became destinations for many internal migrants from other villages or from poorer regions; he cites Berriane (1996) and El Mesquine (1993), who observe that many construction and agricultural workers in the Rif area come from the Tafilat and Draa valley in Southern Morocco.

But this traditional view of migration as a net loss of human capital and skills has recently been qualified by factoring in the positive incentives it creates for increasing education investment on the part of families in the countries of origin and accounting for the net increase of skills this investment brings about. In AMCs, given that returns on education are comparatively low in the region, migration, under the right circumstances, could offer a means of increasing those returns. Stark et al. (1997) argue that “higher prospective returns to skills in a foreign country impinge on skill acquisition decisions at home”, and this positively influences the sending country as only a fraction of the would-be migrants who increased their private investments in education in response to the prospect to migrate succeed in turning that prospect into reality. In our region, this is most obvious in Lebanon, but also in other AMCs.

Still, some recent theoretical and empirical contributions have introduced relevant *caveats* against the endorsement of excessive optimism here. The expected income-schooling profile at destination, which drives the educational decision of would-be migrants, can be reduced by relevant distortion factors. Immigrants tend to be overqualified for the job positions they take (Mattoo et al., 2008), and are overrepresented in manual occupations. Mattoo et al. (2008) includes Egypt in their analysis of brain waste in the US labour market; they show that workers from the MENA region have a higher probability of obtaining a qualified job if they hold a professional degree; however the probability of obtaining a qualified job with a master degree is only 49 per cent for an Egyptian migrant, compared to 80 per cent for an Indian.

This notwithstanding, the static negative effect due to the drain of the “best and the brightest” is unlikely to be offset by a substantial positive dynamic contribution to human capital formation. Migration can also have a relevant influence on the endowment of specific kinds of labour, such as health-care workers or doctors and engineers. This is the most frequent concern regarding the possible adverse effects of migration upon countries of origin (an argument often mentioned for Tunisia and Morocco, for instance in the National Background Papers).

This need not represent an actual concern for the migrant-sending countries if the domestic economy is unable to productively employ skilled workers; then their migration would not represent a worrying brain drain, but it would rather be the consequence of a substantial mismatch between the higher education system and the domestic labour market. The migration of skilled workers would thus alleviate the pressure on the labour market rather than represent a hindering factor for economic development. Indeed, in many AMCs the existence of large stocks of unemployed, underemployed or (in the case of women) inactive graduates would warrant the argument that those countries do not lose part of their human capital through migration, but rather valorise it and prevent its deterioration.

Another important channel leading to loss of skilled workers or brain drain from developing countries is through student migration. Many foreign students carry on living in the country where they moved to acquire higher education, and although the education costs fall on their families and/or the hosting countries, the positive selection of these students entail a loss of human capital for the country of origin.

In the case of AMCs, empirical evidence points to the need for a differentiated country-by-country analysis: in fact, some countries seem to suffer one kind or another of brain drain (in terms even of shortage of qualified labour in certain sectors induced by migration), whereas others do not, or could even be experiencing a “brain gain” through the increased investment in education stimulated by the prospects of migration and the positive impact on skill availability among returning migrants. Wahba (2007) has demonstrated that migration ends up producing a certain degree of brain drain in Morocco, Tunisia and probably Lebanon, but not so in other countries of the region where there is a huge supply of skilled labour.

In percentage terms, Lebanon is the AMC where the loss of skilled workers is most evident: migrants constitute almost a third of Lebanon’s labour force, half of them skilled professionals. Data from the 2001 USJ survey (the most recent available) shows that the emigration rate among the tertiary educated

stands at 29.7% (based on data from OECD countries, the rate of migration for the high skilled stands at 38.6%, according to data of Docquier and Marfouk 2005 – see Table 5.2.1). Almost 22% of university graduates migrate each year, and 50% of current university students wish to leave.

However, the rates of migrant selectivity among AMCs are highest in Egypt and Jordan, where the share of graduate migrants exceeds 50% (but due to the large stock no brain drain seems to be underway). In any case the region has seen the migration of 9% of their university graduates on average, almost double as much as the 5% world average. In the case of Algeria, for instance, estimates range from between 9.4% and 18% of all national graduates, in Morocco between 17% and 19.5% and for Tunisia between 12.5% and 21.5%, a very high level. In Egypt, by contrast, it stands at fewer than 5% (World Bank 2009a, p. 96). Figures in Table 5.2.1 are roughly equivalent to the more recent data provided for North Africa and Near and Middle East Countries in Table 6.3.1.1, referred exclusively to migrant workers in the EU. In any case, the figures in Table 5.2.1 should be taken as a minimum estimation of graduate migration in AMCs, since they exclude migration to Gulf States.

**Table 5.2.1. Rates of emigration and selection rates of migrants from AMCs, 1990-2000**

	Rate of emigration (%) by skills				Selection rate (%) by skills			
	Low	Medium	High	Total	Low	Medium	High	Total
<b>Algeria</b>	4.6	2.1	9.4	<b>4.5</b>	76.7	9.2	14.1	<b>100.0</b>
<b>Egypt</b>	0.2	0.8	4.6	<b>0.9</b>	18.3	22.9	58.9	<b>100.0</b>
<b>Jordan</b>	1.0	2.4	7.2	<b>2.8</b>	16.4	28.0	55.6	<b>100.0</b>
<b>Lebanon</b>	9.4	11.1	38.6	<b>15.0</b>	30.4	25.1	44.5	<b>100.0</b>
<b>Morocco</b>	6.8	8.1	17.0	<b>7.6</b>	70.6	16.5	12.9	<b>100.0</b>
<b>Palestine</b>	1.0	2.5	7.2	<b>2.9</b>	15.8	29.1	55.0	<b>100.0</b>
<b>Syria</b>	0.9	2.3	6.1	<b>1.9</b>	31.0	24.7	44.3	<b>100.0</b>
<b>Tunisia</b>	5.1	3.8	12.5	<b>5.4</b>	73.0	12.1	14.9	<b>100.0</b>

Source: Docquier and Marfouk (2005). Based on OECD countries of destination statistics.

In any case, what is clear is that the loss caused by migration of qualified workers is not only a direct cost, i.e. the cost of losing the production of those workers in the best jobs available for them in the county (that cost tends to be zero when graduate unemployment is very high, as it is the case in AMCs). There is also the opportunity cost of losing the returns on the investment in education made in those qualified workers, often with a substantial investment of public resources (public expenditure on education averages more than 5% in AMCs, a very substantial part of it on university education).

To what extent this loss of human capital and public education investment is compensated through the increase in private educational investment induced by the prospects to migrate in AMCs is unclear. While there is limited direct evidence with respect to the impact of the prospect to migrate on human capital formation in AMCs, some indirect evidence can be gained by observing the pattern of migration by skill levels reflected in Table 5.2.1. The theoretical arguments outlined above reveal that a necessary condition for the occurrence of a beneficial brain drain is represented by an increase in the expected return to education once migration prospects open up, and this entails that better educated individuals have either a higher incentive to migrate because of the prevailing wage distribution at destination, or a better ability to do so, because of skill-selective immigration policies. Still, what we observe in Table 5.2.1 need not be driven by a higher incentive or better ability to migrate for better educated individuals, as the skill premium in wage distribution tends to fall with higher levels of income. The possibility that the emigration rates across educational groups reported in Table 5.2.1 are influenced by the adoption of skill-selective immigration policies seems unreliable as well, as migrants to OECD

countries from the Maghreb countries – such as Morocco and Tunisia – tend to move to Europe, which has not so far performed well in attracting skilled migrants. Migration to Europe occurs mostly through family reunification provisions or through irregular routes, which do not induce a skill-selective pattern of migration. Clearly, this need not apply to the countries of the Mashreq – such as Egypt, Jordan and Lebanon – whose migrants tend to move predominantly towards the Gulf countries and the United States, as these countries are characterized by a higher wage dispersion across skill levels than most OECD member countries. Egyptian and Lebanese would-be migrants can be induced to invest more in higher education by the prospect to migrate, and also to adjust the profile of their education to better match with the labour demand in the countries of destination. Nassar (2005) observes that half of Egyptian temporary migrants reside in Saudi Arabia, while Libya, Jordan, Kuwait and Iraq host the rest of the temporary migrant population, which represents the largely prevailing pattern of Egyptian migration. Temporary migrants are, on average, better educated than those who remain in the home country, and since 1985 the composition of the migration flows has changed towards a larger share of scientists and technicians, who currently represent about 40% of the total.

As far as Jordan is concerned, Chatelard (2004) observes that there is still a large demand for high skilled workers in the Gulf, while adequate employment prospects at home are limited for young graduates, as De Bel-Air (2008) argues. This entails that we can safely assume that migration is a way to improve on these low expectations, and to drive up educational investments, which will otherwise be ill-grounded because of the domestic labour market conditions. A similar argument can also be advanced in the case of Lebanon: the number of young qualified individuals who wish to get a foreign job has increased, as – after the 2006 war with Israel – “insecurity pushes towards the brain drain” (Hourani and Sensening-Dabbous, 2007), and 35% of managerial positions in international enterprises located in the Gulf countries are taken up by Lebanese workers (Kasparian, 2008).<sup>26</sup>

These arguments suggest that the common pattern of emigration rates across educational groups that we observe for AMCs could be driven by different factors: while for Mashreq countries the higher emigration rate for higher educated individuals may suggest that the conditions for the occurrence of a beneficial brain drain are in place, this is not the case for the Maghreb countries, where the pattern observed in Table 5.2.1 is likely to be due to the correlation between education and income. Individuals with a better level of education self-select themselves into migration just because they are better able to afford migration costs, but this does not lead to any beneficial brain drain dynamics.

We should also observe that both World Bank (2008a) and World Bank (2009) argue that MENA countries should adopt policies aimed at reducing the mismatch between the qualifications offered by their educational system and those demanded by the destination countries. Such a policy prescription indirectly suggests that a *beneficial brain drain* is unlikely to occur at present, as it suggests that domestic human capital formation does not respond to the features of the labour markets at destination.

Does migration create relevant shortages of workers in some sectors in AMCs? World Bank (2008a) argues that migration does not create bottlenecks in the domestic market of Middle East and North African countries. However, National Background Papers on Tunisia, Morocco and Lebanon show evidence of migration of qualified workers with skills for which there is a shortage of supply in the national labour market: evidence is scarce and scattered, but this seems to be the case in Tunisia and Morocco for engineers, computing specialists, managers and doctors<sup>27</sup>, and to a lesser extent in Lebanon for nurses, medical technicians, agro-food specialists, translators, and semi-skilled

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<sup>26</sup> A different argument applies to Syrian migrants: the majority of temporary migrants to the Gulf are young professionals

(health professionals, engineers, and other qualified workers) who plan to stay at least five years abroad because this is the time they need to be able to be entitled not to serve in the military, in exchange for a monetary payment out of the savings they accumulated abroad (Kawakibi 2008b).

<sup>27</sup> For the specific case of physicians, see evidence in the literature in the Thematic Background Paper Marchetta (2009 pp. 19-20).

construction workers. This could have a negative impact on the prospects for the expansion of high added-value sectors incorporating new information and communication technologies for managing production systems. This could, in fact, give rise to a vicious circle: qualified workers migrate because of a lack of chances in the local labour market, and their migration becomes a serious obstacle to the emergence of high added-value, high productivity sectors, thus preventing the demand for skilled migration to develop (see Section 2.4 on graduate unemployment).

In Jordan, Egypt, Syria and Algeria, in contrast, there is no evidence for a real brain drain. In Egypt, the evidence suggests that a substantial proportion of Egyptian emigrants to OECD countries are highly educated, with around 59% of total emigrants from Egypt in 2000 being so classed. Overall, migrants, both returnees and current, tend to be more educated than non-migrants (Wahba 2007). But the stock is so large that the emigration rate among the highly educated is quite low at only 4.6%; this suggests that Egypt is not experiencing a brain drain problem. From another perspective, given the educational mix of the migrants, there have not been apparent bottlenecks in the Egyptian labour market that persisted. The emigration of skilled workers did not have negative impact on the labour market since they were either unemployed or worked in the public sector where wages are not flexible and as such emigration does not affect wages, but might have reduced the public sector wage bill. Of course, although Egypt is not losing an important proportion of its educated workers and thereby is not facing a brain drain, Egypt continues to lose human capital which it has invested in and educated, since education is free in Egypt. This may still be an issue of concern. However, this cost may be outweighed by the potential gains from remittances and the reduction in pressure on the labour market given the high unemployment rate in Egypt among the educated.

In Jordan, despite the high outflow of skilled workers, there remains a significant number of skilled unemployed workers available who hold qualifications relevant to the needs of the labour market. Although many employers perceive a lack of skills in the Jordanian labour force, the educational profile of the unemployed shows that the problem is often not a lack of relevant qualifications, but a lack of appropriate skills among those holding such qualifications. By combining the data from DIOC and the US Census Bureau, an estimate of 12,600 Jordanian migrants<sup>28</sup> employed in skilled occupations in OECD countries can be calculated.<sup>29</sup> This is an extremely small figure compared to the 225,000 Jordanians employed in skilled occupations in Jordan<sup>30</sup> and thus it can be assumed that migration to OECD countries is not leading to a brain drain, especially taking into consideration the 40,000 unemployed Jordanians with university degrees in Jordan itself.

### 5.3 Remittances and the Prospects to Migrate

Remittances can stimulate productive investments (Orozco, 2000; Woodruff and Zenteno, 2007), ease the provision of credit and the development of financial and equity markets (Giuliano and Ruiz-Arranz, 2009; Billmeier and Massa, 2009), although these positive developmental contributions are not independent of the economic and institutional frameworks of recipient countries. Giuliano and Ruiz-Arranz (2009) use data from approximately one hundred developing countries over the period 1975-2002 and they show that remittances provide an alternative way to finance investment in countries with poor financial systems. Remittances can help to overcome liquidity constraints in countries where credit markets are inefficient or non-existent. Aggarwal et al. (2006) use a sample of 99 countries and they argue that remittances promote stock-market development, and Gupta et al. (2007) reach the same

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28 For all countries excluding the US, this refers to Jordan-born migrants falling under the ISCO classifications 'Professionals' or 'Legislators, senior officials and managers'. For the US, this refers to Jordan-born migrants falling under the classification 'Management, professional and related occupations'.

29 Excluding Germany, for which the relevant data is not available.

30 DoS (2007) Employment Survey 2006 Annual Report.

conclusion for Sub-Saharan Africa. Needless to say, these effects can give rise to a significant indirect impact on the labour market through the ensuing job-creation effect.

Macroeconomic impact aside, remittances are often thought to influence the labour market by affecting the behaviour of potential workers. Remittances can exert an influence on recipients' behaviour on the labour market through two main channels, namely the income effect that modifies the willingness to work in exchange for a wage, be it through higher reservations wages (thus increasing unemployment) or through a reduction in labour participation rates, or through the impact on the demand for labour in family-run activities which is determined by the use of remittances to finance small-scale productive investments.

The issue of remittance use by migrants has attracted the greatest interest and debate. Some argue that remittances are used primarily for the purchase of land and housing and general household consumption, rather than "productive investment" and conclude that remittances thus do little to stimulate development in the home country. Others believe that migrants do save and invest, that expenditure on land and housing are rational under prevailing conditions (they frequently offer better rates of return or are a better store of value than other available investments) and that expenditure on housing and consumption have positive multiplier effects on the whole economy. The stimulus that migration – via remittances – brings to private demand produces substantial effects on the labour market only inasmuch it is directed towards domestically produced goods and services. Regrettably, as Gallina (2006) observes, there is limited information on the pattern of remittance uses in AMC countries. Some information – albeit coming from a survey with a very limited coverage- are provided by EIB (2006), which analyzed the distribution of remittances across alternative budget items in all AMCs but Palestine. Table 5.3.1 reports the main findings from this survey, which evidences that everyday expenses absorb most of the income arising from remittances, while limited resources are devoted to investments. Schramm (2006b) provides evidence – for Tunisia, Morocco and Egypt – that suggests that basic consumption needs (food, heat and clothing) absorb most of the income from remittances.

**Table 5.3.1 Use of remittances in AMCs (% of total remittances)**

	Daily expenses	Payment of school fees	Building a house	Setting up a company	Investments	Other	Number of interviewees
<b>Algeria</b>	45	13	23	3	5	11	64
<b>Egypt</b>	43	12	18	-	15	12	31
<b>Jordan</b>	74	16	4	-	6	-	40
<b>Lebanon</b>	56	24	5	5	5	5	41
<b>Morocco</b>	46	31	16	-	5	2	40
<b>Tunisia</b>	-	23	34	2	16	25	40
<b>Syria</b>	61	11	8	-	-	20	49

Source: EIB (2006)

But remittances and the prospect to migrate can also influence the supply side of the labour market through a variety of channels. The prospect for migration can have an impact on the participation rate and on the reservation wages of domestic workers (Fan and Stark, 2007). This argument entails that the relationship between unemployment and migration runs in both directions: on the one hand, a high level of unemployment represents a powerful push factor for migration, while, on the other, the prospect to migrate can exert an upward pressure on the unemployment level itself. In AMCs, this effect is perhaps most evident in Lebanon, mostly linked to high private educational investments and a high cost of living (see National Background Paper, Chaaban 2009), which discourages Lebanese workers from engaging in low-skilled jobs.

As far as the supply of labour is concerned, remittances can reduce the work effort of the members of recipients households due to the positive income effect they bring about (see the recent empirical contribution, related to Mexico, by Cox Edwards and Rodríguez-Oreggia 2009). Remittances also loosen the liquidity constraints that can hinder investments in education (Cox-Edwards and Ureta, 2003; Rapoport and Docquier, 2006) as young members of recipient households have a higher probability of migrating than the rest of the population (Van Dalen et al., 2005). Thus, whether the positive income effects determined by the receipt of migrant remittances feeds into higher investment in education depends on whether the prospect to migrate improves or worsens the incentives to make such an investment. If the former is the case, then remittances can delay the entrance of young cohorts to the domestic labour market, as they raise the enrolment rates in higher-education institutions. In the medium run, this would improve the skill-composition of the labour force. If, on the other hand, the prospect to migrate reduces the incentives to invest in education, remittances could be used to finance the migration cost for an additional household member. Observe that in both cases remittances reduce – in the short run – the size of the younger cohorts which enter the labour market, either through a higher retention rate in the educational system, or through increased migration. Remittances can also produce a detrimental impact on human capital formation, if they open up opportunities to undertake productive investments in family-run activities, which represents the use of remittances which is supposed to be the use which delivers the greatest developmental contribution for the recipient countries (see Taylor, 1999 for a critique of this position). For evidence for selected Middle Eastern countries, see Bouhga-Hagbe (2006). Although the educational systems in most AMCs impose limited direct costs upon the students and their families (Vossensteyn 2004), indirect costs can be substantial, and the positive income effect due to remittances can improve households' ability to afford them, thus raising the educational achievement of young members in recipient households. Table 5.2.1 shows that – as far as the Maghreb countries are concerned – the vast majority of current migrants have low levels of education, so remittances can give an opportunity to break this poverty trap, raising the level of education of young family members over and above the one of the migrants. Indeed, Table 5.3.1 above reveals that school fees represent the second or third most relevant use of remittances in recipient households in all the seven AMCs surveyed by EIB (2006). There are a number of studies – such as Berriane (1996), Bencherifa (1996) and de Haas (2003), quoted in de Haas (2007) – which argue that remittances to Morocco contribute to an increase in expenditures in education which benefits young pupils of both sexes.

As far as the impact of remittances on the labour participation rate of women is concerned, a recent book by Ennaji and Sadiqi (2008) analyzes the impact of the – predominantly male – migration from Morocco on the women left behind, and it finds that they tend to assume roles in the production activities that were formerly covered by the male migrants so their participation rate increases instead of decreasing. Nevertheless, Ennaji and Sadiqi (2008) argue that “most migrant husbands would refuse to allow their wives to work outside the home because this work jeopardizes their social role and the image as household bread-winners”. They also provide evidence that migration is associated with a relevant change of family structures, as 26.2% of the sampled women went back to live with their parents, who can help them in taking care of the children. This is so because AMCs are often characterized by “weak transportation and child care infrastructure [that] discourage women from going out to work, as does the lack of social support for children or the aged, the burden of whose care falls on women” (UNDP 2006), and the women left behind do not seek employment because of “their inability to combine their work outside with duties as mothers and housewives”. Such a change in family structure is clearly connected with the need for greater female engagement in the labour market, and it suggests that migration *per se* can increase female participation rates on the labour market. Nevertheless, such an effect need not materialise: even in Palestine, when the husband migrates, women tend to live with their husbands' families, but this does not consolidate an active role in the labour market (Hilal 2007). Thus, it is important to stress that increased female participation can be expected to be mostly confined to self-employment activities – such as family-run agriculture or retail trade – rather than to wage employment, given the persistent and high levels of male unemployment even in migrant-sending areas. Thus, the argument provided by Hijab (1988), who

observed that the women left behind increased their participation in the labour market in Egypt because there was a need at the country level to mobilize women to replace migrant men, seems hard to defend and generalize.

It is also interesting that the eventual job-creation effects determined by migrant remittances can be unevenly distributed across genders; Vargas-Lundius (2004) argues that the receipt of remittances in the origin communities stimulates the creation of jobs where men represent a disproportionate share of the workers – for example, in the construction sector –, so that remittances could reinforce existing gender inequalities in labour market outcomes such as wages and unemployment rates.

Finally, remittances do certainly contribute to boost informal employment. In their study of determinants of remittances of migrants coming from Mediterranean countries established in France, Mouhoud, Oudinet and Unan (2008) stress that the bulk of remittances from Mediterranean migrants are not sent through the formal financial circuits, and are hence difficult to check. The same is true of Egypt: recent figures for 2006 still suggest that Hewala (32%) and friends/relatives (31%) are the two most popular ways for migrants to send remittances to Egypt, with almost two thirds of households receiving remittances by these methods. Only 22% of current migrants send their transfers through the banking system (Wahba 2007). These unregistered remittances could be feeding the informal economy, in particular in the construction sector, which absorb a high proportion of those flows (see Collyer 2004 and Section 5.4).

Turning to direct evidence from the region, several AMC's are high in the world ranking in terms of remittances to GDP ratio, with Lebanon (22.8% of GDP) and Jordan (20.3%) in the Top 10 receiving countries in 2006 (see Table 5.3.2). In absolute terms, Egypt, Morocco and Lebanon are amongst the 20 top remittance recipient countries in the world, and AMC's are the group of countries in the world with the highest *per capita* remittances level. However, once again data on remittances is shaky, with estimates for remittances to the region showing a high dispersion. What, at any rate, is clear is that, in the AMC's, remittances are a much more important financial flow than foreign direct investments (in Lebanon, for instance, \$5.2 billion vs. \$2.6 billion in 2006).

**Table 5.3.2 Remittances in Arab Mediterranean Countries**

	<b>Flow of remittances received (2007, billion US\$)</b>	<b>Remittances % of GDP (2006)</b>
<b>Morocco</b>	5.7	9,5%
<b>Algeria</b>	2.9	2.2%
<b>Tunisia</b>	1.7	5%
<b>Egypt</b>	5.9	5%
<b>Palestine</b>	0.6	14.7%
<b>Jordan</b>	2.9	20.3%
<b>Lebanon</b>	5.5	22.8%
<b>Syria</b>	0.8	2.3%

Source: Migration and Remittances Factbook 2008, World Bank.

However, it has to be noted that these are official remittances, i.e. transmitted officially and hence certainly underestimates. More recent figures by the Central Bank of Egypt, for instance, show record high remittances amounting to \$8.5 billion in 2008 (44% more than the official figures). Lebanon, Algeria and Tunisia also experienced record levels of remittances in 2008 (see Fargues 2009, p. 34). In

other cases, like Jordan, national official figures are below the World Bank figures (the Central Bank of Jordan, in its *Monthly Statistical Bulletin*, estimates remittances at 16% of GDP).

To date, no economic study has been undertaken to gauge the relevance of either of these two channels specifically in AMCs, as the endogeneity of remittances with respect to labour market conditions in the migrant-sending areas prevent us drawing any definitive conclusion on the causal relationship between remittances and prevailing wages and unemployment levels.

In any case, an important issue related to the impact of remittances on the labour market is who receives the remittances and the impact of these financial windfalls on labour market behaviour. In the case of Egypt, in 2006, almost 65% of overseas remittances were sent by spouses and a quarter by offspring. Also, 60% of households receiving remittances had female heads. Households receiving remittances were more likely to be rural (almost 69%). Heads of households receiving remittances were less likely to be waged workers and more likely to be out of the labour force. This may reflect the fact that a large proportion of receiving heads were females (Wahba 2007).

### **Palestinians “Circular Migration” to Israel: A Test Case for the Impact of Remittances on the Economy**

A very special and unique case, but at the same time a very interesting case-study of circular (daily) migration and for the impact of migration on labour markets in countries of origin, is the case of Palestinian workers in Israel between the late 1970s and the late 1990s. Until the outbreak of the second *intifada* in year 2000, the main source of employment for the Palestinian labour force was the Israeli labour market, where they engaged in daily commuting to and from Israel to work mainly in the construction and agriculture sectors and where they could typically earn an average of 26€ a day, for 14€ a day in the local Palestinian labour market. In 1999, the number of Palestinian workers in Israel reached 114.000, more than 20% of the labour force (150.000 according to other sources), and remittances received by Palestine amounted to close to 1bn US\$ a year.

In 2000, an important proportion of those workers lost their jobs and their ability to move freely and to continue enjoying legal work in Israel and so the rights of compensation and other allowances. This gave rise to i) more ‘irregular’ employment in Israel where workers had no special Israeli permits for work, although this phenomenon has too started to decline since Israel started building the Expansion and Annexation Wall, ii) a steep increase in unemployment in the Palestinian Territories (in particular in the Gaza Strip, where the ban to cross to Israel to work has been total), iii) an increase in poverty rate and a collapse of demand in the Palestinian Territories, with an indirect effect on production and economic activity, iv) an extension of the informal economy, including of women, to make up for this loss of employment and income, v) an increase in public sector employment, particularly in the Gaza Strip, vi) an increase in the engagement of women in economic activities, often in the informal sector.

By 2008, the number of Palestinians working in Israel has been reduced to 74.000, 30.000 of them from Jerusalem (who are subject to less strict regulations than PT Palestinians allowing them to work and move freely in Israel). Remittances have stabilized at around 600 million US\$ a year, a 30% decrease in relation to the peak year of 1999.

The estimated losses of Palestinian labour due to the closure of the Israeli labour market during the first 27 months of the second *intifada* was 1.3 billion US\$, in addition to 28 billion US\$ of work compensation for Palestinian workers in Israel. The latter figure represented more than 50% of Palestinian GDP before the outbreak of the *intifada* (PCBS, 2005. Palestinian Labour Force in Israel and Settlements (1995-2003). Ramallah-Palestine).

National Background Paper on Palestine  
Mustapha Khawaja and Mohammad Omari (2009)

However, high level of remittances as a factor in explaining the low labour participation rates of women in AMCs is far from proven. Female labour participation rates are lower throughout AMCs, regardless of the level of remittances these countries receive, and they are much lower in AMCs than in other developing countries with similar levels of remittances. So this points rather to cultural factors as the key to low female participation. Jordan supports this point. Most economically-active women in Jordan come from mid-to-high socio-economic backgrounds and have high educational attainment. It is among less educated women from poorer socio-economic backgrounds that economic activity rates are extremely low. Importantly, remittances in Jordan accrue mostly to prosperous households with high educational attainment (World Bank 2007). This suggests that remittances are not a major factor in decreasing Jordanian women’s labour market participation.

Average wages do not seem to be affected by remittances either; they seem to be determined by the legal minimum wage on one side of the spectrum (with informal sector wages under the minimum wage) and by public sector wages on the other (see Section 2.3). The high prevalence of

unemployment and the spread of the informal economy have delinked wage levels from the level of migration or the transfers of remittances: adjustments in the labour markets are made through the rate of unemployment rather than wages.

In contrast, there seems to be an evident impact of either remittances (actual household income) or the prospect to migrate (expected or potential personal income) on reservation wages of certain categories of workers. This is most visible for graduates in Lebanon, but to a lesser extent in Jordan, in Morocco and possibly in Egypt too. This might contribute to the high level of graduate unemployment in the region.

An interesting approach in order to better understand the relationship between remittances and labour market performance would be to bring the analysis to the sub-regional level, but this is well beyond the scope of this Study.

#### **5.4 Impact on Informal Employment**

Whether migration has any impact on the informal economy is difficult to measure. In the 1970s and 1980s, the maintenance in most AMCs of multiple exchange rates and restrictions on business access to hard currency encouraged the illegal entrance of remittances at the black market rate, where migrant workers could obtain a substantial gain for their foreign currency over the official rate of exchange on the open market. However, by the late 1980s, exchange rate reforms corrected this misalignment and brought remittances in through official channels. Those notwithstanding, all surveys indicate that the transmission of remittances through personal or unregistered channels is still very important.

In any case, it is obvious that the difficulties in controlling the flows of remittances and the private (often household) nature of these sums tend to facilitate their dissemination into the informal sector of the economy, feeding informal employment and the informal economy at large. Another aspect to be considered (and one that is very evident in Morocco, for instance), is the feeding of parallel economic circuits through the physical imports of consumption and equipment goods or the transfers in kinds made by the migrants themselves. But the quantification of this effect would require surveys on the ground, and so far no survey of this kind has been carried out in AMCs.

#### **5.5 Impact of Return Migration**

Much attention is being paid in the last few years to return migration. It is depicted as one of the main channels through which migration can benefit countries of origin. Indeed, the impact of return migration on development has been extensively researched in terms of financial, human and social capital resources. In contrast, its effects on national labour markets have received less attention, in particular as far as the profile of returning migrants is concerned.

Migrants can acquire higher education or relevant on-the-job experiences when abroad and then employ these fruitfully upon return. The influence on the supply side of the labour market is direct if returnees complete their migration experience while they are still within their working life. The positive impact of return migrants on the labour market is difficult to measure, and it will depend on a series of conditions. One of them is that the return be voluntary and not forced, imposed by political or economic circumstances that might lead to a collective return of national workers. Forced return of migrants (such as happened after the first Gulf War in 1991 with migrants in the Gulf countries returning to Egypt, Jordan or Tunisia or as might be beginning to happen now as a consequence of the global economic crisis) have a much less positive impact on labour markets in countries of origin, as any positive effect of this *reverse brain drain* is often offset by the increase of labour market pressures induced by their return.

For the Maghreb countries, the project on *Return Migration to the Maghreb*, MIREM<sup>31</sup>, showed that almost two thirds of the surveyed return migrants went back to the Maghreb before the age of 50, and 43.2% of them before the age of 40, so with the prospect to spend a sizeable portion of their working age life back in the countries of origin. Similarly, the data from the two waves of the Egyptian Labour Force Survey conducted in 1998 and 2006 suggest that even for Egypt a sizeable share of the returnees went back home well before retirement age.<sup>32</sup> This suggests a possibly significant positive impact on AMC labour markets.

In Egypt, where the phenomenon of return migration is far more widespread and hence more studied than among other AMCs, according to the ELMPS 2006 around 2.5% of the working age population in 2006 have worked overseas previously, i.e. are overseas returnees. Moreover, 7.1% of households have a return overseas migrant. This has to do with both the tradition of temporary migration to the Gulf countries and the possibility of public sector employees taking a two-year leave of absence to work abroad (see box in Section 4.2 on this scheme). The latter has led to an extraordinary configuration: the share of returnees (36%) working in the government sector is higher than among non-migrants (26%). The positive impact of migration in the labour market is reflected in this case by the fact that only 40% of returnees under this scheme resume their job in the public sector. Wahba (2007) compares returnees to non-migrants in the labour market in 2006 and finds that returnees seem on average to be more skilled than non-migrants. Examining the educational levels of current, return and non-migrants in 2006 based on the 2006 ELMPS suggests that return migrants are more educated than non-migrants. However, return migrants are on average only slightly more educated than current migrants: almost 25% of returnees hold a university degree compared to 23% among current migrants.

The hypothesis that return migration increases the probability of entrepreneurial activity has been recently tested for some countries, comparing returnees with stayers. Kilic et al. (2007) find that returnees to Albania are, *ceteris paribus*, more likely to become entrepreneurs than stayers. Wahba and Zenou (2008) conversely find that Egyptian returnees have a lower propensity to set up an entrepreneurial activity, notwithstanding the experiences and the savings they have accumulated abroad – migration also produces a loss of social capital, a key factor in establishing an enterprise which operates in an informal setting. However, data from the Egypt Labour Market Panel Survey 2006 reveal that a significantly larger share of returnees was engaged in an entrepreneurial activity, and – more interestingly – that the survival rate of SMEs run by return migrants between 1998 and 2006 exceeded, by 14 percentage points, the corresponding figure for stayers. McCormick and Wahba (2001) found that one of the most important aspects of international migration has been its impact on occupational choice upon return and its tendency to increase the share of employers and entrepreneurship in Egypt. They provide evidence that the duration of the migration experience and foreign savings increase the probability of becoming an entrepreneur upon return to Egypt: temporary migration, through savings, provides access to credit which enable returnees to become self-employed and so entrepreneurs.

Another aspect of return/temporary migration is their overseas work experience and the extent to which it impacts on human capital by affecting wages of migrants upon return to the home country. Wahba (2007b) finds strong evidence that overseas employment and temporary migration result in a wage premium upon return to Egypt. On average, return migrants earn around 38% more than non-migrants in Egypt. The findings show that highly-educated (university graduate) returnees earn on average 19% more than non-migrants. Indeed, the wage premium is even higher for the uneducated returnees who earn on average 43% more than non-migrants. This evidence highlights the importance of temporary migration on human capital in Egypt.

In any case, the evidence available, also from AMCs, definitely confirms the hypothesis of the positive effects of return migration. However, one should not forget that, with the possible exception

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31 Robert Schuman Centre for Advanced Studies.

32 In 2006, 70 per cent of Egyptians return migrants were less than 50 years old (ELMPS, 2006).

of Egypt, so far the magnitude of return migration in all other AMCs is marginal both relative to the size of the workforce and to the size of migration flows in general. On the other hand, the invaluable positive effects return migration has on labour markets in countries of origin and more generally in their economic activity and even business climate, explains this interest and advocates for schemes to stimulate the return of migrants. In any case, a fundamental question is that of how to reach out to the members of the diaspora and encourage them to return on a permanent or temporary basis, to transmit their skills.

An interesting lesson, in this respect, is what happened in the Maghreb countries in the 1970s and 1980s. The number of migrant returnees to Maghreb countries fell between 1970 and 1974, as France, main destination of Maghreb migrant workers at the time, prepared and then applied measures limiting immigration. These measures produced exactly the contrary of the intended effect: they reduced returns and contributed to stabilize immigrants in France. Through family reunification, they ended up causing an increase in the number of immigrants instead of a reduction. Return migration from Europe to Maghreb countries has been very weak ever since.

## 6. EU Migration Policies and Arab Mediterranean Countries<sup>33</sup>

Labour market considerations have only recently been integrated as one of the main determinants of EU migration policies, and the consideration of the impact of those policies on labour markets and development prospects of countries of origin of migrants is even more recent. The “Global Approach to Migration”, promoted by the European Union since 2005<sup>34</sup>, could provide a solution to ensure not only that migration is a positive sum game, but also that all actors in the migration process benefit: the non-migrants in the origin and host countries as well as the migrants themselves. Indeed, the December 2006 European Council stressed the need to give “consideration to how legal migration opportunities can be incorporated into the Union’s external policies in order to develop a balanced partnership with third countries adapted to specific EU Member States’ labour market needs”, and to explore “ways and means to facilitate circular and temporary migration”.

These preliminary statements notwithstanding, it is important to get to grips with how current political, institutional and legal elements in the Euro-Arab Mediterranean context could converge so as to define the premises and applicability of the Global Approach paradigm in the region. Indeed, the current economic crisis makes the concrete implementation of the Global Approach to Migration more difficult, but at the same time more necessary than before.

As a starting point, it is worth noting that mobility trends induced by legislation, which tend to constrain the migrant’s natural propensity to circulate freely, have to be revised in the light of the new set of incentives they bring about. Hence, an assumption that has to be tested is whether promoting temporary migration, as the EU pretends to do, could mitigate spontaneous irregular migration, reduce brain drain and contribute to eliminating the *rentier* economy effect. Furthermore, more efforts should be invested in assessing whether and how international cooperation – in this case, EU relations with the AMCs in the framework of the

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<sup>33</sup> This Chapter is based to a large extent on the Thematic Background Paper on EU Migration Policy Towards Arab Mediterranean Countries and its Impact on Their Labour Markets (Venturini, Fakhoury and Jouant 2009).

<sup>34</sup> On the necessity of developing a real “Global Approach to Migration”, see the European Council Conclusions of December 2005 and the appendix “Global approach to migration and Priority Actions focusing on Africa and the Mediterranean”, <http://register.consilium.eu.int/pdf/en/05/st15/st15744.en05.pdf>. For a more developed approach see Presidency Conclusions of the Brussels European Council (14/15 December 2006) “A Comprehensive European Migration Policy”, and the Commission Communication “The Global Approach to Migration One Year On: Towards a Comprehensive European Migration Policy” COM (2006)735.

Euro-Mediterranean Partnership and the European Neighbourhood Policy – might foster a more positive climate for such a change.

### 6.1 The Emergence of an EU Migration Policy and the Consideration of Labour Needs

Some of the factors that have motivated EU member states to coordinate in the field of migration policy are related to:

- i) the increase in challenges posed by mounting migration pressures,<sup>35</sup>
- ii) labour market demands,
- iii) the necessity of cooperation in the wake of increasing EU integration and enlargement drives, in particular the free circulation of persons within the EU implemented through the Schengen Agreement which came into force in 1995 in the wake of the Single European Act establishing the Single Market.

The Thematic Background Paper (Venturini, Fakhoury and Jouant 2009, Sections 1.1 and 1.2) provides an overview of the emergence of an EU migration policy.

A turning point linking the development of the EU's migration policy and labour market considerations was the Lisbon Strategy adopted in 2000. Since this date, more and more attention has been given to relating integration policies to employment and labour, examining immigration in the context of demographic ageing and skill shortages, and devising policies that take into consideration legal migration channels to respond to labour needs. Indeed, the Lisbon Strategy was a stepping stone in the process leading to the European Employment Strategy.<sup>36</sup> It became evident that to maximize labour supply and reach these ambitious employment rate targets, it should take into consideration the labour and economic features of immigration, and that these features should be integrated in a strategy that could encourage skill development and mobility. In its 2000 Communication on a *Community Immigration Policy*, the European Commission already underlined in that more attention should be given to the potential contributions of third-country nationals in the EU labour market and that "channels for legal immigration to the Union should now be made available for labour migrants."<sup>37</sup>

Another milestone in the making of an EU-wide migration policy was the Seville European Council of 2002, which focused on fighting irregular migration and stressed readmission, hence emphasising Member States' preoccupations with migration governance and security issues rather than with economic immigration. The Conclusions of the Council aimed specifically at incorporating third countries as EU partners in migration management. Thus, the conclusions urged that EU cooperation with third countries include a clause entailing joint migration management, and readmission in the case of irregular migration.

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35 Notably the increase in irregular migration, the need to manage migration flows and mobility as well as the free flow of workers within the EU, human trafficking, and the socio-economic costs of asylum.

36 The Luxembourg European Council in November 1997 launched the European Employment Strategy (EES), also known as 'the Luxembourg process' whose aim is to reform the EU economic agenda and meet challenges posed by the EU labour market's needs and demands. The objectives fixed by this strategy revolve around full employment, quality of work and productivity.

37 Communication from the Commission to the Council and the European Parliament on a Community Immigration Policy, Brussels 22.11.200, COM (2000) 757 final, p. 3, available from <http://www.statewatch.org/docbin/com/30.00757.pdf>.

While progress was made on the integration of third-country migrants working within the EU, a structured labour-migration strategy targeting legal economic immigration and first entry of third-country migrants for employment activities lagged behind. Therefore, a more concrete approach on how first-entry could benefit EU economic competitiveness remained underdeveloped. This was particularly evident in the following illustrative cases. In July 2001, the Commission presented a proposal drafting conditions and rules of admission targeting entry and residence of migrants for the purpose of paid employment and self-employment activities.<sup>38</sup> As there was no consensus on this issue, the Commission had to withdraw this proposal in 2006. The difficulty of adopting common legal positions with regard to labour migration among Member States was highlighted once again in regard to the Hague Programme (Carrera 2007, p. 4). Indeed, the European Council made clear here that labour immigration was a national competence and that adopting common legal positions with regard to labour migrants was still far-fetched. Again, in 2007 the Commission proposed the adoption of common sanctions for employers recruiting third-country nationals without employment permission. However, this proposal has faced strident opposition and has not been adopted as yet.<sup>39</sup>

In sum, the European Commission's emphasis on developing a common labour migration framework has been at odds with the desire of EU Member States to retain their prerogatives in this sphere and to resist a community policy which would circumscribe or curb national decision-making. These inherent tensions at the EU level not only hindered the elaboration of a common EU labour strategy, but have indirectly got in the way of identifying and responding to labour-market needs in the Euro-Mediterranean region.

## **6.2 The *Global Approach to Migration* and Economic Immigration since 2005: an Integrative or Partial Process?**

Since 2005, the interconnectedness between establishing and regulating legal migration channels, a more holistic approach to migration, and a more coherent EU labour strategy with regard to economic immigration has been stressed.

On the one hand, more attention is paid to the need to regulate migration flows in order to fight irregular migration and address challenges linked to demographic gaps in Europe and their repercussions on labour markets. For instance, in December 2005, the Commission issued a *Policy Plan on Legal Migration* which further set out the roadmap that the EU would embark on in order to concretise the Hague Programme.<sup>40</sup> This policy plan explicitly addresses policy features and legislative measures related to economic migrants such as the conditions of entry and residence of economic migrants. More specifically, it puts forward five legislative proposals on economic immigration to be adopted in the period 2007-2009 and divides economic migrants into four categories: highly qualified workers, seasonal

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38 European Commission, "Proposal for a Council Directive on the conditions of entry and residence for the purpose of paid employment and self-employment activities", COM (2001) 0386 final, Brussels, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2001:0386:FIN:EN:PDF>.

39 "Proposal for a Directive of the European Parliament and of the Council providing for sanctions against employers of illegally staying third-country nationals" COM (2007) 249 final, Brussels, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007PC0249:EN:NOT>.

40 Communication from the Commission – Policy Plan on Legal Migration SEC(2005)1680, [http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005\\_0669en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005_0669en01.pdf).

workers, remunerated trainees and intra-corporate transferees. It also encourages circular migration as a strategy that responds to “labour needs in Member States while contributing, through eventual return, to the development of countries of origin and offering skills and other gains to participating migrants.”

On the other hand, there is increasingly a sense that a common EU migration policy needs to encompass the needs of countries of origin and resort to new cooperative mechanisms which are founded more on a global than on a unilateral EU approach. This is why the Global Approach to Migration adopted in December 2005 highlights the need for a multilateral path as migration patterns have defied geographical and narrow institutional arrangements. The document draws attention to “how best to share information on legal migration and labour-market opportunities”.<sup>41</sup>

However, upon analyzing the 2005 Global Approach to migration and how it has been implemented so far (see Section 6.3 below on the Blue Card, for instance), one is first inclined to inquire whether the Global Approach to Migration only partially addresses economic migrants’ profile and flows, and whether it really aims at laying the foundations for a holistic approach responding to all migration imperatives and realities in the Euro-Arab Mediterranean area.

In a wider perspective, whilst studying the evolution of the EU common labour and migration strategy that culminated in the Global Approach to Migration, it must also be asked to what extent the origin countries’ needs have been effectively taken into consideration in drafting the major milestones of EU migration policy. In fact, though promising, the Global Approach is not presently endowed with sufficient components to remedy both policy gaps in the origin countries and *the root causes* of migration. It is important to recall here that the European Council, in its conclusions regarding a comprehensive European Migration Policy in 2006, underscored the fact that “the migration and development agenda will be intensified by increasing coherence between the Union’s various policies, including their financial instruments, with a view to addressing the root causes of migration.”<sup>42</sup>

However, it is to be acknowledged that so far no transversal approach providing the missing link between the EU and origin countries’ labour needs and demands and taking into account the root causes of migration against the backdrop of EU-Arab Mediterranean countries economic cooperation has been sufficiently developed. In the near future, more serious reflection should be given to asking how the Global Approach might not only mirror EU labour and migration needs, but also those of the origin countries and – on a deeper level – the root causes of migration at both ends. Moreover, consultative processes in the EU-Arab Mediterranean area should identify how the Global Approach could be equipped with more powerful and specific instruments capable of respecting this double dynamic:

- 1) Address all economic emigrants.
- 2) Devise a transversal problem-solving track which not only reflects a demand-driven approach to migration based on EU labour needs, but that is also based on the acknowledgement that a holistic approach to migration should integrate the needs and priorities of origin countries.

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41 See “Global approach to migration: Priority actions focusing on Africa and the Mediterranean”,

<http://register.consilium.eu.int/pdf/en/05/st15/st15744.en05.pdf>.

42 See footnote 34.

These reservations notwithstanding, it is important to draw attention to the promising potential of the Global Approach to Migration and to underscore the fact that since the re-launching of the Lisbon Strategy in 2005 (though what has come to be named the Stockholm Process), major emphasis has been laid on revisiting the link between the management of legal migration channels, economic immigration and development. Thus, the Employment Guidelines (2005-2008) adopted by the EU Council in the summer of 2005 accentuated the need to stimulate growth and employment as well as to reduce employment discrepancies for EU citizens as well as for third-country nationals. The Guidelines also specifically addressed labour migration governance as a key element in filling in gaps lurking beneath labour-market needs in the EU. As mentioned, in December 2006, the Brussels European Council further underlined the necessity of developing legal migration policies that line up with national priorities and that tackle future labour and development needs.

Whilst recognising that migration has become an established fact, more recent EC communications lay further emphasis on the link between migration management and labour migration orientations, in the context of a long-term and more global approach. As migration has become one of the key issues determining the EU agenda and EU labour market needs, the understanding of the need for further convergence between EU member states and third countries in legal and labour migration developments is gaining momentum. Thus, in the 2007 Commission's Communication *on the European Interest: Succeeding in the Age of Globalization*, the following is stressed:<sup>43</sup>

In a Europe with no internal borders, the changing demands of an ageing society and a labour market in constant evolution have challenged established assumptions about migration from outside the EU. A new global approach is needed so that migration strikes the right balance between the risk of labour market shortages, economic impacts, negative social consequences, integration policies and external policy objectives.

The 2008 Communication on *A Common Immigration Policy for Europe: Principles, Actions and Tools* focuses on ten principles grouped under three main benchmarks: prosperity, solidarity and security. The principles stress the importance of strengthening the relation between legal immigration and socio-economic development in the EU, emphasizing solidarity among the member states and devising partnerships with the countries of origin and transit, and lastly, ensuring that rules governing legal immigration are met and that illegal immigration is efficiently curbed. The Communication specifically targets immigration in relation to "future labour and skill shortages" with a view to increasing "the EU's growth potential and prosperity".<sup>44</sup> It furthermore addresses the link between "the employment and social impact of migration of third-country nationals" in the framework of a common immigration policy, and stresses that "economic immigration in the EU will need to be assessed" by taking into consideration "the match between skills of the immigrants and national labour market needs". Also, the importance of creating legal migration and integration channels for permanent and temporary migrants and of matching skills with labour market needs is underscored. More importantly, this document establishes the fact that "the most important contribution of immigration to the EU economy and competitiveness will be

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43 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, "The European Interest: Succeeding in the Age of Globalization", Brussels, 3.10.2007 COM(2007) 581 final,

[http://ec.europa.eu/commission\\_barroso/president/pdf/COM2007\\_581\\_en.pdf](http://ec.europa.eu/commission_barroso/president/pdf/COM2007_581_en.pdf).

44 COM(2008) 359 final, "A Common Immigration Policy for Europe: Principles, actions and tools", 17.6.2008, p. 3.

<http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0359:FIN:EN:PDF>.

to help, alongside and as an essential complement of the Lisbon Strategy for growth and jobs, to fill in arising and future labour and skill gaps on the EU labour markets.”<sup>45</sup>

### 6.3 Highly-Skilled Migration and the Blue Card in the Euro-Mediterranean Context

In this evolving context, a major watershed in the EU strategy on economic immigration has been the new focus on high-skilled migration. In October 2007, re-emphasising the importance of fostering jobs and growth and the contribution of migration to EU economic competitiveness, the Commission’s proposal for a Directive on an EU Blue Card (see description below in Section 6.3.3.), later adopted in May 2009, underlined the importance of attracting highly-skilled migrants in the international competition for skills and talents. The proposal, which is anchored in the Lisbon Strategy as well as in the broader framework of the EU strategy on economic immigration, adopts a “needs-based approach”. Its objectives are not only to enhance the EU’s economic competitiveness<sup>46</sup> and optimise the flexibility of labour markets, but to increase the positive impact of highly-skilled migration on developing countries.<sup>47</sup>

In order to assess the potential implications of the Blue Card for Arab Mediterranean Countries, it is important to first look at highly-skilled migration in Europe in general and its patterns, and then elaborate on the factors that attract highly-skilled employment to the EU. For this purpose, it is worth examining the skill level of AMC migration in Europe, its trends, location and the reasons behind the successful attraction of highly-skilled migrants. This will be used as a base to inquire into the possibility of matching the growing labour demand in the EU and the growing labour supply in AMCs from both labour markets in the origin and host countries. Based on this analysis, the description of the main characteristics of the Blue Card such as it was approved in May 2009 will allow us to reach some conclusions as to whether that instrument is suitable and attractive enough to satisfy the need for highly-skilled migration to Europe and, in particular, whether it will attract highly-skilled migration from AMCs.

#### 6.3.1. *EU and AMC Skill Profiles: What Scope for a Supply and Demand Match in the Mediterranean?*

Europe is made up of many different countries and different labour markets, but at the aggregate level the data presented by the European Employment Report 2008 are conclusive: third-country workers, and in particular immigrants from AMCs, for the most part hold unskilled positions (see also Sections 4.2 and 5.2). In the EU-15 (the relevant reference, since it includes all main countries of destination of migration) slightly less than 50% of third country migrants hold low-skill positions, more than 30% have medium-skill positions and fewer than 20% are in high-skill positions. Among AMC workers, and in particular those for North Africa, the percentage of highly-skilled is substantially lower, and the share of the low skilled reaches 60% (see Figure 6.3.1.1).

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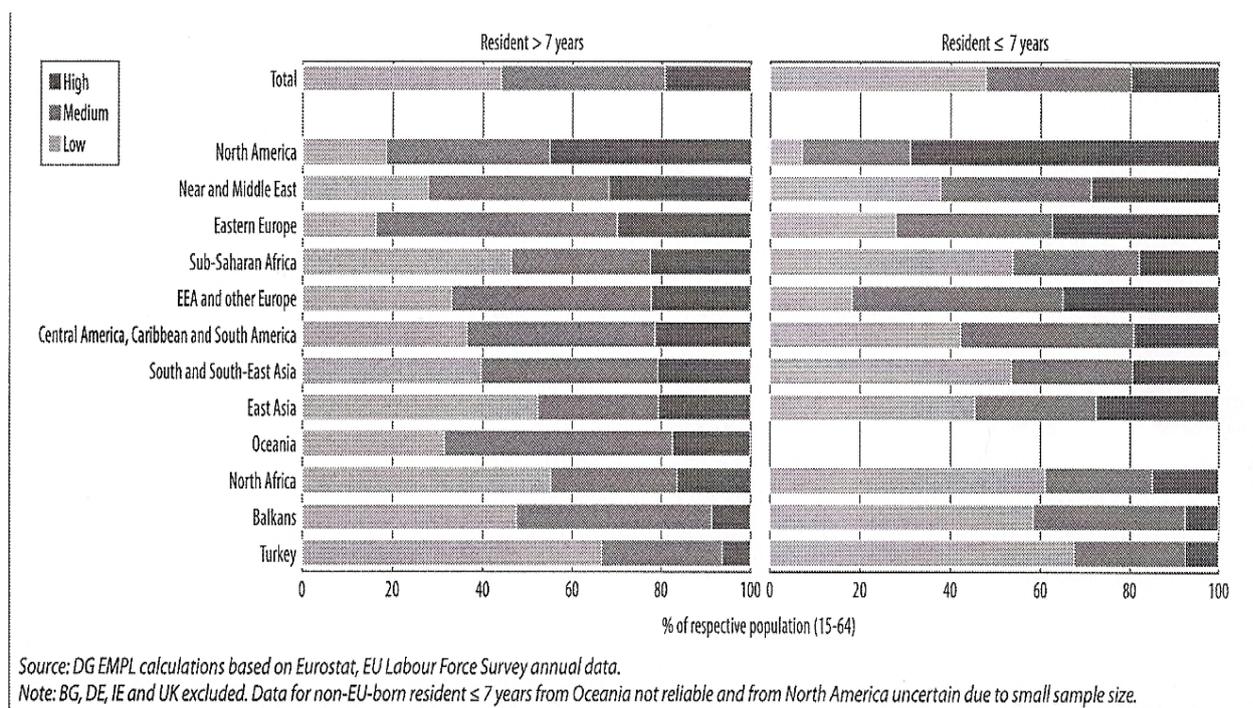
45 See MEMO/08/402 Brussels, 17 June 2008, A Common Immigration Policy for Europe, 1-5, p. 5.

46 See Memo 07/423, Brussels, 23 October 2007, [http://eur-lex.europa.eu/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!DocNumber&lg=en&type\\_doc=COMfinal&an\\_doc=2007&nu\\_doc=637](http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=en&type_doc=COMfinal&an_doc=2007&nu_doc=637).

47 In order to avoid the negative effects of skill drain in origin countries, it proposes ethical recruitment procedures, limiting of active recruitment procedures in origin countries afflicted by brain drain, as well as encouraging circular, and thereby return migration.

As Figure 6.3.1.1 shows, skilled migrants in Europe come mainly from North America (70% of recent immigrants are highly-skilled), and Eastern Europe (38% of recent Eastern Europeans immigrants are highly-skilled). As shown in the right column of that Figure, recent immigration from the North Africa AMCs has not improved the situation. On the contrary, the more recent immigrants, those with less than seven years of residence in the EU destination countries, include a higher percentage of low-skilled migrants.

**Figure 6.3.1.1: Skill level of non-EU born aged 15-64 by region of origin in the EU, 2007**



Source: Employment in Europe 2008, p. 60

In the near future, there is not doubt that Europe will need an increased inflow of skilled labour. The Commission Communication "New Skills for New Jobs. Anticipating and matching labour market and skills needs"<sup>48</sup> highlighted this point in a context of economic crisis and transformation of the economic model. In this regard, the preparatory CEDEFOP (2008) report on *Future Skill Needs in Europe*, even if it was written before the current economic global recession, is relevant for understanding the long-term direction of European labour demand. Although the current recession will probably change national growth paths and will alter the sector distribution and productivity, the main findings of the modeling will not be affected. Thus, in the course of the coming five years more skilled labour will be needed. Whichever scenario is considered, a decline in low-skill demand (-1.9%) will be compensated for by an increase in medium-skilled (1%) and even more in high-skilled labour demand (2.4%)<sup>49</sup> (see Figure 6.3.2.1).

This modeling considers both replacement demand induced by age exit and the additional demand derived from new job creation in the economy. Even assuming that the additional demand was more sensitive to the ongoing recession, the replacement demand, which is mainly determined by exits from

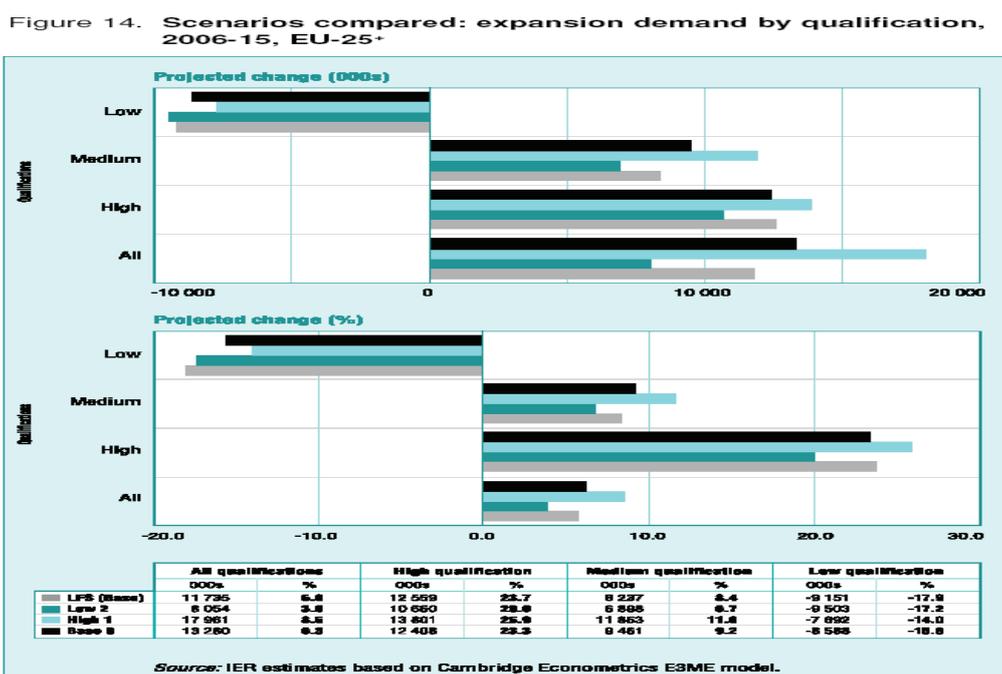
<sup>48</sup> Communication from the Commission, COM(2008) 868, 16 December 2008, [http://ec.europa.eu/education/lifelong-learning-policy/doc/com868\\_en.pdf](http://ec.europa.eu/education/lifelong-learning-policy/doc/com868_en.pdf). See also the Staff Working Document accompanying the "New Skills for New Jobs" Communication, SEC(2008) 3058, 16 December 2008, [http://ec.europa.eu/education/lifelong-learning-policy/doc/sec3058\\_en.pdf](http://ec.europa.eu/education/lifelong-learning-policy/doc/sec3058_en.pdf).

<sup>49</sup> Data from CEDEFOP (2008, Table 7 in p. 60).

the labour market induced by retirement, will constitute the larger component (80% of total projected increase in labour demand and, for the highest-skilled segment, 61%; see Table 2 in Venturini, Fakhoury and Jouant 2009).

Indeed, Europe is already experiencing an excess demand for skilled labour that is not satisfied by domestic supply and that is satisfied only partially by the labour supply coming from Eastern European countries. In the not so distant future labour supply from the new Member States will not be available for migration anymore, and, as could have been predicted before the recent recession, there will be an open demand for high and medium-skilled migrant labour.

**Figure 6.3.2.1 Scenarios compared: expansion of demand by qualification, 2006-2015, EU-25**



Source: CEDEFOP, Future Skill Needs in Europe, p. 63.

On the other hand, AMC's instead suffer from an excess supply of educated workers (see Section 2.4 above on graduate unemployment in AMC's). AMC labour force participation rates have a V shape with the highest participation rate among the illiterate and the university-educated both in urban and rural areas (for Egypt, for instance, see Assaad, 2007). Unemployment affects mainly the young (15-29), and increases with the level of education (see Section 2.4 and Table 2.4.1). It is frictional for the level below middle school and increases for general secondary, technical secondary, post secondary institute and university. The higher unemployment rates among the highly educated are common to all the AMC's, and the number of graduate unemployed has already reached 1 million and is increasing rapidly (and this without taking into consideration the high rate of inactivity among graduate women). Of course, not all the graduate unemployed are ready to emigrate, and in particular not all unemployed women are ready to do so: many of them, as in Egypt or Jordan, are in search of a job in the public sector. This notwithstanding, AMC's provide an available pool for recruiting foreign skilled labour because there is an available graduate labour supply and, in the foreseeable future, a lack of sufficient labour demand for skilled workers. From an European perspective, this matching of EU medium- and highly-skilled labour demand and AMC's excess labour supply would partially dampen the main factor for social instability in the region, and hence have positive externalities for Europe by preventing spill-over into the neighbouring European countries. To this extent, investment

in skill development and legal recruiting and migration schemes for AMC labour force has the characteristics of a public good for Europe.

Now, whereas the AMC supply of labour seems to match the European demand, a major problem is the question of whether the quality of the human capital and skilled labour produced in AMCs is the type of quality demanded in Europe. One of the standard elements of all diagnosis of AMC labour markets relates precisely to the mismatch between skills endowed through the education system and those demanded by the labour markets, be it national or international (see Section 1.2 on low qualification of the labour force)<sup>50</sup>. One of the main weaknesses of the educational systems in the MENA region is the type of specialization among the highly-skilled which is overly concentrated in the humanities and social sciences (76.2% of the university students are in the humanities and social sciences in Egypt, 75% in Morocco, 60% in Lebanon, 57.4% in Syria, 56% in Algeria, 50% in Tunisia<sup>51</sup>) with too few students in the scientific or technical disciplines or in vocational training programmes. According to Corm (2009, p. 29) in the MENA region the total share of students who went through vocational training in 1999 was only 20%, while for instance in Turkey the corresponding number was 47%. This is an important question mark to recall in matching supply on one side of the Mediterranean and demand on the other.

Another relevant factor has to do with the different response of immigration policies to the global economic crisis. Indeed, if we look into national immigration policies, we see how many European countries have reduced migration quotas or made more difficult the granting of a work permit as a response to the crisis (see, for instance, the examples of Italy and the UK), whereas Anglo-Saxon countries such as Canada or Australia or even the United States have not introduced any significant change in their migration policies.

In this context, the question is whether the new Blue Card established by the EU to attract skilled migrants is appropriate to achieve that goal, in particular as regards AMCs. So far, the EU has not fared well in the global competition for skilled labour, and a look at the factors attracting high-skilled migration will help to explain why.

### **6.3.2. General Factors Attracting Highly-Skilled Migrants**

Whereas on average 25.3% of the immigrants in the OECD countries hold tertiary education, in Europe only the United Kingdom (35%) and more recently Ireland (41%) stand high in this respect (OECD 2008, p.58). With these two exceptions, all other European countries range in between 24% (Sweden) and 11% (Austria) and this consequently implies a negative immigrants' qualification effect, namely a downgrading of total skill composition (see Table 1 of Thematic Background Paper, Venturini, Fakhoury and Jouant 2009).

As for AMC migrants in particular, as indicated above (Section 4.2) the main destination countries for skilled migrants from the AMC countries are the US, Canada and the Gulf countries. Europe has failed to attract them and in order to explain this it is worth exploring the main factors attracting highly-skilled migrants.

Skilled migrant location is decided by the different job opportunities (and other "social amenities") available to migrants in various labour markets and by the different channels of access to these opportunities. The first factor in attracting foreign skilled migrants is language, which gives easier access to information, better selection and makes the immigrants' quality of life less strenuous. The United Kingdom and Ireland in Europe and the US, Canada and Australia hold an advantage here because skilled migrants – even if educated

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<sup>50</sup> For a thorough analysis of this question, see World Bank 2009.

<sup>51</sup> World Bank 2009, p.44.

in the country of origin – are frequently fluent in English, which is the most widely spoken language in the world, but much less so in Maghreb countries, where French still prevails (this would explain the Maghreb high-skilled migration stream to Europe, and in particular to France). The second factor is the educational system, which attracts foreign students and thus potential migrants. The United Kingdom, the US and Canada have a long tradition in higher-educational training, attracting not only third-country nationals, but also a large number of European students. France, similarly, attracts students from its former colonies. The third factor is the result of the special historic, economic and political ties which derive from historical relations frequently connecting two countries: for instance those ties between France and Maghreb countries. Such connections make it easier to find a job and reduce the cost of migration.

The aforementioned three factors ease the migration of educated labour, but the main driver of attraction is the skill-wage premium offered in the destination country, which pushes skilled migrants from many countries, including continental European ones, to choose the US or the UK, where wage dispersion is large and wage skill premium higher.

A selective migration policy is another factor to be taken into consideration. A selective immigration policy is made by the quota system which selects migrants according to skill gaps and thus creates a process of virtuous immigration in the destination country. The lack of a selective immigration policy in continental Europe is only one, but not the main cause, of the prevalence of low- and medium-skill migration. When for instance, in the 1990s, the German government tried to attract Indian engineers, the wage premium was not rewarding in comparison with competing offers available in countries where the cost of migrating was, in any case, lower given the previous immigration tradition and other socio-cultural factors.

So if the European Union wants to attract more skilled migrants it should start with a selective migration policy remembering that this is a necessary but not a sufficient condition to bring about skilled migration inflows. Other instruments including student programmes, degree recognition, entitlements granted with the work permit and bilateral agreements will also have to be implemented if a higher-skill wage premium is impossible given the wage structure of the economy.

### ***6.3.3. The Blue Card as a Scheme for Highly-Skilled Migration in the Euro-Arab Mediterranean Context***

The EU Blue Card Directive was adopted by the Council in May 2009 (with a two year period for its transposition to national law) as part of a plan for defining and facilitating “the conditions of entry and residence of third-country nationals for the purposes of highly qualified employment”.<sup>52</sup> It is important to keep in mind that the Directive is in line with the Lisbon Strategy objectives that aim at addressing skill shortages and the labour needs of EU Member States with a view to making the EU labour market more competitive and fostering economic growth. Hence the Directive should be interpreted as a logical extension, as well as a major component of EU economic migration strategy. At the same time, given the difficulties for the definition of a common EU migration policy, it has to be seen as a compromise and a starting point in a learning process rather than as a ready-made instrument. In any case, it is clearly not meant at all as a recruiting system for highly qualified migrants.

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<sup>52</sup> See Council Directive 2009/50/EC of 25 May 2009, on the conditions of entry and residence of third-country nationals for the purposes of highly-qualified employment.

The Directive lays the foundations for admission for highly-skilled migrants, the issuance and withdrawal of the Blue Card, highly-skilled migrants' economic and social rights and, finally, their residence in EU member states. For the sake of clarity, it defines the EU Blue Card as “the authorisation bearing the term ‘EU Blue Card’ entitling its holder to reside and work in the territory of a Member State under the terms of this Directive”.

To apply for a Blue Card, a professional will need either a university degree that has taken at least three years to complete or five years work experience in the relevant sector; a binding job offer or a valid work contract for at least one year period from a European employer, who will have to certify that the post cannot be filled from within the EU; a salary offer that is at least 1.5 times the average prevailing wage (gross annual salary) in the country concerned; as well as a valid travel document or visa and a health insurance.

The EU Blue Card is valid as a work permit for a period of one to four years, with the possibility of renewal. It also grants the card holder equal social and economic rights as nationals in various areas (pensions, housing, healthcare, working conditions...). If a cardholder loses his or her job, he/she will have three months to find another one before losing his/her work permit. It grants free access to the entire territory of the member state concerned within the limits provided by national law and, after an 18-months period, the right to move to any other participating EU Member State if he/she can secure a job there, but the new host country has the right to reserve acceptance of this transfer (this makes the transfer almost as difficult as a new application for the new country). It also recognizes that “favourable conditions for family reunification and for access to work for spouses should be a fundamental element”, entitling family reunification within six months of obtaining the card. The UK, Denmark and Ireland do not participate in the EU Blue Card system.

It is important to stress that the Blue Card has various advantages. Thus, it provides for a minimum level of legal and policy harmonization among EU Member States regarding highly-qualified employment. It also creates the mechanisms for a fast-track procedure enabling highly-skilled migrants to take up highly-skilled employment. Moreover, it bestows more rights on highly-skilled migrants in terms of mobility inside the EU, equal treatment with nationals regarding social assistance, tax benefits and recognition of diplomas, and access to the labour market. Finally, it envisages more flexible procedures allowing family reunification and work access for spouses. It is important to add that it establishes “implementing measures” and reporting obligations; hence suggesting that the policy instrument is to be assessed and monitored.

However, the Blue Card as an instrument for the promotion of highly-skilled migration to the EU has inherent weaknesses and limitations. It must suffice here to mention the following concerns:

- The Blue Card project is conditional upon a contract or work offer and does not provide a right of first entry for a highly-skilled migrant (Guild 2007, p. 4). This suggests that the EU has failed to reach a minimal consensus and a level of harmonisation on the conditions for first entry and the residence of economic migrants who come for the purpose of employment or self-employment.
- Although it bestows upon its holder various economic and mobility rights, it also presupposes restrictive prerequisites that limit its attractiveness. For instance, in the case

that temporary unemployment should occur for a period exceeding three consecutive months or if it occurs more than once, the EU Blue Card is withdrawn.<sup>53</sup>

- The fact that it gives more privileges in terms of family reunification to the highly-skilled migrants who have not lived in the EU, as opposed to third-country nationals who are established residents of the EU, is controversial.
- More importantly, it is not clear whether and how the Blue Card is an instrument that excludes or paves the way for an EU citizenship and, if the Blue Card is to be understood as a gateway to citizenship, how do divergent citizenship laws in EU member states and the Blue Card complement each other?
- Although it explicitly targets the necessity of avoiding brain drain and of establishing ethical recruitment procedures so as to “minimize negative and maximize positive impacts of highly skilled immigration on developing countries in order to turn ‘brain drain’ into ‘brain gain’”,<sup>54</sup> concerns have been raised about whether the Blue Card could negatively impact on origin countries as not enough empirical work has been done on the effects of brain drain and how the latter occurs.
- From a broader angle, the Blue Card raises the question of whether future migration trends in EU labour immigration would be more focused on highly-skilled and selective migration. In this regard, analysing the Blue Card as an instrument for the implementation of the Global Approach to Migration casts doubt on the *globality* of the approach itself. This is why it has been argued that Europe needs instead “a common policy for all types of labour migration, be it unskilled, semi-skilled or highly-skilled” (Baldwin-Edwards 2009, p. 135) and not partial instruments addressing specific migration aspects.
- Despite the fact that the EU Blue Card Proposal has been adopted as Council directive, the UK, Denmark and Ireland did not adhere to the proposed approach. Moreover, the UK has already a quite efficient point system for skilled labour recruitment. This not only draws attention to the lack of coordination and the difficulties relating to shaping a common European labour migration policy, but also casts some doubt upon the credibility of the EU Blue Card as a policy instrument capable of pooling all EU actors together. This, combined with the application and acceptance procedure for the transfer of the Blue Card to another European country, limit the potential attractiveness of this instrument as an EU-wide entitlement).

#### **6.4. The Euro-Mediterranean Partnership and the European Neighborhood Policy: Adequate Tools for an External Migration Policy?**

Besides the articulation between EU migration policy and the needs of its labour markets on the one hand and the development needs of partners (and in particular AMCs) on the other hand, another relevant field of analysis is the articulation between EU cooperation policy with those countries (in particular the Euro-Mediterranean Partnership and the European Neighbourhood Policy) and its migration policy towards them, and more specifically to what extent those cooperation instruments incorporate and implement the Global Approach to Migration.

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<sup>53</sup> See Chapter IV, Article 13 of the Directive.

<sup>54</sup> See Preamble Article (22) of the Directive.

The need for “a comprehensive approach to migration addressing political, human rights and development issues in countries and regions of origin and transit” was already stressed in the Tampere European Council’s conclusions (1999). Thus, the latter emphasizes that “this requires combating poverty, improving living conditions and job opportunities, preventing conflicts and consolidating democratic states and ensuring respect for human rights, in particular rights of minorities, women and children”. In many respects, those general objectives, considered as causes of undesirable immigration to the EU, match the Euro-Mediterranean Partnership’s (EMP) declared aims.

However, paradoxically, the consideration of migration issues both in the Barcelona Declaration and in the Euro-Mediterranean Association Agreements (EMAAs) between the EU and Mediterranean Partner Countries was quite limited in the first place, except in the field of non-discrimination with regard to legally residing migrant workers (see Appendix of Thematic Background Paper, Venturini, Fakhoury and Jouant 2009). Only in the last few years, after the Barcelona Summit marked the first decade of the Euro-Mediterranean Partnership (1995-2005), have migration issues come to the fore in Euro-Mediterranean co-operation, with the integration in 2005 of a fully new pillar of cooperation in Justice and Home Affairs (first set in place in the Euro-Mediterranean Ministerial Conference held in Valencia in April 2002).

In the Barcelona Declaration establishing the Euro-Mediterranean Partnership, migration was only mentioned in the chapter on the “Partnership in Social, Cultural and Human Affairs”, and not at all in the “Economic and Financial Partnership” chapter. As far as migration is concerned, the Barcelona Declaration’s implicit rationale was that migratory pressures should be tackled through job creation and development (which, in turn, would be an indirect result of trade liberalization and structural reform), combating irregular immigration and protecting the rights of legal immigrants.<sup>55</sup> But no specific policy with regard to the migration challenge and its various dimensions was foreseen. The establishment of schemes for legal migration was certainly the missing link here.

In the subsequent Association Agreements, it is clear that migration or human mobility at large was not a priority of the Partnership at the time the EMAAs were drafted. Interestingly, the EC-Algeria Association Agreement is the only noticeable exception in this respect, as article 1.2 among other objectives includes the “facilitation of human exchanges, particularly in the context of administrative procedures”. As the last EMAA to be drafted (its text was agreed in 2002, whereas the first one to be agreed, for Tunisia, dated back to 1995), it witnesses the increasing importance of this issue in Euro-Mediterranean relations.

The EMAAs dealt with migration issues under chapters dedicated to “Cooperation in Social and Cultural matters”. In those chapters, some specific provisions related to migration are set out.<sup>56</sup> However, it is worth noting that no considerations for labour needs or for the nature and quality of permit of stay or procedures or conditions for admission were included in the EMAAs. Notwithstanding this, one of the explicit priorities in the field of social cooperation was reducing migratory pressures (“root cause approach”): “Reducing migratory pressure, in particular by creating jobs and developing training in areas from which emigrants come; resettling those repatriated because of their illegal status under the legislation of the state in question”.<sup>57</sup> Each EMAA foresees a regular social dialogue which includes migration matters; however, the reciprocal minimal commitment in this respect targets the social aspects of migration and does not make an economically- or labour-centred

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<sup>55</sup> References to migration in the Barcelona Declaration “acknowledge the importance of the role played by migration in their relationships. They agree to strengthen their cooperation to reduce migratory pressures, among other things through vocational training programmes and job creation programmes. They undertake to guarantee protection of all the rights recognised under existing legislation of migrants legally resident in their respective territories. In the area of illegal immigration they decide to establish closer co-operation. In this context, the partners, aware of their responsibility for readmission, agree to adopt the relevant provisions and measures, by means of bilateral agreements or arrangements, in order to readmit their nationals who are in an illegal situation. To that end, the Member States of the European Union take citizens to mean nationals of the Member States, as defined for Community purposes.”

<sup>56</sup> For an exhaustive overview of those provisions, refer to the Thematic Background Paper (Venturini, Fakhoury and Jouant 2009).

<sup>57</sup> Article 71 of the EMAA EC/Tunisia – same provision in the EMAA EC/Morocco . See also article 73 of the EC/Algeria EMAA which covers a larger scope of priorities related to migration. See article 82 of the EMAA EC/Jordan, as well as articles 63 of the EMAA EC/Egypt and Lebanon.

dialogue mandatory.<sup>58</sup> As a forum for such dialogue, specific working groups (subcommittees) on migration and social affairs have been established in the framework of the EMAAs with all the AMCs but Syria. But sectoral policy dialogue on social issues has been too focused on the rights of established migrant workers and migration,<sup>59</sup> and lacks any institutionalised, legally-binding mechanism allowing for systematic and structured follow-up and monitoring (in fact, Sub-Committees have no decision power).

However, a new impetus inspired by the Global Approach to Migration promoted by EU stakeholders has been played out in the framework of the Euro-Mediterranean Partnership in this field since 2005, both as a consequence of the new pillar on cooperation in Justice and Home Affairs and of the implementation of the European Neighbourhood Policy. Indeed, in its launch phase the European Neighbourhood Policy raised new expectations regarding human mobility among EU neighbours.<sup>60</sup> Contrary to the initial EMP which mainly addressed the integration of third-country nationals and the fight against irregular migration, the European Neighbourhood Policy accentuates the importance of an integrated approach to migration in the EU-Arab Mediterranean relations including the movement of persons. In the Action Plans, new opportunities for legal economic migration are envisaged as part of a balanced approach and a positive option for both origin and host countries. Thus, the ENP strengthens the foreign agenda of migration and introduces mutual commitments with a view to developing incremental joint migration management in the “illegal” but also the legal aspects.

Indeed cooperation in the field of justice, security and migration is at the top of the agenda of the ENP. For instance, the European Commission, in its 2006 Communication “On Strengthening the European Neighbourhood Policy”,<sup>61</sup> identified the following “action points” concerning “Mobility and migration”:

- Visa facilitation, removing obstacles to legitimate travel, e.g. for business, educational, tourism, official purposes.
- Ensure well-managed mobility and migration, addressing readmission, cooperation in fighting illegal immigration, and effective and efficient border management.

In its 2007 Communication “A Strong European Neighbourhood Policy”<sup>62</sup> the European Commission noted that “the promotion of mobility will go hand in hand with the commitment of our partners to increase security and justice and fight illegal migration, with efforts to strengthen our neighbours’ capacity to deal with migratory flows to their countries, and with the security of documents.” Therefore, it urged the EU Council and the European Parliament to adopt “its 2006 ‘package’ on legislative proposals aiming at revising the European Visa policy, ensuring a high level of security within the common area and simplifying the procedures for visa applicants.”

It must be also stressed that this issue is one of the priority areas of the ENP Regional Indicative Programme 2007-2013<sup>63</sup> which identifies a number of concrete projects and programmes. Legal migration is part of each of the Action Plans negotiated with the AMCs included in the ENP. The ENP

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58 See article 69 of the EC/Tunisia EMAA and correspondent provisions in the others agreements.

59 For a complete list of Sub-Committees, see European Commission (2008, pp. 33-35).

60 The EU Commission Communication on “Wider Europe” (2003) stresses that: “The EU should aim to develop a zone of prosperity and a friendly neighbourhood – a ‘ring of friends’ - with whom the EU enjoys close, peaceful and co-operative relations. In return for concrete progress demonstrating shared values and effective implementation of political, economic and institutional reforms, including in aligning legislation with the *acquis*, the EU’s neighbourhood should benefit from the prospect of closer economic integration with the EU. To this end, Russia, the countries of the Western NIS and the Southern Mediterranean should be offered the prospect of a stake in the EU’s Internal Market and further integration and liberalisation to promote the free movement of – persons, goods, services and capital (four freedoms)”.

61 COM(2006)726 final, 4 December 2006, [http://ec.europa.eu/world/enp/pdf/com06\\_726\\_en.pdf](http://ec.europa.eu/world/enp/pdf/com06_726_en.pdf).

62 COM(2007) 774 final, 05/12/2007, [http://ec.europa.eu/world/enp/pdf/com07\\_774\\_en.pdf](http://ec.europa.eu/world/enp/pdf/com07_774_en.pdf).

63 ENPI Regional Strategy Paper (2007-2013) and Regional Indicative Programme (2007-2010) for the Euro-Mediterranean Partnership, [http://ec.europa.eu/world/enp/pdf/country/enpi\\_euromed\\_rsp\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_euromed_rsp_en.pdf).

objectives are much more articulated, global and ambitious than those of the EMP. Morocco and Tunisia are certainly the countries where the Action Plans are the most advanced in this respect, but management of migration flows as well as visa facilitations are on each of the partners' agenda, although implementation is yet far from satisfactory for the partners. So the statement that the ENP constitutes an important "policy shift" towards the Southern Mediterranean partners (Del Sarto and Schumacher 2005) on the basis of which the Euro-Mediterranean Partnership has been re-stimulated is fully warranted in the field of migration.

This shift has been echoed as well at the multilateral level. The Five Year Work Programme of the Barcelona Summit (28 November 2005) called for enhanced cooperation in the fields of Migration, Social Integration, Justice and Security through a comprehensive and integrated approach.

This chapter contains 6 objectives, among which:

- a) The promotion of legal migration opportunities (facilitation of the legal movement of individuals, recognising that these constitute an opportunity for economic growth; fair treatment and integration policies for legal migrants; facilitation of the flow of remittance transfers; and recognition of the need to address "brain drain");
- b) A significant reduction in the level of illegal migration (trafficking in human beings and loss of life through hazardous sea and border crossings);
- c) To contribute to these objectives, it was decided, among other measures, to:
- d) Hold a Ministerial meeting to discuss all issues pertinent to migration;
- e) Develop mechanisms for practical cooperation and sharing experiences on managing migration flows humanely, (deepen dialogue with countries of origin and transit and explore options for providing assistance for countries of origin and transit);
- f) Promote schemes for safer, easier, less expensive channels for the efficient transfer of migrants' remittances;
- g) Develop ways to assist capacity building for those national institutions in partner countries dealing with expatriates;
- h) Promote legal migration opportunities and the integration of migrants;
- i) Enhance cooperation to fight illegal migration. This cooperation should involve all aspects of illegal migration, such as the negotiation of different kinds of readmission agreements, the fight against human trafficking and related networks as well as other forms of illegal migration, and capacity building in border management and migration.

On the spur of this momentum, the First Euro-Mediterranean Ministerial Meeting on Migration was held in Albufeira (Algarve) on 19 November 2007 under the Portuguese Presidency.<sup>64</sup> In this meeting, political and operational conclusions were approved. Facilitating legal movement is considered as one of the key elements of the cooperation "being aware of the globally positive effect of legal migration in terms of development." It was therefore proposed to "analyse the possibilities of facilitating and simplifying legal migration procedures for workers in demand, in order to improve legal channels for migration." These efforts would focus on "different categories of legal workers and could also include different forms of mobility such as circular and temporary migration, taking into account the needs of the Euro-Mediterranean countries labour markets as well as in terms of development." "The needs of the countries of origin in terms of transferring competences and alleviating the consequences of the brain drain that migration can represent" and "the possibilities of facilitating and simplifying legal migration procedures for workers in demand, in order to improve legal channels for migration" were also taken into account. A series of measures were adopted, such as

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64 Ministerial Conclusions of the first Euro-Mediterranean Ministerial Meeting on Migration, 2007-11-19

[http://www.eu2007.pt/UE/vEN/Noticias\\_Documentos/20071119Conclusoeseuromed.htm](http://www.eu2007.pt/UE/vEN/Noticias_Documentos/20071119Conclusoeseuromed.htm).

the creation of a working group on the migration aspects of the labour market (held within the EuroMed Migration II regional project), the introduction of training courses for migrant workers, pre-departure professional training and linguistic courses for potential migrants; a seminar on the transfer of funds and micro-credit opportunities; training courses for the countries of transit on methods for the detection and identification of false or falsified and counterfeit identity and travel documents; an enhancing capacity building related to departure flows and on strengthening the relationship between fighting illegal migration and the respect for the relevant international instruments. The Ministers made a commitment to maintaining regular meetings, through the establishment of task forces at the level of senior experts and officials to implement all the actions and supervise progress. Also, the link with migration and development in the Partnership was stressed as was the need to address the root causes of migration particularly poverty, unemployment, and the development gap. Those conclusions show that a genuine shift in the approach to migration and its link with development and labour needs in the Euro-Mediterranean framework – at least at the rhetorical level.

A parallel dynamic is on course regarding employment policies in the framework of the Euro-Mediterranean Partnership. After two years of preparations, the first Euro-Mediterranean Conference of Ministers of Labour and Employment was held in Marrakech in November 2008.<sup>65</sup> The Ministers addressed “concrete initiatives and proposals to promote employment creation, the modernisation of labour markets, and decent work”, committing all partners of the Euro-Mediterranean Partnership to a “Framework of Actions which would contribute to developing a genuine social dimension within the Euro-Med agenda”. The Ministers also acknowledged that, in addition to high economic growth rates, the situation calls for greater investment in human capital, training and employability, as well as concrete job creation measures and an improved environment for said investments. They further emphasised the interdependence between employment, education and training, social cohesion, economic development and growth and sustainable development and called for an integrated approach whereby economic, fiscal, employment, social and environmental policies, as well as education and training policies, would be defined and implemented together.

The Ministers then committed themselves to a regional Framework of Actions based on the objectives set out in the Annex to the Conclusions, namely: i) create more jobs, also using active employment policies; ii) enhance employability and human capital; iii) create better jobs and decent employment opportunities; iv) promote equal opportunities for men and women; v) integrate more young people into decent jobs; vi) design a comprehensive strategy for transforming informal employment into formal employment; and vii) manage labour migration, taking into account job market needs on both sides of the Mediterranean.

Finally, the Ministers established a follow-up mechanism to monitor the implementation of the Framework for Actions, consisting of a Working Group that “will collect information and data on national trends and policy developments, identify and exchange best practices, as well as address issues which arise in the implementation of the Framework of Actions. The partner countries will provide the group with the information needed for drawing up during 2010 a follow-up report on progress under the Framework of Actions”. This progress report will be based, in the case of the Mediterranean partner countries, on national action plans and progress reports to be submitted by 2009 and, in the case of EU member states, on the reports submitted within the framework of the EU’s Lisbon Strategy. The Second Euro-Mediterranean Conference of Labour and Employment Ministers to be held in 2010 should be the occasion to take stock of progress and evaluate the implementation of this mechanism

But both dynamics, on migration and on employment at the Euro-Mediterranean level, certainly open up new perspectives for policy cooperation in this areas which might culminate, in time, with a

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<sup>65</sup> Conclusions of the first Euro-Mediterranean Conference of Employment and Labour Ministers, Marrakech, 9-10 November 2008,

[http://ec.europa.eu/external\\_relations/euromed/conf/employment\\_health\\_conclusions\\_1108\\_en.pdf](http://ec.europa.eu/external_relations/euromed/conf/employment_health_conclusions_1108_en.pdf)

true Euro-Mediterranean Employment and Migration Strategy finally able to address the issue of employment and labour migration at the regional level.

## 7. Proposals for Action and Policy Recommendations

### 7.1. Data and Research Gaps on Labour Markets and Migration in AMCs

As the literature review produced for this Study has shown (Marchetta 2009), there is a shortage of research on labour and migration in AMCs, and even more so on the interaction between both. Evidence from the literature comes mainly from other regions, and even this is very scarce in some respects, for instance the impact of migration on labour markets of countries of origin. So a first step in facing the huge challenges of employment in AMCs and in addressing the complex issue of migration in the region is to know more about both its magnitude and characteristics. This Study makes a contribution in this direction by collecting best available national data according to a common template and systematizing the existent literature on the impact of migration on labour market, providing a possible analytical framework that could guide future research on this topic

Indeed, despite recent improvements in the availability and the quality of employment and migration statistics for AMCs any serious analysis of labour markets and migration in Arab Mediterranean Countries is seriously hampered by the unavailability of data across the region, the unreliability and inconsistency of available data and the difficulty of comparing country to country. Discrepancies between data gathered by countries of destination (in particular OECD countries, since Gulf and other Arab countries are notorious for the shortcomings of their immigration statistics) and those produced by countries of origin are enormous (see Table 3 in Fargues 2009, p. 479), and not only due to irregular migration. One particular shortcoming of existing data is the unavailability of statistics broken down by regions or lower administrative units within a country, which would allow for a much more sophisticated cross-sectional analysis, for instance, on the impact of remittances on labour market performance (wages, labour participation, unemployment rates...).

In terms of issues, some obvious research gaps are related to the behaviour of the informal sector and how it interrelates with the formal labour market and international migration (informal employment is a true black hole of knowledge for labour markets in the region), the interaction between rural-urban internal migration and international migration (urban labour markets, often informal, tend to play an important role in this sequence) and the extent and behaviour of inter-Arab migration (an important part of it still unregistered). Finally, a more thorough analysis of education systems and skills acquisition, carried out too at the micro-level (through surveys on school to work itineraries and on the different tracks taken by those who ended up migrating) would offer important insights into the shortcomings of the educational system.

### 7.2. A Research Agenda for Labour Markets and Migration in AMCs

Given the difficulties of compiling basic information on labour markets and migration in AMCs for the National Background Papers and the lack of specific research focused on evidence from the region, the research agenda on labour markets and migration in AMCs should take a multilevel approach. This might include, in this sequence:

- A region-wide program to *produce* a complete set of standardised statistics on labour markets and migration based on national statistical sources (and, when applicable, international statistical data, such as the OECD migration database) using the same methodologies throughout the region for reasons of comparability. This would allow researchers to fill in the current gaps on the number of

migrants, their destination, their education, sex and age profile, as well as basic variables on labour market performance (wages, working hours, unemployment, composition of labour force...). This programme would necessarily involve national State statistical services and could be designed and implemented in the framework of the current Medstat III regional programme, while being steered by the European Commission or Eurostat (adopting standard statistical cooperation methods employed within the EU). The template of statistics to be produced and a first approach to methodological issues could be usefully designed and developed with the advice of experts on labour markets and migration from across the region.

- A project to develop a set of complete statistics on labour and migration at the sub-regional level in one or two pilot countries, carrying out the relevant field surveys (due to the availability of Surveys, Morocco or Tunisia are good candidates in the Maghreb and taking into account regional dynamics Jordan would be a good candidate in the Mashreq, given the lack of the most basic surveys in Lebanon). The template of statistics could be the same as in the former proposal, and the project would be best implemented by a qualified research centre (or a consortium of an international research centre and a national one for each pilot country), if possible in close co-operation with national statistical institutes. The project should provide resources to carry out specific region-level surveys when needed.
- On the basis of the above-mentioned sets of pan-AMC and sub-regional labour markets and migration data, to undertake a wide-ranging study to test to what extent research and theories on migration flows and labour markets developed on evidence from other regions work for AMCs. Figure 5.1.1 offers a possible matrix of research questions to guide this research. This might usefully begin with an international seminar with experts on these issues from other regions and experts from the AMC region itself. The seminar could help develop a network of experts to work as the conveyor belts of the project: so far no real community of experts on labour markets or on labour markets and migration exists in the region (on migration, in contrast, there is already an emerging community, in particular around the CARIM).
- An inventory of migration policies implemented throughout the region (both in the EU and in AMCs), with a scientific assessment of their working and their impact through appropriate indicators and methodologies. This could serve as a basis for the transfer of best practices.
- Given the lack of knowledge on the informal economy and informal employment in AMCs, its workings and how it interrelates with the formal labour market and international (irregular) migration, a region-wide Study on informal employment (no such Study exists as yet) could provide useful policy guidelines not only for employment policies, but also for investment promotion and other economic policies. This Study should be based on household surveys.
- A comprehensive study on the magnitude and characteristics of inter-Arab migration, in particular AMC migration patterns to the Gulf countries and Libya, will substantially add to the knowledge we have of migration in AMCs and its economic and social impact.

### **7.3. AMC Economic and Social Policies**

There seems to be quite a reasonably broad consensus on the national AMC policies needed to face the challenge of employment (see Section 3.3 and Section 4.4 or 4.5 of National Background Papers). Some fundamental guidelines are the following:

- Upgrading of national education and vocational education and training systems. Quality of education at all levels, orientation to labour market needs and the employability of youths and women should be at the centre of this strategy.

- Putting employment creation and productivity increase at the centre of all economic and industrial policies, promoting labour intensive activities and investments, but also high added value industries.
- Integration and coordination of public policies in four areas is required to render effective the national strategies to enhance creation of good quality: macroeconomic and fiscal policies, public investment and private sector promotion policies; education and training policies; social protection policies; and labour regulation policies. This coordination should take on an institutional shape, i.e. formal exchange and consultation between the respective competent Ministries at the national level.
- Extensive employment policy assessments should be carried out in every country to begin with, and monitoring and evaluation capacities be substantially strengthened. The working and impact of active labour market policies should be systematically assessed, and policies redesigned to achieve employment creation objectives.
- In-depth study on the obstacles to the labour market participation of women and the formulation of an strategy to remove these obstacles (such as public transportation and child caring facilities, for instance).
- Creating incentives to private sector firms to hire new graduates and women and also training for workers through tax rebates.
- Creating a set of incentives for transforming informal employment into formal employment (this could include a reduction of current high social security contributions).
- Establishment of social protection systems guaranteeing universal coverage, including unemployment insurance schemes. Emphasis should be put on the protection of workers rather than the protection of jobs (see Jaidi 2009, National Background Paper, Section 4.4).

#### **7.4. EU Migration Policies**

As AMCs need to undertake structural reforms to upgrade their economic policies in order to create an encouraging investment and business climate to attract foreign direct investment and to foster the private sector (i.e., to attract and stimulate the production resources they lack, capital and entrepreneurship). The EU then should upgrade the mix of policies increasing its competitiveness to attract the main production factor it will need in the coming decades – labour, and in particular skilled labour. A genuine structural reform of EU migration policies – both at the national and at the EU level – needs to be undertaken to that end. A multilevel strategy to address this policy reform should include the following measures:

- Provision for legal schemes allowing for permanent legal migration to the EU, and not only for skilled migrants. This might provide the basis for a more efficient cooperation strategy in migration matters between the EU and the AMCs. For a number of reasons (analyzed in Section 6.3.3), the recently approved Blue Card does not fulfil these requirements.
- In the framework of emerging EU migration policy, design and implementation of EU-wide schemes allowing for circular and temporary migration from AMCs. This could build upon current bilateral agreements in this field (see Section 4.2) and lead to true mobility partnerships. But it could also be implemented through liberalization of service provision through the temporary movement of labour (Mode 4 of the General Agreement on Trade on Services) agreed within the framework of on-going

negotiations based on the Framework Protocol on Services adopted by the Euro-Med Trade Ministers in Istanbul in 2004.

- In order to improve the comprehensiveness of the Global Approach to Migration and to remedy the gaps left by its instruments, it is important to:
  - o Promote ratification by all EU countries of the UN Convention on Migrant Rights;
  - o Empower institutions and legal channels facilitating the recruitment of workers on both sides of the Mediterranean;
  - o Draw the consequences of the existence of the Single Market for labour and devise work permits for labour immigrants valid throughout the EU;
  - o Encourage visa and institutional policies that favour temporary patterns of migration and mobility; this should include the introduction of multiple-entry, multi-country visas and work permits;
  - o Refine temporary migration programs and make them more attractive by guaranteeing social rights and the portability of benefits even if such programmes are only a labour strategy, and cannot solve, in the near future, the demand for income and jobs for all potential migrants;
  - o Improve the recognition of educational degrees in the EU and create more institutional and legal synergies between academic institutions on either side of the Mediterranean;
  - o Remove obstacles to family reunification, which may act as a factor for human capital development.

## **7.5 EU-Arab Mediterranean Countries Cooperation**

The European Neighbourhood Policy and the new sectoral dynamics launched at the Euro-Mediterranean multilateral level by the first Euro-Mediterranean Conferences on Migration (November 2007) and Labour and Employment (November 2008) provide an enabling framework to implement the new “Global Approach to Migration” adopted in 2005 not only as a unilateral EU strategy, but as a cooperative framework for true co-development.

To make progress in this direction, some initiatives could be undertaken:

- The launching of national projects in the framework of the Neighbourhood Action Plans for 2011-2013 currently being negotiated with all AMCs (except Algeria and Syria) to support public employment services, to review and to modernize employment policies (a project of this nature has been announced for Morocco in the Concept note for the Action Plan 2011-2013 published for public information by the European Commission). These projects should include:
  - a review of national employment policies with a common template (the Bucharest Process, undertaken in 2003 in the framework of the Stability Pact for 9 South Eastern European countries, to review, assess, monitor, and coordinate national employment policies and public employment services could serve as a model);
  - technical assistance on employment policy-making, as well as capacity-building in managing labour markets, and in the review, assessment and upgrading of active labour market policies;
  - institutional strengthening of Employment Ministries and their policy-making capabilities, as well as of national Employment Agencies as labour market intermediaries.

- promotion of youth and female employment and the gearing of public employment services to promote such employment.
- Quick implementation of a regional Framework for Actions on Employment as agreed in the First Euro-Mediterranean Conference of Work and Employment Ministers in 2008; as seen with the European experience with the European Employment Strategy, scope for regional co-operation is great in this field. Common objectives and policy-making framework, with a region-wide system of multilateral progress monitoring by each partner, could provide the right incentives to share experiences and best practices, adopt effective policies and follow-up implementation with a technical perspective.
- In the framework of the Euro-Mediterranean Partnership, the undertaking of a region-wide review of the formulation and performance of national migration policies by AMCs and EU migration policy instruments in relation to AMCs in order to identify the institutional framework conducive to a synergy between the EU and AMCs in the labour migration field.
- A region-wide review and monitoring of the working and impact of current bilateral temporary and circular migration experiences,<sup>66</sup> assessing their economic, social and human dimensions, and detecting positive gains and outcomes could enhance cooperation and activate new cooperative dynamics in the Euro-Arab Mediterranean context.
- The establishment, within the legal framework of the Global Approach to Migration and the institutional framework of the Euro-Mediterranean Partnership, of a Skills Enhancement Fund aimed at addressing the issue of brain drain caused by the migration of highly-qualified workers from AMCs to the EU. This scheme, already foreseen in the European Commission's Green Paper on an EU Approach to Managing Economic Migration<sup>67</sup>, might be designed as a skill development cooperation fund (funded by resources beyond those already available for each country under the European Neighbourhood and Partnership Instrument) whose amount would be calculated as a function of the number of skilled migrants from AMCs coming to the EU in a given period (for example, the last ten years). This fund would be earmarked for cooperation programmes aimed at 1) improving the skills of graduates staying in the country, 2) improving the quality of university programmes in the country, 3) increasing the number of graduates produced in the country (through scholarships), 4) encouraging the return of highly qualified migrants to their country of origin. This scheme should not be interpreted as a "training for migration" scheme, but just as a way to compensate countries of origin for a part of the resources they lose through migration, mitigate the negative impact of that loss and ensure that migration is ultimately not detrimental to the human capital of the country. It would add to the incentives AMCs have for investing in skill development of their labour force and, more importantly, to the resources they can mobilize for doing it.
- Establishment of a regional system for disseminating employment offers throughout the Euro-Mediterranean region in order to better match the demand and supply of labour.
- Establishing a Euro-Mediterranean programme of traineeships in European and AMC companies for AMC graduates and vocational training students.
- Establishment of an EU-wide scheme to encourage return migration to AMCs, in particular the return of skilled labour migrants, through appropriate incentives implemented at the EU Member State and AMC level, including the possibility of returning to countries of destination.

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66 See Section 4.2 on circular migration.

67 COM (2004) 811 final, [http://eur-lex.europa.eu/LexUriServ/site/en/com/2004/com2004\\_0811en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2004/com2004_0811en01.pdf).

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## **Chapter II – Thematic Background Paper**

# **The Impact of Migration on Labour Markets in ARAB MEDITERRANEAN COUNTRIES: A Bibliographical Review<sup>68</sup>**

Francesca Marchetta  
University of Florence

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## Highlights

This paper provides an extensive theoretical overview of the rich array of effects that migration out of Arab Mediterranean Countries can produce on the labour markets of origin countries. Such a comprehensive overview is followed by a review of the – admittedly limited – existing empirical evidence, and a presentation of additional data that can be used to indirectly gauge the relevance of the various theoretical arguments. While there are still large knowledge gaps, the value of this paper is a broad analytical framework to systematize the findings for future research. We provide below a synthetic description of the main conclusions in the existing literature:

Migration softens the demographic pressure on the labour markets of AMCs

- The unemployment-reducing effect of migration is stronger for small-sized countries.
- This effect is strengthened by a medium-term indirect effect, with the influence of migration upon fertility choices, for the countries of the Maghreb.

Migration exerts little to no effect on the female participation rates in the labour market, which remain notably low in AMCs

- The positive income effect brought about by the receipt of remittances reduces the supply of labour.
- There is a strong cultural resistance to a more active female engagement in waged economic activities.
- The increase in female employment is mostly limited to family-run economic activities.

The *brain drain* does not represent a serious concern for most AMCs

- Local labour markets have still an inadequate capacity to absorb the existing supply of skilled labour.
- The *brain gain* mechanism is unlikely to play a substantial role for most AMCs
- Returns to skill are limited in most destinations, and the *brain waste* phenomena should not be overlooked.
- The demand stimulus determined by remittances has a limited job-creation effect.
- Remittances can fuel the import of foreign-produced goods, and job-creation is mostly limited to the non-traded sector.
- Investments financed by remittances and by return migrants can have a more relevant and long-lasting effect on employment opportunities.
- Remittances help loosen financial constraints on investments.
- Returnees to AMCs have a higher propensity to opt for entrepreneurial activities.

## Introduction

Migration can profoundly reshape the labour market of migrant sending countries, which is influenced through a variety of closely intertwined channels, such as direct impact on the unemployment rate, indirect effects on incentives to actively look for a job – that can be mediated by the transfer of both financial and social remittances, and the influence on the sectoral structure of the demand for labour that can be induced by the influence that migration exerts on the pattern of consumption and investment. Contrasting views about the impact of migration on the labour markets of migrant-sending countries are expressed, ranging all the way from the expectation of a positive – and much needed – contribution due to the reduction in the unemployment rate, to concerns about the loss of relevant skills that could hinder or retard economic development. Changing perceptions of the economic consequences of migration can most probably be traced back to the complexity of the effects that migration unleashes on the labour market, whose relevance differs across migrant sending countries. This paper focuses mostly on emigration, and more particularly return migration; immigration is not considered here, unless it can be envisaged as a direct consequence of the emigration of native workers, e.g. replacement migration.

The variety of relevant channels entails that a broad research question about the impact of migration “is more appropriate, given the complexity of relations involved [than] a narrower question about, say, the impact of remittances only”, as McKenzie and Sasin (2007) argue. The need for a holistic approach is further strengthened by the fact that in Arab Mediterranean countries the usual text-book distinction between the demand and the supply side of the labour market is somewhat fictitious, given the high incidence of self-employment.

Nevertheless, for the sake of analytical convenience, we pursue an indirect approach that aims at singling out the impact of migration on various facets of the labour market. This means that the impact of migration on main labour market outcomes, such as the level and the distribution of labour earnings, participation and unemployment rates, is not addressed directly, but rather we attempt to infer it from the influences that migration exerts on the demand and the supply side of the labour market. Admittedly, some of these intermediate effects produce contrasting influences on labour-market outcomes, so that our analytical approach might fall short of delivering an unambiguous conclusion. Still, given the limited empirical evidence that is available for these countries, we argue that our approach is valuable as it highlights the specific channels that deserve to be further investigated, and it warns against drawing conclusions from analyses that focus on one specific channel. As Sen (1989) famously put it, “in social investigation and measurement, it is undoubtedly more important to be vaguely right than to be precisely wrong”.

Table 1 below provides a synthetic snapshot of the structure of the analysis that will be pursued in this paper; the four rows identify the features of the labour market that can be expected to be influenced by the emigration of native workers. As far as the supply side of the labour market is concerned, we will assess the impact of emigration on a country’s endowment of labour, and how the behavior of the economically active population which does not leave the country is influenced by the process of migration. With respect to the demand side of the labour market, we will analyze how migration exerts an indirect influence due to the changes it induces on the prevailing pattern of household consumption, and through the investments and the choice of entrepreneurial models in the case of domestic firms. The columns of Table 1 conversely identify the various facets of emigration that can exert an influence on the labour market. We consider the effect due to the prospect of migration, by the actual migration of domestic workers and by their eventual return to their home countries. Furthermore, we analyze how remittances – intended both as the financial transfers made by migrants and as the transfer of ideas across countries – can influence the labour market. Indeed, though migrants’ remittances are the most evident economic counterpart of the international mobility of workers for migrant sending countries, the role of social remittances that Levitt (1998) defines as “the ideas, behaviours, identities and social capital that flow from receiving country to sending country communities” could be substantial as well.

**Table 1 Analytical structure of the paper**

		<i>Migration</i>			<i>Remittances</i>	
		<i>Actual migration</i>	<i>Prospect to migrate</i>	<i>Return migration</i>	<i>Financial transfer</i>	<i>Social remittances</i>
<i>Supply side of the labour market</i>	<b>Endowments</b>	√	√	√	√	√
	<b>Behavior</b>	√	√		√	√
<i>Demand side of the labour market</i>	<b>Consumption patterns</b>	√		√	√	√
	<b>Investments, entrepreneurship</b>			√	√	√

Needless to say, not all the multifaceted aspects of migration can reasonably be expected to influence the demand or the supply side of the labour market, and Table 1 sets out the ones that we deem as most relevant, and that will be analyzed in this paper.

The paper is structured in two parts. The first part gives a review of the theoretical arguments: section 1 and 2 focus on the impact of migration on the supply side of the labour market, analyzing respectively the impact of migration on labour-force skill-composition, and the influence that migration exerts on the behavior of workers in the labour market. Section 3 and 4 shift the focus to the demand side, analyzing how migration reshapes the sectoral composition of the economic system, and the incentives and capabilities to undertake productive investments. The second part of the paper focuses on the existing empirical evidence for the Arab Mediterranean countries. Section 5 provides an overview of the salient features of migration out of Arab Mediterranean countries that are likely to mediate its impact on the labour markets. Then, Section 6 to 9 explore the empirical relevance of the various theoretical arguments through the analysis of existing evidence and relevant secondary data for the Arab Mediterranean Countries. Section 10, finally, summarizes the main findings of the previous sections and it will also offer some conclusions.

## **Part I- Review of the theoretical arguments**

### **Supply side of the labour market**

#### **1. Labour force - endowments**

The direct impact of the migration process on a country's endowment of labour crucially depends on the prevailing pattern of migration. When migration occurs mostly on a temporary basis, then the potential for migration to bring relief to the labour market – or to deprive it of valuable human resources – is clearly limited. By the same token, the influence of the prospect to migrate on the incentives to invest in education fades away when migration is predominantly temporary, as the responsiveness of the key educational decisions to the characteristics of the foreign labour market is positively related to the planned duration of the migration episode. A predominantly temporary or circular pattern of migration conversely increases the relevance of the arguments around the influence of return migration upon the labour market, as returnees can bring back home relevant skills acquired in the countries of destination. The arguments around the effects of remittances upon the labour

market are conversely less sensitive to the prevailing pattern of migration, though the size of financial transfers tends to vary through the various phases of an individual migration episode.

### 1.1 Actual migration

When the stock of a country's migrants represents a sizeable share of its total population, then migration can produce non-negligible effects on that country's labour-force endowment, possibly alleviating the pressure on the domestic labour market. Moreover, even though the size of migration flows may be small compared to demographic factors, actual migration – and past migration – can have a relevant influence on the endowment of specific kinds of labour – such as health-care workers: this is perhaps the most often voiced concern among the possible adverse effects of migration upon origin countries. It is important to recall that some niches of the labour market are gender-specific, so that migration can have an uneven impact on different sectors of the labour market, if it is not gender-balanced. This can, in turn, produce effects in terms of gender differences in labour earnings, as the more mobile factor gains in relation to the less mobile one.

### 1.2 Prospect to migrate

Migration exerts a substantial influence on a country's labour endowment, and here we provide a brief review of the theoretical understanding of this influence. The traditional literature on the so-called brain drain (Bhagwati and Hamada, 1974) emphasized the adverse static effects of migration upon the endowment of skilled labour, with its ensuing negative developmental impact. Such a prediction has recently been challenged by a variety of papers which shift the focus onto the dynamic effects of migration upon skill formation. Stark *et al.* (1997) argue that “higher prospective returns to skills in a foreign country impinge on skill acquisition decisions at home”, and this influences the sending country as only a fraction of the would-be migrants who increased their private investments in education in response to the prospect of migration succeeded in turning that prospect into reality.

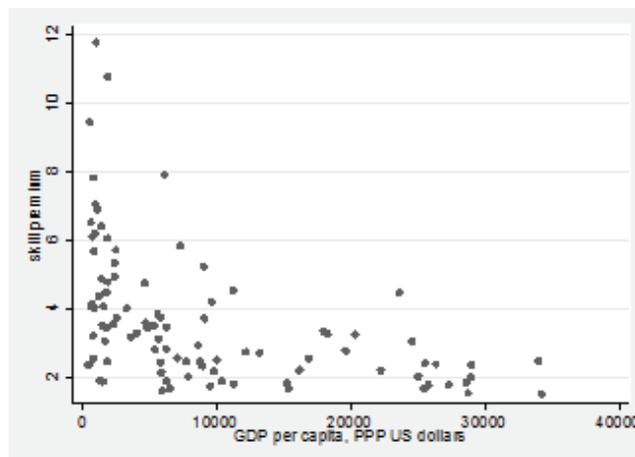
The effect of the prospect to migrate upon schooling investments is certainly positive if the dispersion of labour earnings, weighted for the probability of employment, across educational groups is higher at destination than it is in the migrant-sending country<sup>69</sup>. Figure 1.1 depicts the relative skill premium – defined as the ratio between the labour earnings of tertiary-educated workers and the labour earnings of the workers employed in occupations that require little to no formal education or training – against the *per capita* income level. This figure reveals that the relative skill premium is declining with the level of *per capita* income, and – as Figure 1.1 is based on gross labour earnings – the negative relationship between the skill premium and the level of income would be even stronger if one were to consider the effects of income tax, which tend to have a larger redistributive role in higher-income countries. Moreover, Figure 1.1 could overestimate the actual skill premium that highly-educated migrants enjoy in destination countries, because of the tendency for migrant workers to take up positions for which they are overqualified. On the other hand, it is fair to say that Figure 1.1 could overestimate the relative skill premium in lower income countries if better educated workers are exposed to a higher risk of unemployment than lower educated workers<sup>70</sup>.

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69 Although the empirical evidence shows that this is most often not the case, as skill premia are lower in higher-income countries (Freeman and Ostendorp, 2000; Grogger and Hanson, 2008), this need not cast doubts on the positive dynamic effects of migration upon human capital formation in the migrant-sending country, as educational decisions could be driven by skill-related wage differentials, rather than by skill premia.

70 Wahba (2005) shows that Egyptian workers with tertiary education face a higher risk of unemployment than workers with an upper secondary or technical education.

**Figure 1.1. Relative skill premium and income level**



Source: Bertoli and Brücker (2008)

The decision to invest in education is driven not by the actual return to education at destination, but by the *expected* return for the would-be migrant, and the two differ whenever the countries of destination pursue skill-selective immigration policies. These policies, which confer a higher probability of migration to better-educated individuals, increase the distribution of *expected* labour earnings at destination for potential migrants, inducing them to invest in education “in order to be eligible for emigration” (Mountford, 1997). As Stark and Wang (2002) provocatively suggest, the prospect of migration reduces the need to provide educational subsidies, as it increases the expected private return on schooling.<sup>71</sup>

Still, some recent theoretical and empirical contributions have introduced relevant *caveats* against the endorsement of excessive optimism. The expected income-schooling profile at destination, which drives the educational decision of would-be migrants, can be flattened by relevant confounding factors. Immigrants tend to be overqualified for the job positions that they take (Mattoo et al., 2008), and overrepresented in manual occupations.<sup>72</sup> Furthermore, Docquier *et al.* (2008) have shown that the theoretical predictions of the literature about the so-called *beneficial brain drain* is based on an unwarranted hypothesis, as they regard the governments of migrant-sending countries as passive by-standers concerning the foreign demand for their talented workers. Governments can adjust their policies in response to the international mobility of highly-skilled workers, and Docquier *et al.* (2008) predict that governments will cut back public subsidies to education, as all this “implies far-reaching changes in the geographic incidence of the costs and benefits of publicly-funded higher education” (Justman and Thisse, 1997).<sup>73</sup>

Thus, the dynamic contribution of the prospect to migrate upon human capital formation in migrant-sending countries tends to fade away if migrants are poorly assimilated in the labour market at destination, when the country has a long-established migration history, and when the governments reduce educational subsidies to prevent an excessive leakage of fiscal resources with

<sup>71</sup> One could also argue that the prospect to migrate might influence the distribution of students across various disciplines, as it creates an incentive to invest in those fields which are demanded in the destination countries.

<sup>72</sup> Moreover, the income-schooling profile at destination tends to flatten over time, as the migration process gains momentum; such a change is due to the fact that an increase in the size of migration networks at destination has an uneven impact on migration costs across educational levels; low educated would-be migrants enjoy a greater reduction in migration costs than highly-educated individuals do (Munshi, 2003; McKenzie and Rapoport, forthcoming), and this flattens the net income-schooling profile.

<sup>73</sup> Docquier et al. (2008) predict that the reduction in public subsidies more than offsets the increase in the expected return to schooling induced by the prospect to migrate, thus worsening rather than improving the skill composition of the domestic workforce.

the migration of the highly educated workers. If this is the case, then the static negative effect due to the drain of the “best and the brightest” is unlikely to be offset by a substantial positive dynamic contribution to human capital formation. Nevertheless, this need not represent an actual concern for migrant-sending countries: if the domestic economy is unable to productively employ talented then their migration would not represent a worrying brain drain but it would rather be the consequence of a substantial mismatch between the higher-education system and the domestic labour market.<sup>74</sup> The migration of skilled workers would thus alleviate the pressure on the labour market, rather than represent a hindering factor in economic development.

### 1.3 Return migration

Return migration is currently depicted as one of the main channels through which migrant-sending countries can benefit from migration flows, as migrants can acquire higher education or relevant on-the-job experiences when abroad, and then employ them fruitfully upon their return. This statement (which applies mainly to scarce skills) should be mitigated, or even criticized: for example, the government of Egypt now fears that the current economic crisis in the Gulf will result in a massive return of migrants to Egypt, and an upsurge in unemployment. Return migration is advocated by EU member states as an implicit solution to their problem of integration and social cohesion, not to sending countries’ problem of development. The influence on the supply side of the labour market is direct if returnees complete their migration experience while they are still in their working lives. Such an effect is relevant if temporary – or circular – rather than the permanent migration representing the predominant pattern of international mobility of domestic workers.

### 1.4 Remittances

Remittances can influence the supply side of the labour market through a variety of channels. The receipt of remittances loosens the liquidity constraints that hinder investments in education (Cox Edwards and Ureta, 2003; Rapoport and Docquier, 2006). Note that this argument is closely related to the one that was depicted in section 1.1.1, as young members of recipient households have a higher probability of migrating than the rest of the population (van Dalen et al., 2005), due to already existing family networks in the country of destination. Thus, whether the positive income effects determined by the receipt of migrant remittances feeds up into a higher investment in education depends crucially on whether the prospect to migrate improves or worsens the incentives to undertake such an investment.<sup>75</sup> Remittances reduce – in the short run – the size of the younger cohorts entering the labour market, either through a higher retention rate in the educational system, or through increased migration.

Remittances can also produce a detrimental impact on human-capital formation, if they open up opportunities to undertake productive investments in family-run activities, which represent the use of the remittances that are supposed to deliver the greatest developmental contribution for the recipient countries (see Taylor, 1999 for a critique of this position). Child workers are mostly employed in family-run economic activities – and all the more so in rural areas, and remittance-financed productive investments can lead to an increase in the household demand for child work. Child work and schooling are not mutually exclusive, but are, nevertheless, conflicting activities (Ravallion and Wodon, 2001), so that an increase in the household demand for child work could have a detrimental impact on school attendance.

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<sup>74</sup> Pritchett (2001) questions, on empirical grounds, the compelling theoretical argument that a larger endowment of human capital is conducive to a more robust rate of economic growth.

<sup>75</sup> If the former is the case, then the receipt of remittances delays the entrance of young cohorts to the domestic labour market, as they raise the enrollment rates in higher-education institutions; in the medium run, this would improve the skill-composition of the labour force. If, on the other hand, the prospect to migrate reduces the incentives to invest in education, remittances could be used to finance the migration cost for an additional household member.

### **1.5 Social remittances**

The transmission of ideas from migrant countries of destination can modify some behaviors – such as the female participation to the labour market, which is discussed in section 2.4 – which, in turn, have an impact on fertility choices (Fargues, 2007a; Fargues, 2007b; Beine et al., 2009). This transmission of demographic norms from the countries of destination to the countries of origin has a delayed impact on the labour market, as it influences the size of the cohorts which enter the labour market 20 years later. This entails that the past migration record of a country influences the current demographic pressure on the labour market.

## **2. Behavior in the labour market**

Section 1 has analyzed the impact that migration exerts on a country's endowment of labour either directly or indirectly through the influence it can produce on the incentives to invest in education. Still, migration can also influence the behavior of working-age individuals on the domestic labour market. Migration influences both the ability to take up a job offer – through the reshaping of family structures that it induces, and the willingness to do so – through the income effect brought about by migration and remittances. Even social remittances can significantly influence behavior on the labour market, as destination countries often differ in features such as the rate of female participation.

### **2.1 Actual migration**

The migration of a family member can have a relevant impact on family structures. If the member who migrates leaves some children behind, then this can lead to a significant reshaping of family structures. His – or, less likely, her – spouse can go back to their parents' house, in order to have someone who can help them in taking care of the children left behind. Bryant (2005) observes that “children of migrants are more likely to have relatives from outside the nuclear family living in the same household, especially if both parents are overseas”. This entails that migration could *per se* foster female participation in the labour market, as women can more easily rely on relatives to take care of their children.

### **2.3 Prospect to migrate**

The prospect to migrate can have an impact on the participation rate or on the reserve wage of domestic workers (Fan and Stark, 2007a). The latter effect can be channeled through the cultural influence that destination countries exert, as people adjust their perception with respect to what represents a fair wage. Would-be migrants adopt a *wait and see* strategy, devoting their efforts to prepare their migration project, and turning down low-paid job offers. If the prospect to migrate induces some individuals to give up any attempt to actively look for a job – so that they are no longer recorded as being unemployed – then this could further reduce the unemployment rate, though it is doubtful, to say the least, that the country would gain from this further reduction.

### **2.3 Remittances**

Remittances can reduce the work effort of the members of recipient households (see the recent empirical contribution by Cox Edwards and Rodriguez-Oreggia, 2009). This can come about with the positive income effect brought about by remittances, although one should be aware of not taking remittances at their face value. Remittances are not just added to other household income sources. Rather they have to replace the lost domestic income of the migrant, who is often the main *breadwinner* in the household. As Acosta et al. (2006) observe, “migration also entails potential losses of

income, associated with the migrants' absence from their families".<sup>76</sup> This point means that the income effect of remittances differs from the face value of the transfer, but still it could lead to a reduction in the participation rates of members in recipient households, possibly through an increase in their reservation wages.

A more subtle argument refers to the *moral hazard* problem that remittances can give rise to (Chami et al., 2005): the transfer of remittances is – at least partly – motivated by altruistic reasons (see Rapoport and Docquier, 2006 and Bouhga-Hagbe, 2006 for evidence for selected Middle East countries) and this entails that the migrant tends to adjust the level of the transfer in the face of an adverse income shock that may hit their relatives in the home country. Recipients can then exploit this altruistic behavior: they can reduce the unobservable work effort that they exert, bringing about a decline in their labour earnings which will then be compensated for by the migrant through higher remittances.

Remittances can also influence the labour market participation of children and teenagers, as discussed in section 1.4.1, if they foster the development of family-run activities.

## 2.4 Social remittances

The transmission of ideas and social norms from migrant countries of destination can have a substantial impact on some deeply-rooted behavior, such as female participation in the labour market (see above). Clearly, such an effect is closely related to how migration reshapes the family structure in migrant-sending households, as discussed in Section 2.1.

## *Demand side of the labour market*

### 3. Consumption patterns

Migration can profoundly reshape the consumption patterns that prevail in migrant-sending countries, and this influences the sectoral composition of labour demand. Migration stimulates the demand for services – such as communication and financial services – that are needed to keep strong ties with migrant communities abroad. The uneven sectoral impact of migration is reinforced by the likely inflationary effects of remittances that tend to channel resources and labour towards the non-traded sector. This includes the building sector, and a boom in real estate – not necessarily limited to migrant-sending areas – is a common experience of countries that undergo intense migration waves. Needless to say, consumption patterns are highly exposed to the cultural influence of the habits that prevail in destination countries, and the returnees can be a channel of transmission for such an influence.

### 3.1 Actual migration

Actual migration modifies the patterns of consumption in migrant households, as it increases the demand for non-traded services: financial services, communication facilities, and tourist facilities. In migrant-sending areas, where the share of households having at least one member abroad is higher, money transfer services, phone centers and internet services usually experience a boom, and this increases the demand for labour in these sectors. Clearly, the relevance of these effects depends on several confounding factors, such as the size of the migrant population and the strength of the ties with the diaspora.

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<sup>76</sup> Moreover, it must not be forgotten that migration is a risky venture that can also have a negative income effect for migrant households; this would occur if the migrants fail to find a job in the country of destination, or if they voluntarily decide to break up the family ties and not to send back remittances.

Bougha-Hagbe (2004) and Collyer (2004) argue that real-estate investments are the most common investments among migrants, and that they are not limited to areas of origin, but that they mostly occur in areas of the country that offer some attractions for the summer holidays. The relevance of migrant-led development in the tourism sector depends on several factors: the size of the migrant community, the legal status of the migrants, the geographical proximity of destination countries to the country of origin. When the cost of the travel is affordable and the majority of migrants are free to temporarily leave their host country as they have a legal residence permit, then the development of a tourism sector is more likely to occur.

Actual migration also increases the demand for the export of those goods – such as food – which are sold in so-called *ethnic shops* in destination countries. This occurs if the demand from the diaspora is large enough when compared to internal demand, thus this effect could be relevant for small countries with a large expatriate rate.

The effects of migration on the sectoral demand for labour are strictly interrelated to the effects that remittances produce on the consumption pattern of recipient households (see section 3.3).

### 3.2 Return migrants

Return migrants can be a relevant channel through which consumption patterns are modified, as they bring home consumption styles they have become familiar with in destination countries. They also bring home the financial resources to purchase the goods and services that they aspire to. This effect is relevant if there is a large number of migrants who return home in the early phases of their adulthood, as young individuals are more exposed to the influence of newly-imported consumption patterns. Imported goods are likely to be overrepresented in the consumption baskets of the returnees, thus reducing the domestic demand for labour.

### 3.3 Remittances

Remittances can exert an unbalanced effect on the demand for various goods and services, and some sectoral booms – such as in the building sector (Adams, 1991) – can emerge. The development of a particular sector and the ensuing creation of job opportunities can occur only if remittances increase the demand for domestic goods. Conversely, "if remittances increase the import of foreign goods, this will not stimulate the local economy and a very limited multiplier effect will take place [...] a typical example is remittances sent to rural areas where they will be mainly invested in farm production, but also manufacturing and services activities, therefore benefiting the whole economy" (Stalker, 2000).

When remittances leads to an appreciation in the real exchange rate (Amuedo-Dorantes and Pozo, 2004), this affects the sectoral composition of production, with resources being shifted from traded to non-traded sectors, a situation that resembles the so-called *Dutch disease*. While this strengthens the uneven sectoral impact of remittances, the appreciation of the real exchange rate that they brought about also increases the likelihood that their stimulus to private demand leaks out towards imported goods, dissipating the job creation effect.<sup>77</sup>

It is interesting to observe that the eventual job-creation effect determined by migrant remittances can be unevenly distributed across genders; Vargas-Lundius (2004) argues that the receipt of remittances in origin communities stimulates the creation of jobs – such as in the construction sector – where men represent a disproportionate share of the workers, so that they can contribute to reinforcing existing gender inequalities in labour-market outcomes such as wage and unemployment rates (see also section 1.1 on this).

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<sup>77</sup> Da Cruz (2004) argues that in the small countries, which are heavily reliant on remittances – such as in the Comoros, his own case study, remittances contribute to a boom in imports, thus worsening the trade balance.

### 3.4 Social remittances

Consumption patterns can be influenced directly by the transfer of norms and ideas from destination countries. Non migrants are often receptive to the consumption patterns and the behaviours that the migrants bring back home. The demand for particular kinds of goods and the ensuing development of particular sectors of the economy can be influenced by these inflows of ideas from abroad. Social remittance are particularly important “when migrants return to live or visit their communities of origin; when non-migrants visit those in the receiving country; or through exchanges of letters, videos, cassettes, e-mails, and telephone calls” (Levitt, 1998). Again, this effect is relevant in those countries (or regions) where the expatriate rate is high.

### 4. Investments and entrepreneurial models

The demand side of the labour market is not only exposed to effects that arise through changes in private consumption, but also to the influence that migration exerts on the choice of entrepreneurial models, and on the ability to finance ensuing investments. Remittances, the most apparent counterpart of labour migration, clearly represent the source of these funds, which have an outreach that goes far beyond recipient households. There are also high expectations for the migrants themselves, who are supposed to acquire additional skills in the countries of destination, and hence to have a higher likelihood for setting up a new enterprise upon their return. Once more, return migrants can be the vehicle for the introduction of entrepreneurial models from the countries of destination to the countries of origin, but social remittances can also be transferred through broader and less concrete channels.

#### 4.1 Remittances

Remittances can stimulate productive investments (Orozco, 2000; Woodruff and Zenteno, 2007), ease the provision of credit and the development of financial and equity markets (Giuliano and Ruiz-Arranz, 2009; Billmeier and Massa, 2009), although these positive developmental contributions are not independent of the economic and institutional frameworks of recipient countries.<sup>78</sup>

Remittances also exert an important insurance role for recipient households; the risk-differentiation brought about by migration at the micro level can offer the chance to undertake productive investments that are profitable but that would have otherwise been deemed as too risky (Rapoport and Docquier, 2006). Adams (1991) analyzes the expenditure patterns of returned migrant households, finding that they devote a large share of their remittance incomes to investment rather than to consumption, as they perceive remittances as being a temporary rather than a permanent source of income. Similar findings are reported in Adams (2006a), where the author shows that households receiving remittances spend less on consumption and more on investments, education and housing than non-receiving households. He also stresses the importance of the effects of remittances on wages and employment in areas where they are spent productively.

Giuliano and Ruiz-Arranz (2009) use data from approximately one hundred developing countries over the period 1975-2002 and they show that remittances provide an alternative way to finance investment in countries with poor financial systems. Remittances can help to overcome liquidity constraints in countries where credit markets are inefficient or non-existent. Aggarwal *et al.* (2006) use a sample of 99 countries and they argue that remittances promote stock market development, and Gupta *et al.* (2007) reach the same conclusion for Sub-Saharan Africa. Needless to say, these effects can give rise to a significant indirect impact on the labour market through the ensuing job-creation effect.

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<sup>78</sup> Remittances also reduce the likelihood of a Balance of Payment crisis (Bugamelli and Paternó, 2006), which induces a major fluctuation in the business cycle, and hence in the level of investments and labour demand.

Remittances can also be channeled through migrant associations – the so-called *home town associations* – formed by migrants living in the same country, and coming from the same area, who put together their savings to invest them in projects to promote the economic and social development of their origin community. Collective remittances are usually used for the construction of hospital, schools and other social investments, and they can thus stimulate the demand for workers in the building sector, with positive ensuing spillover effects (Guarnizo and Smith, 1998).

#### 4.2 Return migrants

Returnees can bring back home new skills they have acquired in destination countries. Moreover, thanks to the savings they have accumulated abroad, they can also afford to undertake costly investments. They may also be better placed to become entrepreneurs, and to adopt new models of entrepreneurial activities, which they have experienced in destination countries.

The hypothesis that return migration increases the probability of opting for entrepreneurial activity has been recently tested, comparing returnees with stayers. Kilic *et al.* (2007) find that returnees to Albania are, *ceteris paribus*, more likely than stayers to become entrepreneurs. Wahba and Zenou (2008) conversely find that Egyptian returnees have a lower propensity to set up an entrepreneurial activity, notwithstanding the experiences and the savings they have accumulated abroad, as migration also produces a loss of social capital that represents a key factor in establishing an enterprise which operates in an informal setting. Most existing empirical studies pool together self-employed and employers as being entrepreneurs, while the ensuing job creation effect is clearly different.

Returnees' skills and savings can bring a substantial contribution to the development of medium and small enterprises: MSEs in developing countries are extremely vulnerable, and the establishment of a new entrepreneurial activity may be of little significance if it does not last. Returnees may be better able to overcome the difficulties faced by MSEs, as they can draw on their foreign savings not only to finance the initial capital investment, but also to reduce the vulnerability of their enterprises in the face of adverse demand shocks. If this is the case, then the job creation effect due to return migration would induce a lasting increase in the demand for labour.

#### 4.3 Social remittances

The transfer of new forms of entrepreneurial models is not limited to return migrants alone, but it can also occur through the increased tightness of communication with the countries of destination. Social remittances not only permit migrant households to improve their knowledge of available technologies and entrepreneurial models, but there is also a “multiplier” effect due to communication among non-migrant households. A specific kind of social remittances is represented by the technological transfer brought about by networks of skilled migrants (Docquier and Lodigiani, 2007).

### Part II - Empirical evidence

After an introductory section on the salient features of migration out of the Arab Mediterranean Countries, the structure of this part of the paper mirrors the first part, where we presented the theoretical arguments about the impact of migration on labour market outcomes in origin countries. But its content does not, as the empirical evidence lags seriously behind the theory because of the remarkable analytical challenges that this evidence poses, and because of binding data limitations. Wherever possible, we nevertheless try to offer an – albeit limited and tentative – assessment of the relevance of the theoretical arguments for AMCs. It is important though to flag up an important *caveat* here. This paper does not provide new empirical evidence. Rather it systematizes the existing and dispersed evidence according to the structure laid out in the previous section. While important knowledge gaps remain, the systematization of the existing empirical evidence will hopefully reduce the number of the gaps that a reader might have initially feared.

### 5. Salient features of migration out of the Arab Mediterranean Countries

This section is meant to briefly outline the salient features of migration from Arab Mediterranean Countries that are relevant in shaping migration impact on domestic labour markets. Such an effort is riddled with substantial difficulties, as the most widely-quoted figures on emigrants are immigration-based (Dumont and Lemaitre, 2005; Docquier and Marfouk, 2005), i.e. obtained through the aggregation of data gathered in the destination countries. Such an approach can give rise to substantial discrepancies with emigration-based statistics,<sup>79</sup> which – in the case of Egypt - can even be 246 percent higher than data gathered in the countries of destination (Fargues, 2007c). This problem can also be traced back to the fact that one of the main destinations for migrants from AMCs – and specifically for those from the Mashreq – are the Gulf Countries, which provide only limited statistics on immigration. This entails that data gathered from the OECD countries alone provide only a partial representation of the migration out of AMCs. Moreover, intra-regional migration is also substantial – and not particularly selective in terms of migrant skills (World Bank, 2008a). Though this may fall outside the scope of this paper – as this need not be replacement migration<sup>80</sup> – intra-regional migration represents a further important *caveat* against taking migration statistics about AMCs at face value.

Fargues (2007c) estimates the number of first generation migrants from the Arab Mediterranean Region at 12-15 million. Migration from the area is on the rise – particularly from Morocco, Lebanon, Egypt and Algeria – and it will continue in the next decades because of the persistence of both push and pull factors.<sup>81</sup> Table 5.1 reports the figures about the stocks of emigrants from six AMCs based on data from origin countries, and provides information about the magnitude of cumulative flows, as well as about the geographical distribution of migrants.

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79 “The main reasons for the observed discrepancies can be summarized by artificially generated data, different sources of information in terms of year and the country that the migrants are counted at, the ambiguity of how refugees and transit migrants are dealt” (Isaoglu, 2007).

80 This can be traced back to the segmented nature of the labour markets in the AMCs; Corm (2009) shows that Jordan records substantial flows of highly educated migrants towards the Gulf Countries, and relevant inflows of low-skilled immigrants – mostly from Syria and Egypt – who tend to take up low-paid jobs in the Jordanian labour market. In Jordan, in the 1980s, a large number of workers from Egypt and Syria was attracted by the availability of jobs in the agriculture and construction sectors: although this was portrayed as replacement migration, it was actually an immigration which “responded to the upscale mobility of non expatriated Jordanians”. A segmented labour market was created: these sectors until that moment had always been dominated by foreign nationals, who receive very low wages and do not have legal protection (Chatelard, 2004; De Bel Air, 2008).

81 For a short review of the determinants of migration from AMCs and predictions for the next decades, see Mediterranean Report (2007).

**Table 5.1. Stock of emigrants from AMCs, last available years**

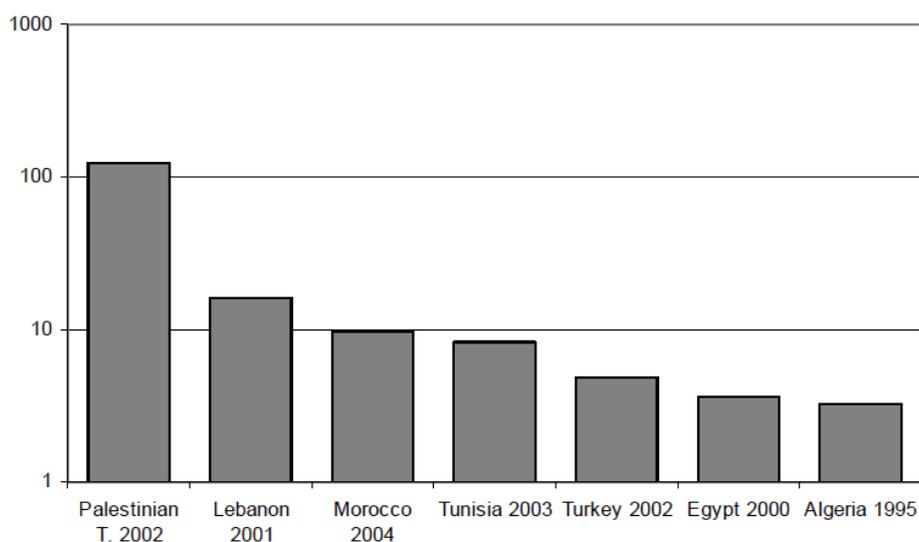
<i>Country of residence</i>					
<i>Country of origin</i>	<i>Year</i>	<i>European Countries</i>	<i>Arab Countries</i>	<i>Other Countries</i>	<i>Total</i>
<i>Algeria</i>	1995	991,796	66,398	14,052	<b>1,072,246</b>
<i>Egypt</i>	2000	436,000	1,912,729	388,000	<b>2,736,729</b>
<i>Jordan</i>	2004	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<b>29,397</b>
<i>Lebanon</i>	2001	157,030	123,966	325,604	<b>606,600</b>
<i>Morocco</i>	2005	2,718,711	213,034	253,641	<b>3,185,386</b>
<i>Palestine</i>	2002	295,075	4,180,673	231,723	<b>4,707,471</b>
<i>Syria</i>	-	-	-	-	-
<i>Tunisia</i>	2005	779,200	128,900	25,800	<b>3,520,000</b>

Notes: Syria does not provide statistics for its nationals abroad; "Europe" to read in the case of Palestinians abroad as "all countries except the Arab countries and the US".

Source: CARIM (2007)

Figure 5.1 builds on the previous table, and gives the share of migrants over resident population; though the incidence of emigration out of the Palestinian Territories is unmatched by any other AMCs. This is high even in other countries such as Lebanon, Morocco and Tunisia, where it is close to 10 percent of the resident population.

**Figure 5.1. Share of emigrants from AMCs, last available years**



Source: Fargues (2005)

Corm (2009) presents figures on aggregate migration from AMCs and other MENA countries for the first years of this century which are based on Dumont and Lemaître (2005) for OECD countries, and on Baldwin-Edwards (2005) for the Gulf countries, which are reported in Table 5.2.

**Table 5.2. Migrants by region of destination as a percentage of resident population in the origin country, 2000-2002**

<i>Country of origin</i>	<i>Country of residence</i>			<i>Total</i>
	<i>North America and Australia</i>	<i>Main European Countries</i>	<i>Gulf and other Arab countries</i>	
<i>Algeria</i>	<i>0.11</i>	<i>4.32</i>	<i>0.22</i>	<i>4.64</i>
<i>Egypt</i>	<i>0.27</i>	<i>0.21</i>	<i>2.77</i>	<i>3.25</i>
<i>Jordan</i>	<i>1.11</i>	<i>0.25</i>	<i>9.26</i>	<i>10.62</i>
<i>Lebanon</i>	<i>7.10</i>	<i>2.80</i>	<i>3.50</i>	<i>13.40</i>
<i>Morocco</i>	<i>0.23</i>	<i>5.18</i>	<i>0.96</i>	<i>6.37</i>
<i>Palestine</i>	<i>0.24</i>	<i>0.21</i>	<i>-</i>	<i>0.45</i>
<i>Syria</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Tunisia</i>	<i>0.13</i>	<i>4.46</i>	<i>1.11</i>	<i>5.71</i>

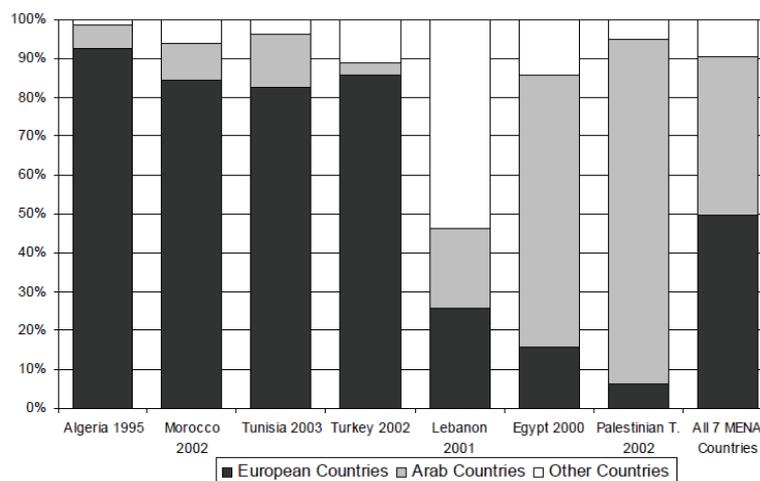
Note: the figure for Jordanians in the Gulf and other Arab countries includes Palestinians.

Source: Corm (2009)

This table – which is based on destination-countries figures – demonstrates that the percentage of migrants over resident population in all Arab-Mediterranean countries, except for Palestine, is higher than the world average of 2.9 percent. At the same time, the levels of total migration out of these countries are low when compared to other regions in the developing world such as Latin America. Migrants from the Maghreb amount to 5.5 percent of the population, while migrants from the Mashreq are about 3.3 percent of the population. Egypt is the largest labour exporter among AMCs – in absolute terms, as World Bank (2008a) claims that 10 percent of the Egyptian labour force is employed in other AMCs and Arab countries alone.<sup>82</sup>

<sup>82</sup> World Bank (2008) shows that skilled Egyptian migrants mostly go towards the Gulf Countries and Libya, while unskilled migrants tend to go to Iraq, Jordan, and Lebanon; CAPMAS (2004) estimates that 2.7 million Egyptians are abroad, 1.9 million in other Arab countries and 0.8 millions in OECD, in particular in the US, Canada and Australia.

**Figure 5.2. Share of emigrants from AMCs by area of destination, last available years**



Source: Fargues (2005)

Figure 5.2, which is reproduced from Fargues (2005), provides the break-down of migration figures according to migrant destination country, showing a sharp difference between Maghreb and the Mashreq countries. Both figure 5.2 and table 5.2 demonstrate that the distribution of migrants across areas of destination is changing. Migrants from the Maghreb move predominantly towards European OECD countries, while approximately two thirds of the migrants from the Mashreq reside in the Gulf and in other Arab countries.

Cross-country differences in terms of migrant distribution are also related to the predominant pattern of migration: while migrants towards the Gulf Countries tend to move on a temporary basis, migration towards the OECD is mostly on a permanent basis (World Bank, 2008a). Table 5.3 reports information on the length of individual migration episodes to selected OECD countries.

**Table 5.3. Distribution of migrants to selected OECD countries by duration of stay**

<i>Country of origin</i>	<i>Less than 1 year</i>	<i>1-3 years</i>	<i>3-5 years</i>	<i>5-10 years</i>	<i>10-20 years</i>	<i>More than 20 years</i>	<i>No answer</i>
<i>Algeria</i>	1.1	1.8	1.8	4.9	7.1	61.5	21.8
<i>Egypt</i>	3.9	6.5	6.7	13.0	22.2	39.6	8.1
<i>Jordan</i>	4.7	7.5	7.3	16.9	29.3	32.3	2.0
<i>Lebanon</i>	2.7	4.1	3.7	14.4	33.9	37.1	4.1
<i>Morocco</i>	3.4	7.2	5.8	11.4	19.9	39.4	12.8
<i>Palestine</i>	4.8	7.6	5.4	15.0	25.2	37.2	4.8
<i>Syria</i>	3.2	6.4	5.7	16.6	34.5	29.6	4.0
<i>Tunisia</i>	1.4	2.3	1.9	5.0	12.8	53.4	23.3

Note: data refer to: Australia, Canada, Italy, France, Spain, Sweden, United States.

Source: Dumont (2006)

These differences in geographical distribution and in the length of the individual migration episodes have far-reaching consequences for the labour market, as has been briefly argued in Section 1, for the characteristics of the labour markets at destination are a relevant mediating factor

in shaping the impact of migration upon the countries of origin. This also means that the empirical relevance of the various potential channels of impact which have been highlighted in the previous sections are likely to differ across the Maghred-Mashreq divide. Still, Fargues (2007c) argues that there are a number of exceptions to this “rule”: for example, there are more temporary Egyptian migrants in Italy, and more permanent migrants in the Arab Peninsula. The main difference between the destinations is not in the length of stay, but in the legislation on citizenship issues, which is very restrictive in the Gulf countries. Table 5.4 shows that the majority of regular immigrants in OECD countries have acquired the citizenship of the host countries. Needless to say, this can have far-reaching consequences upon the labour markets of origin countries, as it influences the likelihood of a return, as well as remitting behaviour.

**Table 5.4. Distribution of migrants to selected OECD countries by citizenship status (percentages)**

Country of origin	National	Foreigner
<i>Algeria</i>	65.0	35.0
<i>Egypt</i>	66.9	33.1
<i>Jordan</i>	63.3	36.7
<i>Lebanon</i>	79.5	20.5
<i>Morocco</i>	37.9	62.1
<i>Palestine</i>	77.2	22.8
<i>Syria</i>	67.8	32.2
<i>Tunisia</i>	61.0	39.0

*Note: data refer to: Australia, Canada, Italy, France, Spain, Sweden, United States.*

Source: Dumont (2006)

Migrants from AMCs are predominantly male, although migration flows from Maghreb countries have recorded increasing numbers of women and children (Schramm, 2009), as the demand for jobs traditionally performed by women is on the rise in OECD countries, and because of family reunification provisions.<sup>83</sup>

## Supply side of the labour market

### 6. Labour force - endowments

#### 6.1 Actual migration and labour force

Actual migration can alleviate the pressure on the labour market provided that the rate of emigration is high enough compared to other demographic factors. This occurs in the small countries of the Mashreq: Jordan, Lebanon and Palestine, where the number of nationals abroad as a share of the origin country population is very high, a fact recalled in Section 5.

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<sup>83</sup> Evans and Papps (1999), quoted in Al Ali (2004), argue that about one third of Arab migrants abroad are living with their families, while this is certainly not the case for the majority of the migrants moving towards the Gulf, where permanent migration is not allowed, so there are limited provisions for the reunification of migrant families.

Jordan gives a telling case study in the labour market impact of migration flows, as – according to Chatelard (2004) – Jordanian economic development is closely intertwined with the prevailing dynamics of international labour mobility. This was particularly true in the 1980s, when an estimated 42 percent of the labour force was expatriated, and such a massive outflow led to a substantial decline in unemployment. When, in the early 1990s, a large number of Jordanians were repatriated because of the Gulf War, the country experienced a 10 percent increase in its population, causing heavy pressure on infrastructure, public services and housing, and the unemployment rate climbed as high as 30 percent (De Bel Air, 2008).

By the same token, international migration has always been an essential route of escape for excess labour supply among Palestinians: restrictions on entry to the Israeli labour market after the beginning of the second *Intifada* created a sharp rise in unemployment, which increased from 13 to 29 percent between 1999 and 2006 (Hilal, 2007).

As far as the large countries of the Arab Mediterranean area are concerned, Ramamurthy (2003) finds that Egypt is the only one in his sample where emigration has had a significant effect on employment. Nassar (2005) argues that – notwithstanding data limitations and despite the fact that the best workers, and not the unemployed, are those who migrate – the direct impact of migration on the Egyptian labour market can be gauged from events during the Gulf crisis, when Iraq and Kuwait closed their borders, and many Egyptians were repatriated.<sup>84</sup>

The effects of migration on labour markets need not be confined to the areas of origin of the migrants, as international migration is strictly linked to the internal movement of peoples: it often induces the internal relocation of labour forces. For instance, de Haas (2007) shows how migrant sending areas in Morocco became destinations for many internal migrants from other villages or from poorer regions; Berriane (1996) and El Meskine (1993), quoted in de Haas (2007), observes that many construction and agricultural workers in the Rif area come from the Tafilalt and Draa valley in Southern Morocco.

The figures about the aggregate size of migration – both in terms of flows and stocks – out of AMCs needs to be handled with caution as the most widely-used datasets – such as Docquier and Marfouk (2005) – are based on immigration statistics that do not cover the Gulf countries, as recalled in Section 5. With this *caveat* in mind, Table 6.1 reveals that past and current migration patterns have an uneven impact on the main educational groups, as better-educated migrants are overrepresented in the migrant population. While the emigrant population of these eight countries is characterized by a varying skill profile,<sup>85</sup> as the data columns on selection rates show, the rate of emigration from each of these countries is increasing in skill level. Lebanon, Morocco<sup>86</sup> and – to a lesser extent – Tunisia are characterized by a rate of emigration among tertiary-educated individuals which might raise some concerns concerning a sizeable *brain drain*, that could push up the skill premium in the labour–earnings distribution (see also section 1.2 on this). Indeed, Adams (2003) argues that Morocco and Tunisia suffer from a drain of their talented workers, though it is fair to say that the *drain* of skilled workers does not rank high among the factors that hinder the economic development in the AMCs countries – particularly in the larger Maghreb countries – as it is limited in size when compared to other developing regions, such as Sub-Saharan Africa (Ozden, 2006).

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84 Similarly, Nassar (2008) argues that there have been clear benefits from emigration in terms of unemployment reduction in the 1980s, when Gulf countries attracted a large part of the Egyptian excess labour supply.

85 The disproportionately high share of low-skilled individuals in the migrant population of the Maghreb countries – Algeria, Morocco and Tunisia – can be traced back to the existence of well-established migration networks with the countries of destination, which, as the recent paper by Beine et al. (2008a) shows, are associated with a reduction in the selection rate of the migrant population.

86 In Morocco – together with Egypt and Jordan – the rate of return to education remains low (World Bank, 2008), notwithstanding the reported migration rate of tertiary-educated workers which could have pushed up skilled wages.

**Table 6.1 Rates of emigration and selection rates of migrants from AMCs, year 2000**

	<i>Rate of emigration</i>				<i>Selection rate</i>			
	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Total</i>	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Total</i>
<i>Algeria</i>	4.6	2.1	9.4	4.5	76.7	9.2	14.1	100.0
<i>Egypt</i>	0.2	0.8	4.6	0.9	18.3	22.9	58.9	100.0
<i>Jordan</i>	1.0	2.4	7.2	2.8	16.4	28.0	55.6	100.0
<i>Lebanon</i>	9.4	11.1	38.6	15.0	30.4	25.1	44.5	100.0
<i>Morocco</i>	6.8	8.1	17.0	7.6	70.6	16.5	12.9	100.0
<i>Palestine</i>	1.0	2.5	7.2	2.9	15.8	29.1	55.0	100.0
<i>Syria</i>	0.9	2.3	6.1	1.9	31.0	24.7	44.3	100.0
<i>Tunisia</i>	5.1	3.8	12.5	5.4	73.0	12.1	14.9	100.0

Source: Docquier and Marfouk (2005)

Table 6.2 provides data on the rate of emigration for low- and highly-educated individuals from a recently released update of the dataset by Docquier and Marfouk (2005), which also gathers immigration statistics from the Gulf countries.<sup>87</sup> This table shows that the extent of skilled migration out of AMCs is easily underestimated if data sources are unduly restricted to OECD countries alone: including non-OECD destinations increases the emigration rate among the highly-skilled from 4.6 to 8.4 percent for Egypt, and from 7.2 to 19.0 percent for Palestine. This means that the arguments about the limited extent of the *brain drain* from AMCs which were based on Table 6.1 need to be somewhat mitigated.

**Table 6.2 Rates of emigration from AMCs by educational level, year 2000**

	<i>Rate of emigration</i>	
	<i>Low</i>	<i>High</i>
<i>Algeria</i>	4.7	9.9
<i>Egypt</i>	2.7	8.4
<i>Jordan</i>	8.4	11.4
<i>Lebanon</i>	11.2	45.5
<i>Morocco</i>	7.5	21.0
<i>Palestine</i>	7.7	19.4
<i>Syria</i>	2.5	8.0
<i>Tunisia</i>	5.7	14.3

Source: Docquier and Rapoport (2009)

Still, in order to gauge the relevance of the possible concerns around the *brain drain* that could arise from Table 6.2, those figures have to be compared with the high level of unemployment in better educated groups.<sup>88</sup> World Bank (2008a) argued that the unemployment rate in the whole

<sup>87</sup> The current version of the paper does not disclose the information on the primary data sources that the authors rely on.

<sup>88</sup> See Section 7.2 on the impact of the prospect to migrate on the unemployment level of higher-educated workers.

MENA region would have been higher in a hypothetical scenario without emigration, but unemployment rates remain high, and this has greatly softened the potential positive impact of migration on domestic wages. This suggests that the opportunity cost of the migration of university graduates is low; the majority of skilled migrants who decided to migrate were unemployed or employed in the public sector. This also means that skilled migration does not create a brain drain effect and, probably, that it reduces the public wage bill (World Bank, 2008a). Table 6.1 suggests that Egypt has the highest selection rate among AMCs, and this can be traced back to the high unemployment rate among educated working age individuals. A comparison between Egypt and Morocco shows that there is a positive relationship between education level and the chances of being unemployed in Egypt, while a similar relationship does not exist in Morocco (World Bank, 2008a). Still, Boudarbat (2004) shows that the unemployment rate of Moroccan university graduates was, in 2000, about four times the rate of individuals with less than six years of schooling. Indeed, Sorenson (2004) reports that the Moroccan government depicted migration as a solution to the problem of widespread underemployment and unemployment of the domestic workforce in official documents.

Other features of the migration process can produce more substantial impacts on the labour force, namely its uneven gender profile and the migration of workers out of specific sectors. As far as gender is concerned, migration can lead to a worsening wage gap – and a worsening too of other labour market outcomes, such as participation and unemployment rates – across genders,<sup>89</sup> although such an effect – which is due to the uneven impact of migration on the endowments of male and female labour<sup>90</sup> – can be counteracted by the effects that migration exerts on the behavior on the labor market, possibly reducing female participation (see Section 7.1).

Does migration create relevant shortages of workers in some sectors in AMCs? World Bank (2008a) argues that migration does not create bottlenecks in the domestic market of Middle Eastern and North African countries. Nevertheless, such a general statement should not lead us to overlook specific instances of possible shortages. Doquier and Rapoport (2009) report data on researchers employed in the science and technology sector in the United States: the number of Tunisians working there is 0.17 times the number of researchers working in Tunisia, and the corresponding figure for Algeria is 0.25 times. Khelifaoui (2006), finds that engineers and scientists are the most common professional category of Algerians in the United States, though they may not be employed according to their qualifications.

It is also worthwhile paying a closer look at what happens to health workers. Docquier and Bhargawa (2007) collect data from 16 receiving OECD countries, and they define the total physician emigration rate of a country as the ratio between the stock of national physicians working abroad and the number of physicians trained in the home country, thus excluding those trained in the host country. The figures we present here represent an update of Docquier and Bhargawa (2007) presented by Doquier and Rapoport (2009), where the authors have added South Africa to the destination countries.

We observe in Table 6.3 that the percentage of physicians abroad – as far as a selected group of OECD countries is concerned – is very high only for Lebanon and Syria. Estimates from the Arab-American Medical Association show that there are 15,000 Arab physicians in the United States, and 6,000 of them come from Syria (Kawakibi, 2009). Nevertheless, we have to keep in mind the data limitations, as Achouri and Achour (2002), for example, point out that most Tunisian physicians who migrate go to Saudi Arabia.

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89 UNDP (2006) observes that “in Jordan, for example, women university graduates earn 71 per cent of the amount earned by males in the same cohort; this drops to 50 per cent among those who have completed basic education only, while illiterate women earn less than 33 per cent of male wages (Moghadam, 2005)”.

90 The existing gender gap in migration flows out of AMCs could be off set by the steady growth in demand for jobs, such as housework and the care of the elderly, which are usually taken by women in European countries (Al Ali, 2004).

**Table 6.3 Emigration rates of physicians trained in their origin country**

	<i>Rate of emigration</i>
<i>Algeria</i>	7.1
<i>Egypt</i>	5.6
<i>Jordan</i>	9.9
<i>Lebanon</i>	19.6
<i>Morocco</i>	6.6
<i>Palestine</i>	1.5
<i>Syria</i>	17.5
<i>Tunisia</i>	4.2

Source: Docquier and Rapoport (2009)

Moreover, if we take into account the physicians born in the AMCs but trained abroad – as Clemens and Patterson (2006) do – the numbers are more worrisome<sup>91</sup>. Their estimates differ dramatically from the previous ones: 44 percent of Algerian physicians, 31 percent of the Moroccans and 33 percent of the Tunisians are practicing abroad by these criteria. Regarding nurses, the numbers are lower: respectively 9, 15 and 5 percent of them work abroad.<sup>92</sup>

Notwithstanding these impressive figures, there are some factors that suggest that medical *brain drain* has so far imposed limited direct costs on the Maghrebian countries. Most foreign-employed doctors and nurses have been trained abroad, and their migration is more a symptom of the underlying difficulties of the domestic health-care systems than its cause<sup>93</sup>. Therefore, it would be hard for foreign-employed health-care workers to enter their origin country's labour markets under the current conditions, as a significant increase in the demand for medical personnel seems highly unlikely. Moreover, it is uncertain whether these doctors and nurses would have studied medicine anyway in the absence of a prospect to migrate.

The same could be said about the thousands of students from AMCs who acquire their tertiary education abroad. Student migration from AMCs is an increasingly common phenomenon. It is an instrument OECD countries use to select highly-skilled workers, as students tend to be probationary migrants. About 7 percent of the foreign students in OECD currently come from the Arab countries, in particular from Morocco. Table 6.4 shows the number of foreign students enrolled in tertiary education by country of origin. According to Dumont (2006), it is difficult for the origin country to benefit from this kind of migration: to do so they should maintain links with the students and offer them incentives to return home to work.

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91 Not only the country where physicians have been trained, but also the definition of who is a migrant matters: in the countries of destination, such as France, where there are a lot of second- and third-generation migrants, and most of them have double citizenship, it is not easy to determine who is a migrant.

92 They count all the doctors and nurses employed in the main nine destination countries: the UK, Spain, France, the US, Australia, Canada, Portugal, Belgium and South Africa.

93 In Morocco, the health-care system suffers from underutilization of services: hospital beds capacity, for example, despite being low, has a 56 percent average occupancy rate (WHO, 2006b). Although the WHO claims that more than 200 facilities are closed due to a lack of human resources, the main problem appears to be the lack of efficient planning, as they signal the lack of specific categories of specialists. Even the Tunisian health-care system experiences a deficiency in some kind of specialists (Achouri and Achour, 2002). In Algeria, public services have suffered from the reduction of public funds devoted to the welfare system since the mid 1980s, due to the economic and political crisis and the ensuing structural adjustment (Chemingui, 2003).

**Table 6.4 Number of students from AMCs enrolled in tertiary education in 2003 in 26 OECD countries**

	<i>Rate of emigration</i>
<i>Algeria</i>	2,028
<i>Egypt</i>	5,875
<i>Jordan</i>	5,261
<i>Lebanon</i>	9,318
<i>Morocco</i>	53,631
<i>Palestine</i>	929
<i>Syria</i>	4,908
<i>Tunisia</i>	12,259

Source: Dumont (2006)

## 6.2 Prospect to migrate and labour force

While there is limited direct evidence with respect to the impact of the prospect to migrate on human capital formation in AMCs, some indirect evidence can be gained by observing the pattern of migration by skill levels. The theoretical arguments depicted in section 1.2. reveal that a necessary condition for the occurrence of a beneficial brain drain is represented by an increase in the expected return to education once migration prospects open up, and this means that better-educated individuals have either a higher incentive to migrate because of prevailing wage distribution at destination, or a better ability to do so, because of skill-selective immigration policies. Table 6.1 provided a first snapshot of emigration, broken down by skill levels, out of AMCs in the year 2000. This adverse static effect could be offset by the contribution that the prospect to migrate provides by way of human capital formation in these countries.<sup>94</sup>

Still, what we observe in Table 6.1 need not be driven by a higher incentive or better ability to migrate – because of the pattern of out-selection determined by immigration policies – for better educated individuals, as the skill premium in wage distribution tends to fall with higher levels of income (see Figure 1.1). Mattoo et al. (2008) provide evidence of so-called brain waste in the US labour market from a survey which also provides data on Egyptian immigrants.<sup>95</sup> The possibility that the emigration rates across educational groups reported in Table 6.1 are influenced by the adoption of skill-selective immigration policies seems uncertain as well, as migrants to OECD countries from the Maghreb countries – such as Morocco and Tunisia – tend to move to Europe (see figures from Ratha and Shaw, 2007). Although things may change with the eventual introduction of the European Blue Card, EU member countries have not so far been the most active contenders in the global contest to attract “the best and the brightest”, where traditional immigration countries such as Australia, Canada, New Zealand and – to a lesser extent – the United States have prevailed, with the adoption of tight skill-selective immigration policies. Migration to Europe occurs mostly through family reunification provisions or through irregular routes, which do not induce a skill-selective pattern of migration. Clearly, this need not apply to the countries of the Mashreq – such as Egypt and Lebanon – whose migrants tend to move predominantly towards the Gulf countries and the United States, as these countries are characterized by higher wage dispersion

94 Fargues (2008b) states that migrants from AMCs “may also have an increasing propensity to invest in their own education and to accumulate human capital in addition to financial capital”.

95 Mattoo et al. (2008) shows that workers from the MENA region are more likely to obtain a qualified job if they hold a professional degree; the probability of obtaining a qualified job with a master degree is only 49 percent for an Egyptian migrant, compared to 80 percent for an Indian.

across skill levels than as the case with most OECD member countries. Egyptian and Lebanese would-be migrants can be induced to invest more in higher education by the prospect to migrate, and also to adjust the profile of their education to better match labour demand in the countries of destination.<sup>96</sup>

Nassar (2005) observes that half of Egyptian temporary migrants reside in Saudi Arabia, while Libya, Jordan, Kuwait and Iraq host the rest of the temporary migrant population, which, according to OIM (2003), represents the prevailing pattern of Egyptian migration.<sup>97</sup> Temporary migrants are, on average, better educated than those who remain in the home country, and the composition of the migration flows has changed producing a larger share of scientists and technicians since 1985, who currently represent about 40 percent of the total. For instance, 69.1 percent of Egyptian migrants to Yemen are technicians or scientists, while the corresponding figure for the main destination, e.g. Saudi Arabia, stands at 40.5 percent (Nassar, 2005). As Section 5 demonstrated, the temporary character of migration from AMCs to the Gulf is due to the fact that destination countries do not grant citizenship to immigrants, whose length of stay at destination can actually be long enough to support the argument that individual educational decisions in the home country are sensitive to the prospect to migrate.

As far as Jordan is concerned, Chatelard (2004) observes that there is still much demand for highly-skilled workers in the Gulf, while adequate employment prospects at home are limited for young graduates, as De Bel Air (2008) argues. This means that we can safely assume that migration is a way to improve on these low expectations, and to drive up educational investments, which will otherwise be wasted because of the domestic labour market conditions. A similar argument can be advanced too in the case of Lebanon: the number of young, qualified individuals who wish to get a foreign job has increased, as – after the 2006 war with Israel – “insecurity pushes towards the brain drain” (Hourani and Sensening-Dabbous, 2007), and 35 percent of managerial positions in international enterprises located in the Gulf countries are taken up by Lebanese workers (Kasparian, 2008).<sup>98</sup>

These arguments suggest that the common pattern of emigration rates across educational groups that we observe for AMCs could be driven by different factors: while for Mashreq countries the higher emigration rate for higher-educated individuals may suggest that the conditions for a beneficial brain drain<sup>99</sup> are in place, this is not the case for the Maghreb countries, where the pattern observed in Table 6.1 is likely to be due to the correlation between education and income. Individuals with a better level of education self-select themselves as migrants because they are better able to afford migration costs, but this does not lead to any beneficial brain drain dynamics. Still, even as far as Mashreq countries are concerned, we need to remind ourselves that the influence of the prospect to migrate on human-capital formation at home is directly related to the length of individual migration episodes.

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96 The Egyptian university system has undergone some changes which partly reflect its reaction to the foreign demand for domestic workers; specifically, to avoid the occurrence of substantial leakages of fiscal resources to the countries of destination, it has progressively, albeit indirectly, increased cost-sharing in higher education, though tuition fees still remain a political taboo (Vossensteyn, 2004).

97 Although immigration-based statistics seem to suggest that OECD countries represent the largest cause of brain drain for Egypt (see Table 6.1 and 6.2), it is actually the Gulf countries and Libya which absorb most Egyptian skilled migrants, as IOM (2003) – quoted in Nassar (2005) – points out.

98 A different argument applies to Syrian migrants: the majority of temporary migrants to the Gulf are young professionals (health professionals, engineers, and other qualified workers) who plan to stay for at least five years because this is the time they need to be able to be entitled not to serve in the military, in exchange for a monetary payment out of the savings they accumulated abroad (Kawakibi, 2008).

99 Note that this term refers simply to an increase in the human-capital endowment of the migrant-sending country as a result of the prospect to migrate, but it does not per se mean that this is welfare-improving for the country, as discussed in section 3.2.

We might also observe that both World Bank (2008a) and World Bank (2009) argue that MENA countries should adopt policies aimed at reducing the mismatch between the qualifications offered by their educational system and those demanded by destination countries. Such a policy prescription indirectly suggests that a *beneficial brain drain* is unlikely to occur at present, as it suggests that domestic human capital formation does not respond to the labour markets at destination.

### 6.3 Return migration and labour force

Return migration is often depicted – as section 1.3 recalled – as one of the main channels through which migration can benefit origin countries. The project on *Return Migration to the Maghreb*, MIREM, conducted at the Robert Schuman Centre showed that almost two thirds of the surveyed return migrants went back to the Maghreb before the age of 50, and 43.2 percent of them before the age of 40, with the prospect of spending a sizeable portion of their working-age life back in the countries of origin. Similarly, the data from the two waves of the Egyptian Labour Force Survey conducted in 1998 and 2006 suggest that even for Egypt a sizeable share of the returnees went back home well before retirement age<sup>100</sup>. This entails that the direct impact of return migration on the labour markets of AMCs can be sizeable, and all the more so if the European Union – which represents the major destination for migrants from the Maghreb countries – decides to push on in its attempt to make most migration out of these countries circular (see Fargues, 2008a and Venturini, 2008).

The impact of return migration can be expected to be positive once migrants deliberately decide to return to their source countries, after having accumulated valuable skills and resources at destination.<sup>101</sup> For instance, in Jordan public and private universities try to actively recruit returnees for academic positions, as their foreign experience gives them skills which attract students. Still, a sizeable part of return migration flows to AMCs are – to use the terminology adopted by the MIREM project – undecided. Major business cycle fluctuations – or political events – in the countries of destination can induce migrants to return back home, and Fergany (2001) recalls the labour-market problems experienced by Egypt and Palestine during the First Gulf War in the early 1990s, when migrants were forced to leave the major host countries – namely Iraq, Jordan, Kuwait and Saudi Arabia. Similarly, Sayre and Olmstead (1999) analyze the negative impact on the Palestinian labour markets of the return of migrants from Iraq and Israel when war broke out in 1991. When return migration is – to say the least – undecided, then the labour markets of the countries of origin face the problem of absorbing this unexpected wave of returnees. The opposite occurs when return migration is deliberately promoted, as in the case of the so called *reverse brain drain* to Palestine which took place after the signature of the Oslo Accords, when an estimated 40,000 to 100,000 Palestinians returned home, mostly from Tunisia and the United States (Sayre and Olmstead, 1999). These returnees brought back an enriched set of skills – along with the resources to finance productive investments, see Section 9.2 – and took up positions in the public administration; this in turn gave rise to a latent conflict with other natives, whose chances of employment worsened.

The political relationships among the Arab countries do not represent the unique factor which can give rise to undesirable flows of returnees to the AMCs; these countries are increasingly attracting migrants from Asian countries – most notably, India – which are replacing migrants from AMCs in several sectors (see Girgis, 2002 and Al Ali, 2004). Worsening labour market conditions at

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100 In 2006, 70 percent of Egyptian return migrants were younger than 50 years of age (ELMPS, 2006). See section 8.2.

101 Still, it is crucial to observe that returnees self-select themselves among the migrant population, and Hourani and Sensening-Dabbous (2007) argues that this suggests the downplaying of overtly optimistic expectations about the impact of return migration to Lebanon, as “the best and the brightest” among Lebanese migrants decide to remain abroad. This entails that having a predominantly skilled-migrant population is a necessary but not sufficient condition for the countries of origin to benefit from return.

destination represent a powerful push factor for return migration, which could lessen the role of migration in alleviating labour-market pressure in AMCs, and this push factor is most likely to become stronger if the current global economic crisis keeps the international price of oil at a low level.

The case of Syria represents a telling example of how the labour-market effects of return migration depend upon the countries of migrant destination. While Syrian migrants to the Gulf are young professionals (see Section 6.2), most migrants to Lebanon are very low-skilled and cross the border in search of a higher wage which they are able to find only in occupations that Lebanese workers are no longer willing to accept, so that – as Kawakibi (2008) argues – a massive return of Syrians from Lebanon could produce extremely negative effects in the Syrian labour market.

#### 6.4 Remittances and labour force

Migrants' remittances represent one of the most important revenue items in the Balance of Payments of AMCs, so they can produce far-reaching direct effects on the recipient households, and produce relevant macroeconomic effects.<sup>102</sup> Middle East and North Africa is the region which received the highest level of remittances *per capita* over the 1998-2002 period (Straubhaar and Vadean, 2005), while it is the second region – behind South Asia – as far as the share of remittances over GDP is concerned (Maimbo and Ratha, 2005). Remittances amount to 22 percent of GDP in Jordan, 14 percent in Lebanon, 8 percent in Morocco and 5 percent in Egypt (Crom, 2009). Furthermore, Adams (2006b) evidences that remittances to the Middle East and North African countries grew steadily over the 1990-2004 period, and the well-known problems with the reliability of Balance of Payments figures on remittances are unlikely to explain the observed trend.<sup>103</sup>

Although the educational systems in most AMCs impose limited direct costs upon students and their families (Akkari, 2004; VosseyNSTEIN, 2004), indirect costs can be substantial, and the positive income effect due to remittances can help households afford them, thus raising the educational achievement of young members in recipient households. Tables 6.1 and 6.2 show that – as far as the Maghreb countries are concerned – the vast majority of current migrants have a low levels of education, so – as low levels of education tend to be transferred across generations (Galor and Zeira, 1993) – remittances can give an opportunity to break this poverty trap, raising the level of education of young family members over and above the levels of the migrants. Indeed, Table 8.1 below reveals that school fees represent the second or third most relevant use of remittances in recipient households in all the seven AMCs surveyed by EIB (2006). There are a number of studies – such as Berriane (1996), Bencherifa (1996) and de Haas (2003), quoted in de Haas (2007) – which argue that remittances to Morocco contribute to an increase in expenditures in education which benefits young pupils of both sexes.

As van Dalen *et al.* (2005) show, the transfer of migrants' remittances increases the propensity to migrate among Egyptian recipients, and this increases the sensitivity of their educational decisions to foreign rather than to domestic labour-market factors. Still, as the arguments presented in section 1.1 suggests, this need not improve the incentives to invest in education. Remittances can be used to directly finance the migration cost of a young family member rather than to provide him or her with a better education. Such an adverse effect on human capital formation can be increased by observing that parental absence due to migration increases the chances that a child is engaged in an economic

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102 The macro-economic role of remittances as a critical source of foreign currency holdings in the Mediterranean countries is emphasized by Escribano (2002). For Morocco, Al Ali (2003) argues that “remittances have become more and more crucial to the equilibrium of the national trade balance. The crucial economic role played by migrants' remittances renders the permanence of Moroccans abroad essential not only for the survival of individual households but also for the viability of the national economy”.

103 The current global economic crisis is expected to reverse this trend, with remittances to Middle East and North African countries predicted to fall by a cumulative 6 percent over 2009 and 2010 (Ratha and Mohapatra, 2009).

activity in Egypt (Assad et al., 2007), thus reducing the probability that this child is fruitfully attending school.<sup>104</sup>

## 6.5 Social remittances and labour force

The contribution by Fargues (2007b) demonstrates that the transfer of ideas that occurs because of migration can substantially influence the labour markets of AMC countries through its effect on demographic choices; Fargues' (2007b) idea is that the level of fertility in destination countries influences the level that prevails in origin countries. Such an argument means that this effect is uneven across AMC countries because – as section 5 showed – these countries greatly differ in the geographical distribution of their migrants. Migrants from the Maghreb predominantly move towards countries with a low level of fertility – and higher rates of female participation on labour markets, see section 7.4 – while migrants from the Mashreq move towards countries with higher levels of fertility, and more conservative social structures. Thus, while past migration flows are indirectly contributing to alleviate the current pressure on labour markets in Maghreb countries via a reduction in the size of younger cohorts in the population, the opposite occurs in the Mashreq countries. This means that social remittances can either reinforce or dampen the effect of actual migration, as described in section 6.1.

As far as the impact of migration on skill acquisition is concerned, Fargues (2008b) observes that “a shift from a remittances-driven to a human-capital-driven pattern of migration is underway” for AMC countries, meaning that the decision to migrate is no longer solely driven by the willingness to send remittances back home, but also by the desire to make an adequate use of would-be migrants' human capital. Fargues (2008b) also adds that “today the links MENA states establish with their Diasporas are aimed at maximizing remittances and economic investments in the home country. Tomorrow, states will have to channel the diaspora's knowledge and skills. For that purpose, they will have to [create an environment] favourable to flows of ideas and knowledge”, emphasizing the key role of social remittances in shaping the impact of migration upon AMC countries (see section 9.3).

## 7. Behaviour on the labour market

### 7.1 Actual migration and behaviour

Migration can exert a direct impact on the labour-market participation of stayers when migrants come from households which earn their livelihood from family-run economic activities, such as small-scale agricultural concerns. As we have seen in section 2.1, the migrant is often the main breadwinner within the household, and this gives rise to the need to replace him or her in family-run activities in order to avoid a reduction in incomes. The book by Ennaji and Sadiqi (2008) analyzes the impact of the – predominantly male – migration from Morocco on the women left behind, and it finds that these women tend to assume roles in production activities that were formerly covered by male migrants. Nevertheless, as Ennaji and Sadiqi (2008) argue, “most migrant husbands would refuse to allow their wives to work outside the home because this work jeopardizes their social role and the image as household bread-winners”. Ennaji and Sadiqi (2008) also provide evidence that migration is associated with a change in family structures, as 26.2 percent of the sampled women go back to live with their parents, who can help them in taking care of the children.<sup>105</sup> Such a change in family structure is

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104 ILO (2002) shows how the incidence of child work in Middle East and Northern African countries stands at 15 percent, a level that is lower than most other developing regions, but that nevertheless suggests that child work is far from being absent there.

105 This is so because AMC countries are often characterized by “weak transportation and child care infrastructure [that] discourage women from going out to work, as does the lack of social support for children or the aged, the burden of whose care falls on women” (UNDP, 2006), and the women left behind do not seek employment because of “their inability to combine their work outside with duties as mothers and housewives” (Ennaji and Sadiqi, 2008).

clearly connected to the need for a greater female engagement in the labour market, and it suggests that migration *per se* can increase female participation rates in the labour market (see section 7.3 on the contrasting effect of remittances). Nevertheless, such an effect need not materialize: even in Palestine, when the husband migrates, women tend to live with their husbands' families, but this does not consolidate an active role for them in the labour market (Hilal, 2007). This happens because of the lack of opportunities, and because of the control that relatives exert upon the women left behind, who remain dependent upon remittances.

Thus, it is important to stress that such an increase in female participation is probably mostly confined to self-employment activities – such as family-run agricultural concerns or a retail trade – than to wage-earning employment, given the persistent and high levels of male unemployment even in migrant-sending areas. Hijab's argument then (1988) that those women left behind increased their participation in the labour market in Egypt as there was a need at the country level to mobilize women to replace migrant men, seems hard to defend and generalize upon.<sup>106</sup>

The direct impact of male migration on female participation in the labour market thus counteracts the divergence in labour-market outcomes across genders – specifically unemployment rates and labour earnings – that is induced by a reduction in the supply of male workers due to migration itself. While the latter, as argued in section 1.1, tends to widen the gap, the former helps in narrowing it down.

## 7.2 Prospect to migrate and behavior

Section 6.1 briefly recalled that there is some evidence that the level of unemployment among highly-educated individuals in AMCs is higher than among individuals with a low level of education, while Section 5 showed that emigration rates increase with the level of education. To what extent could the latter factor be driving the former? There is, to the best of our knowledge, no paper which has provided solid, empirical evidence in this respect, but it is, nevertheless, fair to say that the chances for the unemployment to increase substantially due to the high prospect to migrate are low. To see why this is the case, one can recall the basic mechanism described in Fan and Stark (2007b): the authors argue that the unemployment rate may rise provided that (i) wages for highly-educated individuals are stagnant, and (ii) the prospect to migrate induces more individuals to invest in higher education. While it is certainly the case that wages in AMCs countries are not market-clearing, the second condition required by Fan and Stark (2007b) seems – at best – unlikely to hold for most AMCs, in light of what we have discussed in Section 6.1. Hence, the mechanism offered by Fan and Stark (2007b) seems unlikely to work, perhaps with the limited exception of small countries, such as Lebanon.

A more subtle argument is depicted in the job-search model presented in Fan and Stark (2007a), where the effect on unemployment is determined by the effort that would-be migrants have to devote to try to migrate. De Haas (2007) highlights what he labels as the “social consequences of migration”: migrant households in Morocco are now regarded as the new *elites*, which were previously determined on the basis of kinship and land holdings. Such a change in relative social positions has induced the members of old elite groups to aspire to migrate (McMurray, 2001), and this is likely to have reduced their incentives to actively participate in the domestic labour market, which reduces the necessary resources to climb up the social ladder. If migrants are perceived to be *success stories*, then this can significantly alter the labour-market behavior of natives, which wish to emulate them.

## 7.3 Remittances and behavior

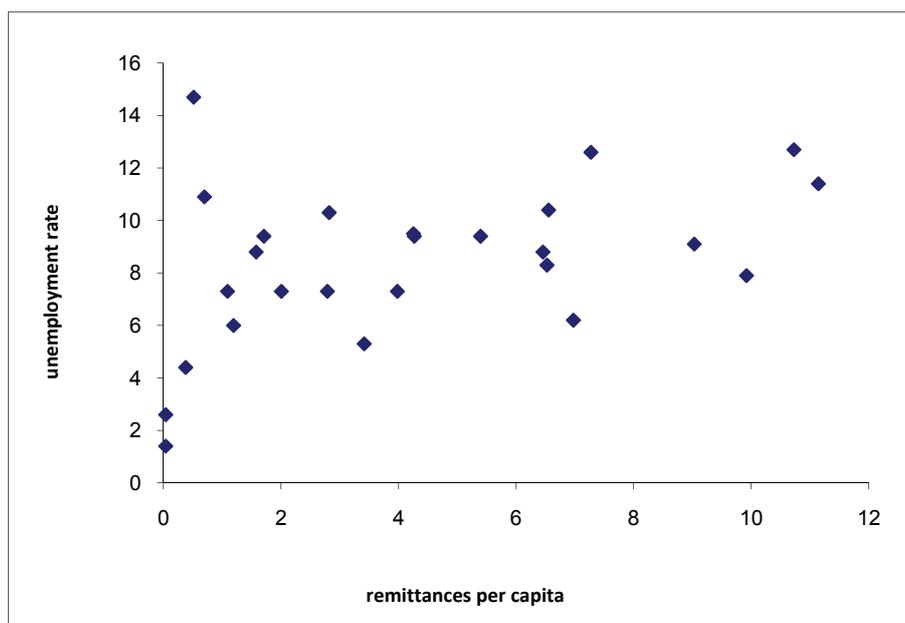
Remittances can exert an influence on recipients' behaviour in the labour market through two main channels, namely the income effect that modifies the willingness to work in exchange for a wage, or

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<sup>106</sup> Hijab (1988) claims that in the 1980s women gained access to skilled occupations, and some highly-skilled women (such as teachers and health care workers) were also tied movers to the Gulf countries.

through the impact on the demand for labour in family-run activities which is determined by the use of remittances to finance small-scale productive investments (see Section 9.1 on this second channel). To date, no economic study has been undertaken to gauge the relevance of either of these two channels in AMCs, as the endogeneity of remittances with respect to labour-market conditions in the migrant-sending areas prevent us from drawing any conclusion on the causal relationship between remittances and prevailing wages and level of unemployment from the analysis of bivariate relationships.

**Figure 7.1. Remittances and unemployment rates in the Egyptian governorates**



Source: authors' elaboration on UNDP (1998) and Fargues

Figure 7.1 has been obtained using data on the remittances or savings of return migrants from Kuwait and Iraq to Egypt after the Gulf War in 1991, combined with local data on the unemployment levels from the UNDP (1998) Report on Egypt.<sup>107</sup> The figure suggests that the unemployment rate is higher in the Egyptian governorates that receive more remittances per capita.

One could reasonably assume that an external and stable source of income, such as remittances, is likely to discourage participation in the labour market in a context where there is a very high unemployment level, as in the AMCs. Thus, a high unemployment rate could drive migration, and the ensuing flow of remittances, so that one should not regard Figure 7.1 as providing evidence of the adverse effect of remittances on labour market participation, given that a causal relationship could run in both directions.

#### 7.4 Social remittances and behaviour

The impact of migration on prevailing behaviour in the labour market is mediated by its impact on cultural attitudes, as the work by Hilal (2007) on the effects of male migration in the labour market

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107 We are fully aware that we should have related remittances to participation rather than to the unemployment rate; still, we maintain that even the relationship depicted in Figure 7.1 is informative: if we account for the possible negative impact of remittances on the participation rate, then the positive relationship that we depict in the figure would have been even stronger.

participation of women in Palestine demonstrated (see Section 7.1). Male migration out of Palestine seems to have reinforced the diffusion of a conservative role for women in Palestinian society, which is backed up by old religious interpretations, which also manifests itself through changes in the forms of women's dresses (Hilal, 2007). Clearly, social remittances can differ widely depending on the destination countries of migrants, and Hoodfar (1996) addresses the question of whether Egyptian male migration represents a "Feminization of Egyptian families" or a reaffirmation of traditional gender roles", as migration to the Gulf countries could lead to cultural changes along the lines described by Hilal (2007) for Palestine.<sup>108</sup>

De Haas (2006) argues that, at the Todgha oasis in Morocco, the change in social structures and the emancipation of subordinated groups through migration have led to the neglect of some traditional activities, which were regarded as having a low social status.

## Demand side of the labour market

### 8. Consumption patterns

#### 8.1 Actual migration and consumption patterns

The evidence of the impact of migration on consumption patterns in AMCs is regrettably limited, though this could be substantial and not limited to the impact on private demand that arises because of remittance transfers. Labaki (2006) focuses on the demand for consumption goods by Lebanese migrants, which allow domestic producers to broaden the basket of goods that they export, with an ensuing job-creation effect in the sectors that produce so-called *ethnic goods*, and in the trade sector. Similarly, Khelfaoui (2005) demonstrates that the exports of Algerian products towards Canada has increased because of local demand on the part of the Algerian Diaspora there, which has also contributed to the development of communication facilities, and the increasing use of Internet due to the frequent contacts between emigrants and their families.

Conversely, de Haas (2007) emphasizes the impact on the demand for labour in the tourism sector in Morocco, as migrants who have a legal residence permit in the country of destination return home for their holidays. Along the same lines, Labdelaoui (2005) argues that tourism has developed in Algeria as a result of the visits of emigrants during their holidays, and that this is becoming a matter of interest for the Algerian authorities.

#### 8.2 Return migrants and consumption patterns.

No empirical evidence has been gathered to see whether return migrants represent a relevant channel of transmission of consumption models from the countries of destination to AMCs.

However, we can advance a hypothesis based on the age of returnees: in section 3.2 we presumed that the transmission of consumption models through return migrants is more important the lower their age. Data from the MIREM project indicate that returnees in Maghreb countries are quite young: their average age is between 36 and 45 years. This is confirmed – for Tunisia – by the results of a survey on population and employment carried out in 2006, according to which the

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108 The transfer of cultural norms does not run just in one direction: the paper by Antecol (2000) analyzes the gender gaps in labour force participation rates across different migrant groups in the United States, and she finds that half of the variation in fertility behavior across first-generation immigrants is explained by the gender gap which prevails in the home country, while cultural assimilation is greater for the second- and third-generation of immigrants. This suggests that limited effects upon the labour market of migrant-sending countries can be expected in the early phases of a migration episode, while these effects clearly build up over time.

average age of return migrants is between 30 and 44 years (Fourati, 2008). Finally, ELMPS (2006) data shows that 35 percent of returnees in Egypt are less than 40 years old, and 35 percent are between 40 and 50 years old.

### 8.3 Remittances and consumption patterns

As we argued in section 2.1, the stimulus that migration – via remittances – brings to private demand produces substantial effects on the labour market only inasmuch as it is directed towards domestically produced goods and services. Regrettably, as Gallina (2006b) observes, there is limited information on the pattern of remittance used in AMC countries. Some information – albeit coming from a survey with a limited coverage – are provided by EIB (2006), which analyzed the distribution of remittances across alternative budget items in all AMCs but Palestine. Table 8.1 reports the main findings from this survey, which demonstrates that everyday expenses absorb most of the income arising from remittances, while limited resources are devoted to investments. Schramm (2009) provides evidence – for Tunisia, Morocco and Egypt – that suggests that basic consumption needs (food, heat and clothing), absorb most remittances.

**Table 8.1. Use of remittances in AMCs**

	Daily expenses	Payment of school fees	Building a house	Setting up a company	Investments	Other	Number of interviewees
<i>Algeria</i>	45	13	23	3	5	11	64
<i>Egypt</i>	43	12	18	-	15	12	31
<i>Jordan</i>	74	16	4	-	6	-	40
<i>Lebanon</i>	56	24	5	5	5	5	41
<i>Morocco</i>	46	31	16	-	5	2	40
<i>Tunisia</i>	-	23	34	2	16	25	40
<i>Syria</i>	61	11	8	-	-	20	49

Source: EIB (2006)

Still, the argument that most recipient households report that daily consumption needs absorb the greatest share of their remittance incomes does not suffice to dismiss the concern that remittances may fuel the demand for imported products.<sup>109</sup> An interesting – although admittedly extreme – case is represented by Algeria, where most of the remittances are transferred in kind rather than in cash, as migrants distrust the local financial system. Khachani (2004) argued that the value of goods imported by Algerian migrants who temporarily returned home on holidays was estimated at \$2.5 billion per year; needless to say, such a huge amount of resources fails to generate any job-creation effect, as they cannot be directly used for productive investments, being mostly in the form of consumption goods. By the same token, Nassar (2005) argues that Egyptian recipient households devote a sizeable part of remittances to accumulating hoards of valuable items, such as gold and precious stones, and this dampens the ensuing stimulus on the demand for workers.<sup>110</sup>

Real estate can also represent a sizeable store of value for recipient households: Fletcher (1999) demonstrates that in Tunisia emigration areas have experienced a remittance-induced sharp raise in

109 Note that respondents to these kinds of surveys always report that remittances are earmarked for basic consumption expenditures, although this does not suffice to rule out – given the inherent fungibility of incomes – the possibility that they actually lead to a significant reshaping of expenditure patterns.

110 Note that such behaviour can be linked to the temporary character of remittance incomes, and to the probability that such a flow might come to an unexpected end, because of the major fluctuations in the demand for immigrant workers in the Gulf countries.

real-estate prices, something that Vermeren (2001), quoted in Gallina (2006b), finds for the migrant-sending town of Nador in the North of Morocco, where the land prices increased more than in the surrounding areas. Labaki (2006) shows that a large part of the remittances sent to Lebanon in the 1980s was used for real-estate investments, buying land or houses. Nyberg-Sørensen (2005) observes a boom in the construction sector in the Rif region in Morocco, where 71 percent of migrant households buy land, or a house or repair old houses. Clearly, professions and wages related to the construction sectors benefited from this boom. According to de Haas (2007), the investments that migrant households make in real estate have several positive consequences in Morocco, where construction is one of the pillars of the economy and there is a persistent scarcity in the urban housing market<sup>111</sup>.

De Haas (2007), although admitting that the information available on the use of remittances in Morocco is limited, tries to formulate a hypothesis based on his detailed literature review<sup>112</sup>. According to the author, the uses for remittances change across the life cycle: at the beginning of the migration experience, migrants and their households spend for their basic necessities and for the housing (real investments have a peak 5-14 years after leaving); then they start to make investments in the agricultural sector; 25 years from the beginning of the migration experience, they use the savings to invest in a non-farming business. If this theory is right, we would expect that the older the migrant, the more likely he will be to invest in an economic activity (see section 9.1 for the links between remittances and investments).

The possibility that the demand stimulus brought about by remittances to AMCs could leak out to imports is strengthened by the limited industrial base of these countries, which went through a long period of import substitution industrialization. According to the World Bank (2008b), the share of the manufacturing sector in the GDP of AMCs ranges from 11.4 percent in Lebanon to 19.2 percent in Jordan, so that – especially as far as consumer durables are concerned – the demand is likely to be directed towards imported goods. Such an effect is strengthened once remittances lead to inflationary pressures, and to the ensuing appreciation of the exchange rate which makes foreign goods cheaper. This suggests that there might be a vicious circle operating here: migration is induced by the limited capacity of domestic labour market to absorb the domestic supply of labour, which is connected to the small size of the domestic industrial base, which in turn prevents the demand stimulus brought about by migrants' remittances from being directed to domestically produced goods, and thus lead to a sizeable job-creation effect.

In Palestine, as Hilal (2007) observes, “the daily work of commuting in and out of Israel and its settlements by a large percentage of the Palestinian labour force created and maintained a sizeable working class, but without creating its own bourgeoisie or business class”. A middle-class pattern of consumption has been created but without any accompanying impact on the Palestinian economy, which remained dependent on imported Israeli commodities. Palestinian workers, especially the ones living in the villages and in the camps, benefited from the jobs offered in Israel, but Palestinian industry, agriculture and basic infrastructure has been marginalized due to this dependence.

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111 De Haas (2003) finds that 71.1 percent of migrant's remittances are used in the real estate sector, 11.3 percent in the agricultural sector and 17.5 percent in non-agricultural enterprises. Kachani (2005) observes that in the INSEA survey on Moroccans living abroad, published in 2000, investments in real estate undertaken by migrants in the home countries amounts to 83.7 percent of all investments, while 7.5 percent is devoted to agriculture and 4.9 to the retail trade sector. Fadlollah et al. (2000) observe that the investments in the real estate have been so numerous that several villages have been transformed into towns.

112 In this paper the author tries to review all the literature that is not translated into English and that is not in the academic debate. This effort is extremely important and it permits us to have more information on the impact of migration on Morocco above all. Among his main references: Khachani (1998, 2002), Hamdouch (2000), de Haas (1998, 2001, 2003), Fadlollah et al (2000), Dhorte et al (2000), Bonnet and Bossard (1973), Bencherifa (1991, 1993), Popp (1999), Bencherifa and Popp (1990, 2000), Berriane (1996, 1997), and Refass (1999).

As far as remittances to Jordan are concerned, these have been representing an important income source since the 1980s: consumption levels of households with a migrant abroad have been high thanks to the remittances received. The residential activities and the import sector benefited the most from this inflow, but also the agricultural technology improved, determining an ensuing job-creation in this sector, together with the building and the service sector. The Jordanian government relied on remittances to sustain the Balance of Payments, and this revenue item has contributed to the creation of jobs in the public sector. The flip side of this coin was that, when remittances declined due to the political instability of the area, Jordanian public debt increased substantially, and this – via the ensuing reduction in the size of the public wage bill – led to a significant impoverishment of the middle class (Chatelard, 2004). Nevertheless, remittances from Jordanian migrants are still very important in sustaining the consumption level of recipient households, as remittances have steadily increased between 1994 and 2006 (Arouri, 2008).

#### **8.4 Social remittances and consumption pattern**

Though it is - to say the least – uncontroversial that the transfer of ideas exerts a powerful influence on the pattern of consumption in the areas of origin of the migrants, as social remittances have been found to influence much more deeply-rooted phenomena such as fertility choices in AMCs (see section 6.5), only limited systematic research has been conducted on this topic. As migration flows often follow previous colonial ties – as in the case of migration from the Maghreb countries to France – it is hard to assess to what extent the old colonial power would have exerted cultural influence even without the later migration flows.

### **9. Investments and entrepreneurial models**

#### **9.1 Remittances and investments**

It is well-known that is not possible to disentangle the analysis of the economic effects of remittances upon recipient countries from a proper understanding of the determinants of the underlying migration process (Taylor, 1999), as the same factors which induce people to migrate can prevent remittances from producing their full development potential. For instance, the use of remittances for productive investments crucially impinges upon the economic and institutional context in the migrant-sending areas, and a telling – albeit admittedly extreme example – of such a relationship has been presented in section 8.3, where we showed that remittances to Algeria are mostly transferred in kind rather than in cash.<sup>113</sup> This reflects the distrust of the migrants in the domestic financial system, and clearly hinders a direct productive use of remittances. Though remittances still allow recipient households to employ resources from other income sources for productive investments, such an outcome is unlikely when the basic preconditions for investments are not in place, a conclusion that has been advanced for AMCs by Lazaar (1996), Abdel-Fadil (2003) and Gallina (2006a).

The amount of remittances used for productive investments in some countries is not negligible: 30 percent of foreign capital that is invested in Syria comes from emigrants living in the Gulf (Kawakibi, 2009), in Morocco on average current and return international migrants invest respectively four and five times more than non migrants (de Haas, 2003), in Palestine migrants have invested a lot in their home countries after the Oslo accord (see below), and in Jordan remittances have always been considered extremely important for starting up a business (Chatelard, 2004)

Gallina (2006b) argues that – assuming that in the Mediterranean region between 5 and 7 percent of remittances are spent for productive investment in micro and small enterprises – between \$1.5 and \$2.1 billion is invested annually thanks to remittances. This low level of investments can –

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113 The only sector where Algerian emigrants invest their capital accumulated abroad is real estate (Khelifaoui, 2006).

according to Gallina (2006b) – be traced back to the lack of economic incentives for productively employing these earnings, which are mostly devoted to financing basic consumption needs, thus increasing recipient households' welfare. The limited evidence of a direct productive use of remittances goes against the fact that remittances can be just a temporary source of income, which economic theory predicts should not have a large effect on current consumption levels. The temporary character of remittance income is also compounded by its possible volatility, as migrants' ability to transfer resources back home is influenced by the ups and downs of the business cycle in the destination countries, which tend to be more pronounced for migrants to the Gulf, which are exposed to the major fluctuations in the world price of oil (Glytsos, 2001), and to a lesser extent for Western Europe. Still, as seen in section 8.3, households react to the temporary and possible volatile character of remittances by using them to buy up stores of valuables, rather than ensuring a longer lasting source of income through risky productive investments.

This rather pessimistic view of the impact of remittances on investments based on the micro evidence on the behavior of recipient households has been recently challenged in a paper by Billmeier and Massa (2009), who focus, instead, on the indirect effects of remittances on investments. Billmeier and Massa (2009) analyzes a panel of 17 countries in the Middle East and Central Asia, which includes Egypt, Jordan, Lebanon, Morocco and Tunisia, to test whether remittances contribute to the deepening of capital markets in these countries. The authors find that migrants' remittances have a strong impact on the level of capitalization of the stock markets in non-oil exporting countries, as they represent a source of private savings and they increase the liquidity that circulates in the economic system<sup>114</sup>. Such a conclusion suggests that the macro rather than the micro impact of remittances on investments can be relevant, and it also entails that the labour market effects of migration due to remittance-financed investments are not confined to migrant-areas.

The above argument is also corroborated by de Haas (2006), who shows that the use of remittances for investments in Southern Morocco has contributed to the diversification of the economic system, and the urbanization of the population. This specific example suggests that a country – not to mention the whole AMCs area – probably represents a unit of analysis that is unfit to gauge the actual impact of remittances on the labour market via productive investments, as there is also relevant heterogeneity within countries in the factors that mediate how the demand stimulus brought about by migrant transfers is matched by a supply side response.

Saad (2005) emphasizes the investments by Egyptian migrants based in France in the agriculture sector in the area of Beheira, and in the real estate sector in the Northern Coast or in Cairo. Fletcher (1999) also finds an increase in the concentration of land tenure in the hands of few households connected to migration, which has in turn led to an increase in unemployment in rural areas, a finding that is in line with what Saad (2005) observes in the Mid Bad Halawa village in Egypt.

Schramm (2009) observes that remittances to Maghreb countries give only a limited contribution to the development of entrepreneurial activities, which are mostly concentrated in the non-traded service sector, or in agriculture. Poor recipient households undertake small productive investments in cattle, in setting up a small retail shop, or in buying a car to be used as a taxi, while better off households opt for a restaurant or for a hotel. Provided that these activities are on a small scale, then the direct job-creation effects that they induce are mostly exhausted within the recipient household itself, which is likely to provide most of the required labour supply: still, Schramm (2009) argues that remittance-induced investments contributed as much as 2 percent of the total number of new jobs created in Tunisia over the 1997-2001 period. The bias of remittance-financed investments towards the non-traded sector was also found by Labaki (2006) for Lebanon, where the part of remittances which was not directed to the real-estate sector was used to invest in the retail trade or in a transportation activity.

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114 Kachani (2005) argues that migrants show an increasing interest in investing in the Moroccan stock market, a finding that is in line with the more general conclusion reached by Billmeier and Massa (2009).

This – admittedly incomplete – evidence suggests that the job-creation effects due to remittance-financed investments tend to be limited, and it could be fostered by the adoption of complementary public policies aimed at removing the institutional and economic disincentives to invest. Such an effort can hardly be expected to be undertaken by the migrants, as there is limited evidence of cooperative actions led by migrant associations (Gallina, 2006b). The collective mobilization of resource for investments in Morocco is scarce, and confined to a few cases, like the association of Moroccan migrants in Catalonia - which invests in agriculture development in Northern Morocco, and some social investments from Moroccan migrants to Southern France.

Hillal (2007) describes how investments by Palestinian emigrants were extremely important after the establishment of the Palestinian Authority. Banks and insurance companies opened in West Bank and Gaza, and a law to encourage foreign investments was passed and several activities – which were previously not allowed under the Israeli occupation – were created. In this phase. The role of expatriate Palestinian businessmen who had made their capital in the Gulf became very important for the country. But, starting with the military occupation of the West Bank in 2002, the uncertainty of investments in Palestine has again become a concern and this discourages the investments of migrants, providing a telling example of how the job-creation effect due to migration is highly dependent on the prevailing economic and institutional environment.

Zekri (2009) provides data on the number and typology of associations of Tunisian emigrants, showing that most of them explicitly pursue some sort of social objectives. The Tunisian government acknowledges the importance of these associations abroad to attract the capital of emigrants towards social investments in the country. Zekri (2009) also reports data on Tunisian investors residing abroad from the Agency of Industry Promotion: from 1988 to 2007, 43,912 jobs have been created thanks to investors from abroad, and around \$385 million have been invested in more than 10,000 projects, in particular in the service sectors: data comes from the Agency of Industry Promotion. The Tunisian government is aware of the potential benefits for the country from the investments of its emigrants. This is why it offers several advantages (also fiscal advantages) to the migrants who want to invest in Tunisia.

## 9.2 Return migrants and investments

As we observed in the introduction, when migration occurs predominantly on a temporary basis, then we need to focus on returnees in order to fully understand its impact on the labour market; one of the main regularities that is observed for return migrants – and AMCs make no exception in this respect, is that they tend to opt out of salaried jobs. A disproportionate share of return migrants opt for a self-employed occupations and the MIREM project shows that 27.7 percent of the sampled returnees to Algeria, Tunisia and Morocco became employers or independent workers, while 33.2 percent opted for a salaried occupation. McCormick and Wahba (2001) provide evidence that the duration of the migration experience and foreign savings increase the probability of becoming an entrepreneur upon return to Egypt, though a recent contribution by Wahba and Zenou (2008) has cast some doubts on this conclusion, as the loss of social capital that migration entails makes it harder for Egyptian migrants to set up a successful enterprise. Preliminary analysis of the data from the ELMPS 2006 reveals that a significantly larger share of returnees is engaged in an entrepreneurial activity, and – more interestingly – that the survival rate of the MSEs run by return migrants between 1998 and 2006 exceeded by 14 percentage points the corresponding figure for stayers.

**Table 8.1. Return migration and entrepreneurial activities**

	returnees	stayers	t-test	obs.
<b>Entrepreneurs in 1998, percent</b>	20.73	5.18	11.88**	17,361
<b>Entrepreneurs in 2006, percent</b>	27.37	8.38	11.68**	17,361
<b>Survival rate of entrepreneurial activities, percent</b>	84.04	69.93	2.36*	923
<b>College graduates among entrepreneurs, percent</b>	12.51	8.12	0.97	923
<b>Enterprises established after 1980, percent</b>	86.89	64.66	4.23**	923

Notes: entrepreneurs defined as individuals reporting to be either self-employed or employers, following McCormick and Wahba (2001); \*\* and \* denotes statistical significance at the 1 and 5 percent confidence level respectively.

Source: authors' elaboration on data from ELMPS (2006)

As the data from the MIREM project shows, the relationship from return migration and the occupational choice upon return depends on the employment status experienced in the countries of destination: the number of migrants from Morocco, Algeria and Tunisia who were self-employed in Italy was higher than the corresponding figure for migrants to France, who were less likely to opt for an entrepreneurial activity upon return, a choice that is also influenced by the on-the-job training received abroad. Also levels of integration in the host country matter: the more integrated are generally the ones who benefit more from the migration experience in terms of savings, but – as evidenced by Hammouda (2008) for Algeria – they are less likely to come back to the origin countries.

Clearly, also the economic and institutional environment which prevails at home matter, and the share of returnees who carry out some productive investments upon return is substantially lower in Algeria (17 percent) than in Morocco or Tunisia, where the corresponding share is above 40 percent, in line with the arguments described in Section 9.1. They mainly invest in small enterprises with less than 10 employees – with an ensuing limited job-creation effect. In line with the arguments by Wahba and Zenou (2008), social capital plays a key role: about 80 percent of investors report having received help from family or friends in the origin country. The sectors which attract most investments by returnees are: the wholesale and retail trade (36.0 percent), hotels and restaurants (17.9 percent), agriculture (17.5 percent), manufacturing (11.9 percent) and construction (16.3 percent). Trade is also the sector that attracts the majority of returnees from the Gulf in Syria (Kawakibi, 2008).

Sayre and Olmstead (1999) argue that returnees in Palestine after the Oslo accords invested mostly in the service and construction sector, but also, to a lesser extent, in the infrastructures and in the light manufacturing sector; the authors also observe that a large number of skilled migrants have been employed in the public administration sector and this led to an increase in inequality between families with migration experience and the families without such an experience.

### 9.3 Social remittances and investments

As far as investments are concerned, the single most relevant cultural effect of migration is probably the development of a banking culture (Schramm, 2009), as a larger share of the population in migrant-sending countries becomes familiar with financial services through remittance transfers. This, in turn, can create new opportunities to undertake productive investments.

A powerful channel of the transfer of cultural norms which can influence the choice of entrepreneurial models is represented by migrant associations, whose role in Syria, Morocco and Lebanon is discussed by respectively Dumont (2008), de Haas (2007) and Labaki (2006). The Lebanese government supports two public programs (TOKTEN, *Transfer Of Knowledge Through Expatriate Nationals*, and IDAL, *Investment Development Authority of Lebanon*) to favor the transfer of social remittances to migrant destination countries.

According to Khelfanoui (2006), the contribution of the North American Diaspora to the development of Algeria in terms of technological transfer is much more important than the financial one. There are a number of initiatives, both in the cultural sector and in the scientific sector with the aim of creating a partnership between intellectuals living abroad and those who remained in the origin country. ALASCO is an association for scientific cooperation that was born with this specific goal to arrange periodical visits of Algerian scientists working in US to meet Algerian colleagues. Moreover, partnerships have been created by the Government with the US Embassy, and with a University in Quebec, while in the fields of Information Technology, Human Resources and hydrocarbons have already produced cases of beneficial cooperation.

The Tunisian Government also shows an interest in the development of contacts with its *brains* abroad in order to expand the beneficial effects of skilled migration for the country: scientific conferences to establish relationships between the competences abroad and Tunisian Universities have been organized, and a Coordination Unit has been established in order to create a national strategy to use the knowledge of emigrants (Zekri, 2009).

## 10. Conclusions

Migration produces deep and far-reaching effects on the labour markets of Arab Mediterranean Countries, through an array of different - but closely intertwined - channels, which have been analyzed in this paper both from a theoretical and an empirical perspective. The complexity of the effects induced by migration, and the limited empirical evidence which has so far been gathered with respect to AMCs, entails that putting together the pieces of the puzzle that have been separately described in the previous section is a challenging task, which should not be expected to provide a neat and consistent picture. Some knowledge gaps – notably on the impact of migration on the level and the distribution of labour earnings – remain, and no conclusions can be drawn about them, but this paper has contributed to filling other gaps, collecting relevant arguments which have been put forward in different scientific disciplines.

There is no doubt that migration reduces the pressure on the labour market, thanks to demographic factors, and this is particularly true in small-sized AMCs. Moreover, migration can also exert an influence on these factors themselves, through the transfer of cultural norms from the countries of destination which reshape fertility decisions (Fargues, 2007b). This indirect – and admittedly medium-term – indirect effect can either strengthen or dampen the initial direct effect, depending on the cultural values that prevails in destination countries. This means that the countries of the Mashreq stand to benefit less than the countries of the Maghreb, whose migrants move predominantly towards the low-fertility European countries, and indeed – as the case of Morocco shows – the unemployment-reducing effect of migration can also induce a substantial internal mobility towards migrant-sending areas.

The influence of migration is uneven across skill groups, as the data – which also include non-OECD destinations – consistently show that the emigration rates from AMCs are higher for highly educated individuals. A review of, regrettably indirect, elements suggest that the prospect to migrate is unlikely to induce substantial increases in the private investments in education in AMCs – with the exception of Lebanon, Jordan and, to a lesser extent, Egypt – that would aggravate the problem of graduate unemployment. This suggests that the *brain drain* should not rank high among

the concerns of AMCs, which face notable difficulties in providing adequate employment opportunities to their most talented workers.

The reduction in unemployment is not just mechanically due to the reduction in the labour supply, but also to the influence that migration exerts on the behavior of the working-age population. Young individuals from AMCs who have access to migration networks have a higher propensity to migrate than the rest of the population, and this reduces their incentives to actively seek a low-paid domestic occupation. They devote their efforts, instead, to arranging their own migration project. The theoretical and empirical arguments revised in this paper cast serious doubts on the idea that migration can positively influence female participation in the labour market, which is notably low in AMCs. Migration, which is predominantly male, directly increases the demand for female labour in households with family-run economic activities, as this kind of job encounters a weaker cultural resistance – which can also be reinforced through the transfer of social remittances from destination countries – than waged female employment (Ennaji and Sadiqi, 2008). The demand for female employment within family-run economic activities can also be increased if migrant remittances are used to finance small-scale productive investments, while the effect of remittances on the incentives to seek out waged employment are reduced by the positive income effect they bring about. Furthermore, the opportunities to work outside the household is also constrained by the need to take care of the children left behind with the wife of the migrant. Though a woman may get some support for the care of the children from her relatives, this choice could further reduce her search for a job which is perceived as being detrimental to the social status of the family. This means that migration out of AMCs has, in the short-run, a limited positive – and possibly even negative – effect on female participation on the labour market, which is mostly produced within family-run economic activities. Things *may* change in the medium to long term, provided that social remittances contribute to reduce social resistance towards active female engagement in the labour market.

The labour markets of AMCs also respond to the effects that migration produces on their demand side, and the available evidence on the influence of migration on the patterns of consumption suggests that a non-negligible part of the demand stimulus brought about by migrant remittances leaks out towards foreign-produced goods – especially for the smaller countries with a limited manufacturing sector, while the domestic job-creation effect is predominantly limited to low-skilled occupations. The demand for real-estate investments systematically experiences a boom in migrant-sending areas, and this gives rise to a boom in the construction sector, where new job opportunities emerge. Though this partial effect is positive, it should also be considered as revealing of the lack of opportunities for migration-financed productive investments, which could produce a greater and longer-lasting effect in term of demand for labour. The evidence on the effects of migration – mostly via remittances – on investments is limited and mostly anecdotal, while evidence on the effect of return migration on investments in AMCs, which appeared to be one of the most beneficial effects of migration upon the origin countries, is still limited, and controversial. Moreover, return migration to the region – and most notably to the Mashreq countries – has often been induced by political instability in the countries of destination, so that it has represented a destabilizing factor for the labour market in the origin countries.

There are some promising signals that remittances to AMCs are stimulating the deepening of the credit and equity markets. This could ease the set-up of new enterprises, which is threatened by an unfavorable institutional and economic environment, one of the root causes of migration. When economic migration is determined by the scarcity of investment opportunities, rather than by the lack of financial resources to undertake them, then migration *per se* can hardly be expected to generate these missing opportunities.

Though we have been able to advance some tentative conclusions, there are various labour-market outcomes that need to be further analyzed before the puzzle of the impact of migration on AMCs can be better understood. This paper has laid out a possible analytical framework that could guide

future research on the effects of migration on the labour market of Arab Mediterranean Countries, which should not be restricted to the economic domain, as any economic effects are profoundly shaped by migration-induced social and cultural transformations.

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## **Chapter III – Thematic Background Paper**

# **EU migration policy towards Arab Mediterranean countries and its impact on their labour markets**

Alessandra Venturini

Tamirace Fakhoury

Nathalie Jouant

RCAS, European University Institute

## Abstract

The paper proposes to analyse to what extent emerging EU common immigration policy, including the EU's new "Global Approach to Migration" can match the Euro-Arab Mediterranean labour market's needs and demands while fostering and consolidating cooperation in the Euro-Arab Mediterranean context.

To this end, the paper outlines and assesses, in its first section, the gradual emergence of a harmonised EU framework on economic migration. More particularly, it sheds light on the general context of EU migration policy, probes into the development of a common labour migration strategy, and then analyses the nexus between the Global Approach to Migration and economic immigration policy since 2005.

In the second section, the paper reassesses the current tools and instruments aimed at implementing the Global Approach to Migration and examines whether they are applicable to Arab Mediterranean Countries. It discusses in detail the dynamics and trends of highly-skilled migration in the Euro-Mediterranean context and evaluates the pertinence and added value of the Blue Card. It also looks at how temporary migration schemes and integration policies might evolve into viable instruments while incorporating the Global Approach into the Euro-Arab Mediterranean context.

In the third section, the paper evaluates whether and to what extent the Euro-Mediterranean Partnership, as a multilateral framework for relations between the EU and Arab Mediterranean Countries, has integrated migration issues, and to what extent the European Neighborhood Policy, which gave new impetus to the Euro-Mediterranean Partnership, embodies at bilateral and regional levels the Global Approach to Migration.

In its final part, the paper offers some conclusions regarding EU labour immigration policy and its potential and expected impact in Arab Mediterranean Countries. Moreover, it highlights some recommendations and policy options for reinvigorating present tools and policy tracks in the Euro-Arab Mediterranean region. More precisely, the paper recommends the emergence of clearer migration orientation line at the EU level with a view to adopting a more coherent and consensual approach towards Arab Mediterranean Countries. It also advocates refining and improving the *comprehensiveness* as well as the *specificity* of the Global Approach to Migration by developing certain tailored policies to the region and devising specific institutional and legal tools adapted to EU-Arab Mediterranean labour mobility. Moreover, the paper advocates *the contextualisation* of the Global Approach to Migration at a bilateral level between EU member states and Arab Mediterranean Countries and recommends monitoring current and previous bilateral experiences so as to evaluate costs and benefits as well as extract best practices for cooperation.

## Highlights

The paper discusses to which extent emergent EU labour and immigration policy developments in conjunction with EU's Global Approach to Migration (GAM) can match the Euro-Arab Mediterranean labour market's needs and demands. Moreover, it assesses against which policy, economic and legal benchmarks cooperation mechanisms and opportunities in economic migration and mobility could be developed and consolidated.

The Euro-Arab Mediterranean context is currently the theatre of groundbreaking opportunities in the field of migration. It is noteworthy that the Global Approach to Migration takes into consideration important realities at work in the Euro-Mediterranean region and has a particularly promising potential. In addition, the current nexus between the European Mediterranean Partnership and the European Neighbourhood Policy (ENP) could serve as an institutional platform that integrates the GAM objectives, hence paving the way for more proactive cooperation patterns in the migration field.

Notwithstanding this favourable context which predisposes the two shores of the Mediterranean towards more cooperation, **the following objectives at EU, Euro-Arab Mediterranean and bilateral levels are still to be attained:**

- Striving towards more policy convergence at the EU level and in the Euro-Mediterranean context;
- Encouraging the emergence of proactive patterns in immigration/emigration policies in the Euro-Mediterranean region;
- Developing a more symmetrical “needs- and demand-based” economic migration approach in the EU-Arab Mediterranean context;
- Refining the GAM and ensuring its comprehensiveness and inclusiveness potential;
- Assessing the efficiency and adequacy of instruments envisaged by the GAM , and how, if duly implemented, they could, indeed, respond to the needs of both sides of the Mediterranean;
- Encouraging more skilled migration in the Euro-Arab Mediterranean and devising tailored policy and legal instruments to this end.

More particularly:

- Empowering institutions and legal channels addressing the recruitment of labour on both sides of the Mediterranean;
- Easing access to work permits in the EU space and inside the EU;
- Encouraging visa and institutional policies that favour temporary patterns of migration and mobility;
- Refining temporary migration programs and making them more attractive by guaranteeing social rights and the portability of benefits even if such programmes are only part and parcel of a wider labour strategy;
- Improving the recognition of educational degrees in the EU and creating more institutional and legal synergies between academic institutions from either side of the Mediterranean;
- Concretising and contextualising the GAM by

1. Initiating bilateral and regional consultative processes (RCPs) on how to launch as well as implement mobility partnerships and circular migration schemes in the Euro-Arab Mediterranean countries;
2. Giving prominence to bilateral initiatives which match the GAM objectives between EU member states and Arab Mediterranean Countries;
3. Monitoring current bilateral experiences in the Euro-Mediterranean context and identifying positive gains and outcomes so as to enhance and encourage prevailing and future cooperation mechanisms.

## Introduction

At the end of the 1990s, empirical research and policy debates revolving around the effect of emigration on the economic development of origin countries received additional impulses.

Until that time a common consensus had prevailed: the impact of migration on economic development was considered more positive than negative, and was thought to be the result of two divergent forces. The first negative force was brain drain which not only involved the departure of educated migrants, but also the natural selection of the most brilliant and risk-prone among the pool of potential migrants. The positive force was remittances which were considered to be beneficial both for the aggregate economy and for the migrant's family (Kapur 2005, Adam and Page 2005). It was commonly argued that remittances alleviated poverty, increased schooling levels and reduced child labour and were useful for the sending country's balance of payments. Moreover, the debate concentrated on the likely profitable use of remittances, mostly employed in consumption and for buying a house or a piece of land, and only partially for productive investments. Policy interventions tried to favour the allocation of remittances in more productive assets by granting loans to start a business or to buy a house even before the migrant's return to the origin country.

Two lines of research have, however, cast doubt on this common vision pertaining to the effects of migration on the origin country: on the one hand, the negative effect of brain drain and, on the other, the positive effects of remittances were both questioned.

The "brain drain-brain gain" literature (Stark, Helmenstein and Prskawetz 1997, 1998; Mounford 1997; Beine M, Docquier F., Rapoport H., 2001, 2003) shows how the augmented probability of successful emigration among the more educated stimulates investment in education among potential migrants. The result is an increase in the number of educated workers in the origin country. While part of this labour force will eventually migrate, a more educated labour force, beneficial to the growth and long-term development of the country, will remain in the country, and thereby attract foreign investments.

The other strand of literature highlights the negative effects of remittances on short- and long-term growth (Chami et al 2005). The negative effect consists in reducing the incentives for participation in the labour market and hence brings about a subsidized economy.

Nevertheless, it is noteworthy that whereas empirical evidence on the second point exists, evidence revolving around the brain gain effect is very limited (Faini 2006). Thus, a widespread view is that migration is good for the migrant and for his/her close family because it alleviates their poverty, but it is not positive in the long run either for the migrants' relatives or for their country. By creating a subsidized economy, it forces future workers to follow emigration patterns as employment prospects in the origin country remain slight.

In the light of these doubts, the compromise on which the migration policies of the above-mentioned destination countries was based was no longer valid. Permanent migration was accepted by destination countries even if they "wanted labour more than people". Still, in many instances, various difficulties in migrant integration both in society and in the labour market were striking. Also, some third-country nationals were more successful than others in integrating into the society of destination countries. The long-term costs that the host country had to bear in integrating foreign migrants were compensated for, it was believed, by short-term benefits in the goods' market.

Furthermore, host countries had already many problems induced by immigration: competition in the labour market (no significant evidence exists on negative effects caused by migration on native wages and only weak evidence exists on its effects on native employment); the cost for the welfare state (no evidence of welfare shopping, evidence of a larger than average use of welfare, but not if the individual characteristics of the migrants are considered) and assimilation (significant evidence that they do not economically assimilate with natives) which results in difficult economic and social

integration.<sup>115</sup> Thus, the North had the need to revise its immigration policy. New evidence related to the negative effect of permanent migration in the sending countries offered the opportunity to revise migration policies to give more legitimacy to an approach whose pillars rest on satisfying the destination countries' labour demands whilst solving the permanent migration dilemma.

The "Global Approach to Migration",<sup>116</sup> promoted by the European Union (EU), could, in our opinion, match this new spirit of cooperation provided it develops and follows up with concrete instruments to enhance a three-way approach redefining the movement of people in origin and host countries, and hence providing a better response to pending challenges and bringing benefits to all participants in the migration process: the non-migrants in the origin and host countries, and the migrants themselves.

Still, the underlying proviso is that migration has to be a positive sum game and that some of the previous habits have to be altered. The fact that the European Council declares that "both challenges and opportunities of migration for the benefit of all is one of the major priorities for the EU at the start of the 21st century" (European Council Conclusion December 2006) shows that changes are indeed taking place in the way that migration policy is shaped. So the 2006 European Council stresses the need to give "consideration to how legal migration opportunities can be incorporated into the Union's external policies in order to develop a balanced partnership with third countries adapted to specific EU Member States' labour market needs", and to explore "ways and means to facilitate circular and temporary migration...".

These preliminary statements notwithstanding, it is important now to better understand how current political, institutional and legal elements in the Euro-Arab Mediterranean context could converge so as to define the premises and applicability of the Global Approach Paradigm. It is worth noting here that mobility trends induced by legislation, which previously constrained the migrant's natural propensity to circulate freely, need to be revised in the light of new incentives. Hence, an assumption that has to be verified is whether promoting temporary migration could mitigate spontaneous illegal migration, reduce brain drain and contribute to eliminating the subsidized economy effect. Furthermore, more efforts should be invested in assessing whether international cooperation – in this case, EC/EU relations with the southern shore of the Mediterranean – might not foster a more positive climate for such a change.

In the light of these observations, this paper proposes to analyse to what extent the new orientation guidelines in the EU immigration and labour policy can match Arab Mediterranean countries' (AMC) labour markets and, more generally, their development needs. To this end, the paper will outline and assess, in the first section, the gradual emergence of a harmonised EU framework on economic migration. It will describe the general context of EU migration policy, dwell on the development of a common labour migration strategy, and then analyse the nexus between the Global Approach to Migration and economic immigration policy since 2005. This section will also analyse if and to what extent the new Global Approach is – at least in theory – an integrative process that could adequately meet the needs and demands of the Euro-Arab Mediterranean zone while providing a viable ground for a comprehensive dialogue on economic migration.

In the second section, the paper will reassess the current tools and instruments aimed at implementing the new "Global Approach to Migration" and will ask whether they are applicable to Arab Mediterranean countries. It will particularly discuss the pertinence, implementation and "added value" of highly-skilled migration and the Blue Card Directive, temporary migration and integration policies as viable instruments to embody the Global Approach in the Euro-Arab Mediterranean context.

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<sup>115</sup> See the OXREP 2008 monographic number vol 24, 3 or Venturini A., 2008, ILO

<sup>116</sup> On the necessity of developing a real "Global Approach to Migration" see the European Council Conclusions of December 2005 and the appendix "Global approach to migration and Priority Actions focusing on Africa and the Mediterranean". But the content of the conclusions are quite weak with regard to the Global Approach concept. For a more developed approach see: European Council Conclusions, December 2006 and the Commission Communication, "The Global Approach to Migration one year on: Towards a comprehensive European migration policy", COM (2006)735

In the third section, the paper will assess to what extent the Euro-Mediterranean Partnership, as a multilateral framework for relations between the EU and Arab Mediterranean countries, has integrated migration issues, and whether the European Neighborhood Policy, which gave new impetus to the Euro-Med partnership, incorporates, at bilateral and regional levels, the “Global Approach to Migration”.

In its final part, the paper will offer some conclusions regarding EU labour immigration policy and both its potential and expected impact on Arab Mediterranean countries. Moreover, it will recommend some ways to reinvigorate present tools and will suggest new tracks for EU-Mediterranean policy developments. It will furthermore hint at policy options that could be used for the sound management of mismatches between labour supply and demand and for the elaboration of more balanced relations between the EU and the Arab Mediterranean in migration and labour policies.

## 1. EU migration policy - How have labour policy considerations emerged?

### 1.1 The general context

This section focuses mainly on the development of a common EU migration policy and shows how the recent EU labour policy framework emerged in the light of the Lisbon Agenda (2000).

The term “common European migration policy” is the outcome of a long period of development with three main phases: a significant lack of cooperation in migration-related issues at the European level gave way to informal, then formal intergovernmental cooperation culminating in the communitarisation of asylum and migration policy with the Treaty of Amsterdam in 1999.

Generally speaking, factors that have motivated EU member states to coordinate in the field of migration policy are related to the increase in challenges posed by mounting migration pressures,<sup>117</sup> labour-market demands, and the necessity of cooperation in the wake of increasing EU integration and enlargement drives. Since the inception of the EU, major efforts have been invested in ensuring the cohesiveness of European countries’ legislative and policy frameworks with a view to harmonising migration policy areas and, consequently, to transferring state competences to the community level. The extent to which such harmonisation attempts have succeeded will be assessed at a later point in this section.

It is of capital importance to note in this regard that EU integration and the suppression of internal border controls have prompted an increasing need for a common migration policy and a common labour strategy to deal with external and internal pressures.

Although the Treaty of Rome establishing the European Economic Community in 1957 did not provide for any explicit policy in migration, it provided for freedom of movement for workers (article 48 and 49) and for the foundations of a common economic space (Kicinger and Saczuck: 2004, 9).

Another impetus for cooperation on migration policy within the EEC was the Single European Act in 1986 which set as a goal the establishment of a market without internal frontiers ensuring the free movement of capitals, goods, persons and services. Against the background of increased mobility, free movement and the suppression of internal border controls, closer coordination in migration among European states became imperative.

The Schengen Agreement concluded in 1985 (followed by the Schengen Implementing Convention in 1990) came into force in 1995. This Convention abolished controls at the EU’s internal borders and provided for some additional measures related to visa issues, asylum and police. Although the

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<sup>117</sup> Notably the increase in irregular migration, the need to manage migration flows and mobility as well as the free flow of workers, human trafficking, and socio-economic costs of asylum.

Schengen Agreement refers to third-country nationals and to frontier crossings, it leaves more intricate issues related to residence permits and citizenship to national governments.<sup>118</sup>

## 1.2 The development of a labour migration strategy in the framework of the EU common migration policy (1992-2005)

A pivotal moment in the development of a common EU migration strategy was the signing of the Treaty of Maastricht in 1992. The latter established the right of EU citizens to move and reside freely in a common space. Its major breakthrough was that it integrated intergovernmental cooperation on immigration and asylum-related issues into the third pillar of the EU (Justice and Home Affairs). While this treaty enhances freedom of movement for EU citizens, it makes clear that third-country nationals are not to be beneficiaries of these developments and that issues related to immigration and asylum will be dealt within the third pillar.

At this stage, cooperation in migration-related issues remained intergovernmental as EU member states were disinclined to transfer national competences and decision-making to the community level.<sup>119</sup> It became clear though – despite this disinclination – that the elaboration of a common European migration policy was not achievable without the communitarisation of some national competences.

The Amsterdam Treaty, which came into force in 1999, marked the beginning of the era of communitarisation in EU migration, and provided the foundations for the current migration policy-making at the EU level.<sup>120</sup> Areas pertaining to immigration, asylum and to the free movement of persons were transferred from the third to the first EU pillar (community level). The main impetus underlying the treaty was that with the creation of an area without internal borders, there was an obvious need to devise common frameworks regulating external border crossings, asylum and immigration. From an analytical point of view, the Amsterdam Treaty laid the foundations for certain legal frameworks in the domain of legal migration and stated that employment is a matter of high salience. But the Treaty does not provide clear measures pertaining to labour migration,<sup>121</sup> nor to long-term border crossings.<sup>122</sup> In short, the legal foundations regulating labour migration remained rudimentary at this stage.

Considered as the cornerstone for a common European immigration and asylum system, the Special Tampere European Council (1999) adopted various policy orientations and priorities in the four realms: partnerships with countries of origin,<sup>123</sup> the development of a common EU asylum system, the fair treatment of third-country nationals, and the management of migration flows.

It should be noted that the EU was more concerned at this stage with consolidating the pillars for migration management with a view to creating “a genuine European area of justice”<sup>124</sup> than with focusing intently on a common labour strategy arising out of migration flows.

A common thread linking the development of the EU’s migration policy and a common labour market is the Lisbon Strategy, 2000.<sup>125</sup> Since this date, increasing attention has been given over to

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118 It was only in the Dublin Convention (1990) signed as an intergovernmental agreement that the first foundations for further legislation concerning asylum claims within the EEC were established.

119 Thus, although the Maastricht Treaty started the process of harmonization among EU countries, diverse national legislative frameworks in the area of migration were still predominant.

120 The Treaty of Amsterdam foresaw a five-year transitional period (May 2004) in order to delegate power to the Community level in major migration matters.

121 See article 63, 3 (a) of the treaty available from

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2006:321E:0001:0331:EN:pdf>.

122 This is relevant to the movement of third-country economic migrants.

123 In the wake of the Tampere programme, regulations and partnerships making sure that migration becomes a main and overarching element in policy-making dialogue within the EU and between the EU and origin countries were put in place. We cite for instance, Regulation no. 491/2004 of the European Parliament and of the Council of 10 March 2004 which established a programme for financial and technical assistance to third countries in the realms of migration and asylum (AENEAS).

124 See Tampere European Council 15 and 16 October 1999, presidency conclusions available on [http://www.europarl.europa.eu/summits/tam\\_en.htm](http://www.europarl.europa.eu/summits/tam_en.htm).

relating integration policies to employment and labour, examining immigration in the context of demographic ageing and skill shortages, and devising policies that take legal migration channels to respond to labour needs into consideration.

Hence, in March 2000, the Lisbon European Council fixed full employment as a long-term objective to foster EU economic growth.<sup>126</sup> The Lisbon agenda is thought to have devised a new approach to the European social and economic agenda by confirming that jobs were a key element to sustainable EU development and economic competitiveness.<sup>127</sup> In this framework, it became evident that to maximize labour supply and reach these ambitious employment rate targets, the European Employment strategy<sup>128</sup> should take into consideration the labour and economic features of immigration, and that these features should be considered as a strategy that could encourage skills and mobility. In its Communication on a *Community Immigration Policy*, in 2000 the European Commission underlined that more attention should be given to the potential contributions of third-country nationals in the EU labour market and that “channels for legal immigration to the Union should now be made available for labour migrants.”<sup>129</sup> The Communication called furthermore for the detection system for any labour shortages, in both skilled and unskilled domains, that might hinder EU competitiveness on a global scale, and called for a new look at the appropriateness of past immigration policies, and for the development of a coherent community immigration policy.

In December 2000, the Nice European Council, which launched the Social Agenda (2000-2006), stressed the issue of quality as a fundamental objective of European Employment Strategy, and called for more coherence across EU pillars and dialogue so as to address labour-market challenges. Moreover, in March 2002, the Barcelona European Council, which called for a reinforcement of the EU Employment Strategy, fixed objectives targeting the promotion of skills and mobility across the EU and called for the setting up of policies for full employment.

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125 It is however worth keeping in mind that one impetus which has prompted the development of a common European migration policy was the establishment of the freedom of movement of labour which goes back to the Treaty of Rome in 1957. In fact, the need for a consistent labour migration strategy at an EU-wide level is one of the pivotal points which inspired the development of several legislative and policy-making measures so as to ensure and regulate labour force mobility. After the establishment of the European Union, priority was given to policy-co-ordination at the European level and to the necessity of developing national employment policies that match European interests. Since then, EU's socio-economic agenda has increasingly focused on the development of a community-based labour market.

126 Communication from the Commission to the Council and the European Parliament on a Community Immigration Policy, Brussels 22.11.2000, COM (2000) 757 final. For more information, see the Employment Guidelines for 2001, <http://europa.eu/scadplus/leg/en/cha/c10240a.htm>.

127 For an account on the Lisbon agenda, see Edward Bannerman, “The Barcelona European Council”, Centre for European Reform, Policy Brief, [http://www.cer.org.uk/pdf/pb\\_barcelona.pdf](http://www.cer.org.uk/pdf/pb_barcelona.pdf).

128 The Luxembourg European Council in November 1997 launched the European Employment Strategy (EES), also known as ‘the Luxembourg process’ whose aim is to reform the EU economic agenda and meet challenges posed by the labour market’s needs and demands. The Lisbon strategy was a further step in this direction. The objectives fixed by this strategy revolve around full employment, quality of work and productivity.

129 Communication from the Commission to the Council and the European parliament on a community immigration policy, Brussels 22.11.200, COM (2000) 757 final, p. 3, available from <http://www.statewatch.org/docbin/com/30.00757.pdf>.

Although the EU Commission highlighted the necessity of linking EU competitiveness with labour migration and providing more rights to third-country nationals, this proposal – although duly acknowledged by the EU Council – did not result in immediate concrete action.<sup>130</sup> Another important point to highlight is that since decisions relating to migration were taken on a unanimity basis, controversial issues that did not enjoy full consensus were relegated.

The Seville Council in 2002 focused on fighting against irregular migration and stressed readmission, hence emphasising member states' preoccupations with migration governance and security issues rather than with economic immigration. The Conclusions of the Council aimed specifically at incorporating third countries as EU partners in migration management. Thus, the conclusions urged that EU cooperation with third countries include a clause entailing joint migration management, and readmission in the case of illegal migration.

However, the Thessaloniki European Council in 2003 tones down this approach. In addition to stressing the necessity of creating common frameworks on visa policies and documents of third-country nationals, the council focuses explicitly on integration policies, and argues that migrant integration leads to social cohesiveness and welfare.<sup>131</sup> Nevertheless, there is no emphasis on creating new legal migration channels, and focus is directed towards the integration of existing migrants.

On the other hand, more emphasis is laid – especially in the communications of the European Commission – on strengthening the link between labour migration and integration policies, whilst taking into account the EU's job and skill shortages: integration becomes “even more important and topical today as the economic and social aspects of demographic ageing become more significant”. Hence, “access to the EU employment market for immigrants and refugees” now embodies “an essential component of the integration process.”<sup>132</sup>

Another important development was the Green Paper adopted by the EC on an EU approach to managing economic migration which aims at convincing EU institutions, EU member states and civil society actors of the positive impact of recruiting third-country nationals.<sup>133</sup> The Hague Programme,<sup>134</sup> adopted in 2004 and active until 2010, further stresses the need to develop policies for the integration of legal migrants. Employment is specifically recognized as a key prerequisite for the integration of third-country nationals.

Assessing these developments we conclude that a milestone in the development of a common EU migration policy and associated labour considerations is the gradual – albeit precarious – linking of EU labour strategy with migration and integration policies. In the light of these attempts at reforming the EU economic agenda, it was inevitable that the link between immigration and employment needed to be enhanced and that reducing employment gaps in the EU meant devising immigration and integration policies tailoring EU needs. In order to increase and manage the freedom of movement of labour, more effort had to be made to ensure the existence of rights and facilities “by community law” (Vandamme: 2004, 441). This is why more sophisticated legislative instruments were devised in order to regulate labour movement and to give access to employment

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130 In 2001, the Commission adopted a proposal for a Directive dealing with “the conditions of entry and residence of third-country nationals for the purpose of paid employment and self-employed economic activities”. However, the directive has not been adopted.

131 The Communication on immigration, integration and employment consecrated the need for developing a common migration governance approach so as to address the needs of the European labour market. See for instance, Commission issues Communication on immigration, integration and employment, 2003,

<http://www.eurofound.europa.eu/eiro/2003/07/inbrief/eu0307201n.htm>.

132 Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions on immigration, integration and employment( COM/2003/0336 final), [http://ec.europa.eu/justice\\_home/fsj/immigration/integration/fsj\\_immigration\\_integration\\_en.htm](http://ec.europa.eu/justice_home/fsj/immigration/integration/fsj_immigration_integration_en.htm).

133 European Commission, Green Paper on an EU approach to managing economic migration, (COM (2004) 811 final, Brussels, 1.11. 2005).

134 The Hague Programme outlines 10 objectives for the European Union so as to strengthen the area of freedom, security and justice in the next five years. For more information, see “The Hague Programme: 10 priorities for the next five years” [http://europa.eu/legislation\\_summaries/human\\_rights/fundamental\\_rights\\_within\\_european\\_union/116002\\_en.htm](http://europa.eu/legislation_summaries/human_rights/fundamental_rights_within_european_union/116002_en.htm).

in the framework of migration and integration.<sup>135</sup> The Directive providing for free movement of third-country nationals who have acquired long-term resident status (2003/109) is thought to be one of the instruments which have increased “the pressure on the EU to move towards a common position on economic migration” (Guild: 2007. 1).

Despite these developments, while progress is made on the integration of third-country migrants working within the EU, a structured labour-migration strategy targeting legal economic immigration and the first entry of third-country migrants for employment activities faced much resistance in the EU Council. Therefore, a more concrete approach on how the latter could benefit EU economic competitiveness remains underdeveloped. This was particularly evident in the following illustrative cases.

In July 2001, the Commission presented a proposal drafting conditions and rules of admission for the entry and residence of migrants for the purpose of paid employment and self-employment activities.<sup>136</sup> Nonetheless, the Commission had to withdraw this proposal in 2006.

The difficulty of adopting common legal positions with regard to labour migration among member states was particularly conspicuous in the Hague Programme (Carrera: 2007, 4). Indeed, the European Council made clear at this stage that labour immigration was a national competence and that adopting common legal positions with regard to labour migrants was still far-fetched. Also, in 2007, the Commission proposed the adoption of a common sanctions for employers recruiting third-country nationals without employment permission in 2007. Yet this proposal faced strident opposition and has not been adopted. 137

In sum, the European Commission’s emphasis on developing a common labour migration framework has been at odds with the desire of EU member states to retain their prerogatives in this sphere and to resist a communitarian policy which would circumscribe or curb national decision-making. These inherent tensions at the EU level not only hindered the elaboration of a common EU labour strategy, but have indirectly got in the way of identifying and responding to labour-market needs in the Euro-Mediterranean region.

### 1.3 The interconnectedness between the Global Approach to Migration and economic immigration since 2005: an integrative or partial process?

Since 2005, the interconnectedness between establishing and regulating legal migration channels, a more holistic approach to migration, and a more coherent EU labour strategy with regard to economic immigration have all been stressed, especially by the European Commission which has actively promoted the “Europeanisation” and the “continuous reinvention of the European strategy” in the domain of regular migration (Carrera, 2007: 3).

On the one hand, more attention is paid to the need to regulate migration flows in order to fight irregular migration and address challenges linked to European demographic gaps and their repercussions on labour markets. For instance, in December 2005, the Commission issued a *Policy Plan on Legal Migration* which further set out the roadmap that the EU would embark on in order to concretise the Hague Programme.<sup>138</sup> The policy plan explicitly addresses policy features and

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135 Legal instruments are devised to recognize rights such as access to employment and to education/training, and equality of treatment. See for instance council directive 2003/86 on the right to family reunification, council directive 2003/109 concerning the status of third-country nationals who are long-term residents and council directive 2004/83 on minimum standards for the qualifications and status of third country nationals. EU legislation on anti-discrimination also endorses this framework (directives 2000/43/EEC, directive 2000/78/EEC).

136 European Commission, “proposal for a Council Directive on the conditions of entry and residence for the purpose of paid employment and self-employment activities”, COM (2001) 0386 final, Brussels,

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2001:0386:FIN:EN:PDF>.

137 “Proposal for a Directive of the European Parliament and of the Council providing for sanctions against employers of illegally staying third-country nationals ” COM (2007) 249 final, Brussels,

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007PC0249:EN:NOT>.

138 European Commission, Policy Plan on Legal Migration (2005)1680,

legislative measures related to economic migrants<sup>139</sup> such as the conditions of entry and residence of economic migrants. More specifically, it puts forward five legislative proposals on economic immigration and divides economic migrants into four categories: highly qualified workers, seasonal workers, remunerated trainees and intra-corporate transferees. It also encourages circular migration as a strategy that responds to “labour needs in Member States while contributing, through eventual return, to the development of countries of origin and offering skills and other gains to participating migrants.”<sup>140</sup>

On the other hand, there is increasingly a sense that a common EU migration policy must encompass the needs of origin countries and should resort to new cooperative mechanisms which are founded more on a global than on a solely EU-based approach.<sup>141</sup> This is why the *Global Approach to Migration* in December 2005 highlights the need for a multilateral path as migration patterns have defied geographical and narrow institutional arrangements. The document draws attention to “how best to share information on legal migration and labour-market opportunities”.<sup>142</sup> However, it is disputable on which grounds this approach is “global”: in its geographic scope, or in the sense that it intends to take into consideration the interests of all parties or all the stages of the migration process, including the root causes of migration? If this is the case, and, however, enlightened this approach may be, concrete instruments that encompass these objectives are precariously defined and are at least partially missing. In the following paragraphs, the main shortcomings of the Global Approach as a framework that could provide an adequate platform for the Euro-Arab Mediterranean zone will be briefly outlined. This critical appraisal is very important inasmuch as it allows us to ascertain why this approach needs to be refined in helping manage labour and migration exigencies.

Upon analyzing the 2005 approach to migration which puts forward legislative proposals revolving around four categories of economic migrants (highly-qualified workers, seasonal workers, remunerated trainees and intra-corporate transferees), one is first inclined to inquire whether the Global Approach to Migration only partially addresses economic migrants’ profile and flows, and whether it would really be able to lay the foundations for a holistic approach dealing with all economic emigrants, including those low and the medium-skilled who are not seasonal workers. It is clear that the inherent tensions at the EU level, and more precisely, the tensions between the EU Commission and the EU member states, partly explain and justify the incompleteness of the approach. Still, it is striking that the approach as it has been defined to date cannot provide a comprehensive mechanism that responds to all migration imperatives and realities in the Euro-Arab Mediterranean zone.

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[http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005\\_0669en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005_0669en01.pdf).

139 This communication envisaged, for the period from 2007 to 2009, the adoption of four specific directives on labour immigration which tackle simplified admission procedures and conditions for certain categories of migrants: highly skilled migrants, seasonal migrants, remunerated trainees and intra-corporate transferees.

140 European Commission, “Policy Plan on Legal Migration” {SEC(2005)1680,

[http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005\\_0669en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2005/com2005_0669en01.pdf), p. 24.

141 This approach draws upon the importance of developing a global approach that would highlight cooperation among regions. See Antoine Pecoud and Paul de Guchteneire, “Introduction: the Migration without Borders Scenario,” p. 25 in *Migration without Borders: Essays on the Free Movement of People*, (UNESCO-Bergahn books).

142 See “Global Approach to Migration: Priority Actions Focusing on Africa and the Mediterranean”, <http://register.consilium.eu.int/pdf/en/05/st15/st15744.en05.pdf>.

In a wider perspective, whilst studying the evolution of the EU common labour and migration strategy that culminated in the Global Approach to Migration, it must also be asked to what extent the origin countries' needs have been taken into consideration in drafting the major milestones of EU migration policy. In fact, though promising, the Global Approach is not presently endowed with sufficient components to remedy both policy gaps in the origin countries and *the root causes* of migration. It is important to recall here that the European Council, in its conclusions regarding a comprehensive European Migration policy in 2006, underscored the fact that: "the migration and development agenda will be intensified by increasing coherence between the Union's various policies, including their financial instruments, with a view to addressing the root causes of migration."<sup>143</sup> However, so far, no transversal approach providing the missing link between the EU and origin countries' labour needs and demands and taking into account the root causes of migration against the backdrop of EU-Arab Mediterranean countries economic cooperation has been sufficiently developed.

In the near future, more serious reflection should be given to asking how the Global Approach might not only mirror EU labour and migration needs, but also those of the origin countries and – on a deeper level – the root causes of migration at both ends. Moreover, consultative processes in the EU-Arab Mediterranean zone should identify how the Global Approach could be equipped with more powerful and specific instruments capable of respecting this double dynamic:

1. Address the totality of economic emigrants;
2. Devise a transversal problem-solving track which not only reflects a demand-driven approach to migration based on EU labour needs, but that is also based on the acknowledgement that a holistic approach to migration should integrate the needs and priorities of origin countries.

These reservations notwithstanding, it is important to draw attention to the promising potential of the "Global Approach to Migration" and to underscore the fact that since the re-launching of the Lisbon Strategy in 2005, major emphasis has been laid on revisiting the link between the management of legal migration channels, economic immigration and development.

Thus, the Employment Guidelines (2005-2008) adopted by the EU Council in the summer of 2005 accentuated the need to stimulate growth and employment as well as to reduce employment discrepancies for EU citizens as well as for third-country nationals. The Guidelines also specifically addressed labour-migration governance as key elements in filling in gaps lurking beneath labour-market needs in the EU (EER, 2008:43).

In December 2006, the Brussels European Council underlined the necessity of developing legal migration policies that line up with national priorities and that tackle future labour and development needs. Also, the High Level Conference on legal immigration which took place in Lisbon in September 2007 stressed the need to manage migration flows in the light of integration, economic competitiveness and development.

Whilst recognising that migration has become an established fact, more recent EC communications lay further emphasis on the link between migration-management and labour-migration orientations, in the context of a long-term and more global approach. As migration has become one of the key issues determining the EU agenda and EU labour-market needs, the understanding of the necessity for further convergence between EU member states and third countries in legal and labour migration developments is gaining momentum. Thus, in the Commission's Communication in 2007 *on the European Interest: Succeeding in the Age of Globalization* (European Commission, 2007), the following is stressed:<sup>144</sup>

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143 Presidency Conclusions of the Brussels European Council (December 2006), "A Comprehensive European Migration Policy".

144 Communication from the Commission to the European parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, "The European Interest: Succeeding in the Age of Globalization," Brussels, 3.10.2007 COM(2007) 581 final, [http://ec.europa.eu/commission\\_barroso/president/pdf/COM2007\\_581\\_en.pdf](http://ec.europa.eu/commission_barroso/president/pdf/COM2007_581_en.pdf).

“In a Europe with no internal borders, the changing demands of an ageing society and a labour market in constant evolution have challenged established assumptions about migration from outside the EU. A new global approach is needed so that migration strikes the right balance between the risk of labour market shortages, economic impacts, negative social consequences, integration policies and external policy objectives.”<sup>145</sup>

The 2008 Communication on *A Common Immigration Policy for Europe: Principles, Actions and Tools* focuses on ten principles grouped under three main headings: prosperity, solidarity and security. The principles stress the importance of strengthening the relation between legal immigration and the socio-economic development in the EU, emphasizing solidarity among the member states and devising partnerships with the countries of origin and transit, and lastly, ensuring that the rules governing legal immigration are met and that illegal immigration is efficiently curbed.<sup>146</sup> The Communication specifically targets immigration in relation to “future labour and skill shortages” with a view to increasing “the EU’s growth potential and prosperity”.<sup>147</sup> It furthermore addresses the link between “the employment and social impact of migration of third-country nationals” in the framework of a common immigration policy, and stresses that “economic immigration in the EU will need to be assessed” by taking into consideration “the match between skills of the immigrants and national labour market needs”.<sup>148</sup> Also, the importance of creating legal migration and integration channels for permanent and temporary migrants and of matching skills with labour market needs is underscored. More importantly, this document establishes that “the most important contribution of immigration to the EU economy and competitiveness will be to help, alongside and as an essential complement of the Lisbon Strategy for growth and jobs, to fill in arising and future labour and skill gaps on the EU labour markets.”<sup>149</sup> Another important aspect is that labour migration in the Communication is considered as a typology of legal immigration to the EU, thus consolidating the link between managing legal flows of migration and labour considerations.<sup>150</sup>

Another important benchmark linking EU common migration policy to labour considerations is the “Pact on Immigration and Asylum” that the French Council Presidency proposed in 2008.<sup>151</sup> The pact suggests encouraging legal migration against a backdrop of employment and education, and stresses the importance of circular migration and knowledge and skill transfer as a fundamental EU labour strategy. To these ends, special emphasis is laid on the conclusion of “EU-level or bilateral agreements with the countries of origin and of transit containing, as appropriate, clauses on the opportunities for legal migration adapted to the labour market situation in the Member States...”<sup>152</sup>

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145 [http://ec.europa.eu/growthandjobs/pdf/COM2007\\_581\\_en.pdf](http://ec.europa.eu/growthandjobs/pdf/COM2007_581_en.pdf), pp. 4-5.

146 Available from <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/402>.

147 COM(2008) 359 final, “A Common Immigration Policy for Europe: Principles, actions and tools,” Brussels, 17.6.2008, P. 3.  
<http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0359:FIN:EN:PDF>.

148 *Idem*, p.6.

149 See MEMO/08/402 Brussels, 17 June 2008, A Common Immigration Policy for Europe, 1-5, p. 5.

150 *Idem*, p. 5.

151 Amongst other important issues, this pact stresses the importance of organizing legal immigration in accordance with the priorities, needs and reception capacities of each EU member state, to encourage integration, to fight illegal immigration by making sure that irregular migrants go back to their country of origin or to a country of transit, to ensure a more effective border control management, and to devise partnerships with countries of origin and of transit so as to strengthen links between migration and development.

152 See the text of the European Pact on Immigration and Asylum available on <http://www.euractiv.com/docad/pacteEN.doc>, p. 13.

A major watershed in the EU strategy on economic immigration has been the new focus on highly-skilled migration. Highly-skilled migration has to do not only with the EU's needs for highly-skilled migrants, but also with the EC's attempt to address labour immigration in certain sectorial fields since previous proposals which targeted third-country immigrant labour<sup>153</sup> have not been received with enthusiasm.

In October 2007, re-emphasising the importance of fostering jobs and growth and the contribution of migration to EU economic competitiveness, the Commission's proposal for a Directive on a EU Blue Card<sup>154</sup> has underlined the importance of highly-qualified employment and the necessity of attracting highly-skilled migrants in the international competition for skills and talents.<sup>155</sup> The proposal, which is anchored in the Lisbon Strategy as well as in the broader framework of the EU strategy on economic immigration, adopts a "needs-based approach". Its objectives are not only to enhance the EU's economic competitiveness<sup>156</sup> and optimise the flexibility of labour markets, but to increase the positive impact of highly-skilled migration on developing countries.<sup>157</sup>

## 2. Instruments for implementing Global Approach

After having reviewed the policy developments in the EU's labour migration framework and elaborated on the nexus between the latter and the Global Approach to Migration, we will now look at some specific instruments designed to implement certain aspects of the Global Approach to see how and to what extent they are relevant to the Euro-Arab Mediterranean framework and to fostering a sustainable migration partnership between the EU and Arab Mediterranean countries (AMCs). This section will particularly address highly-skilled migration and the Blue Card as well as the circular migration schemes.

### 2.1 Highly-skilled migration and the Blue Card in the Euro-Arab Mediterranean context

This section will particularly address the Blue Card and its implications for Arab Mediterranean countries. For this purpose, it will first look at highly-skilled migration in Europe,<sup>158</sup> and its patterns, and will elaborate on the factors that attract highly-skilled employment to the EU. For this purpose, it will first examine the skill level of AMC migration in Europe, trends, locations and the reasons behind the successful attraction of highly-skilled migrants. Then this section will inquire into the possible match of the labour demand in the North and the labour supply in the South so as to understand if the idea of the Blue Card originates from a real need derived from both labour markets in the origin and host countries. Finally, it will describe the Blue Card's contents and its various characteristics in order to reach some conclusions as to whether the instrument is suitable and attractive enough to satisfy the need for highly-skilled migration to Europe and whether it will attract highly-skilled migration from AMCs.

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153 For instance, the Commission proposed the adoption of a common set up of sanctions against employers recruiting third-country nationals without employment permission in 2007. Yet this proposal faced strident objections. See Communication (2007) 247.

154 The EU blue card is a special work and residence permit that could be acquired by highly-skilled migrants in the EU.

155 The entry conditions are a work contract, a relevant travel document, sickness insurance, and for certain professions certain documents proving that the highly-skilled migrant meets legal prerequisites and qualifications.

156 See Memo 07/423, Brussels, 23 October 2007,

[http://eur-lex.europa.eu/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!DocNumber&lg=en&type\\_doc=COMfinal&an\\_doc=2007&nu\\_doc=637](http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!DocNumber&lg=en&type_doc=COMfinal&an_doc=2007&nu_doc=637).

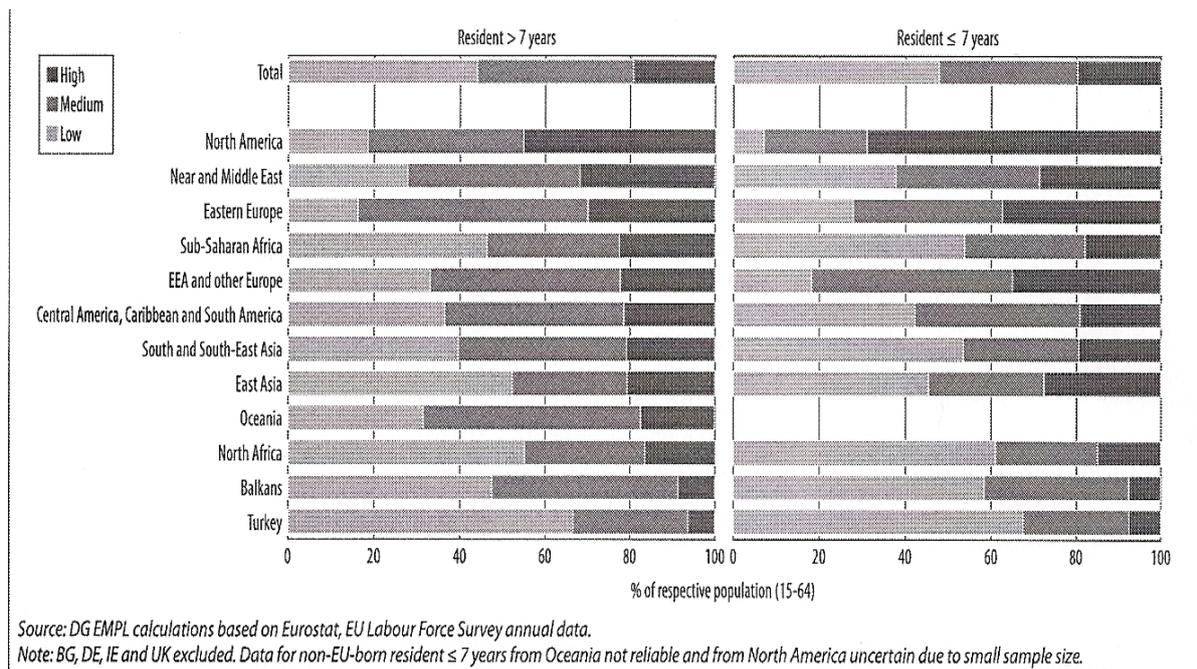
157 In order to avoid the negative effects of skill drain in origin countries, it proposes ethical recruitment procedures, limiting of active recruitment procedures in origin countries afflicted by brain drain, as well as encouraging circular, and thereby return migration.

158 It is important to clarify that "highly-skilled" not only refers to the level of education and competences but also to the "actually degree of profit that the immigrant will bring to the receiving state." (Carrera 2007, 2).

### 2.1.1 Skill level of migrants and their location

It is important at this stage to stress that the idea of the Blue Card is based on a real need derived from economic systems in both origin and host countries. Europe is made up of many different countries and different labour markets, but at the aggregate level the data presented by the European Employment Report 2008 stresses that third-country nationals and in particular immigrants from Arab Mediterranean countries for the most part hold unskilled positions. In the EU, 55% of third country migrants hold low-skilled positions, 30% have medium-skilled positions and fewer than 15% are in highly-skilled positions. Among AMC workers, while the percentage of the highly-skilled is lower, the share of the low-skilled becomes 60% (see Fig. 1).

**Figure 1: Skill level of non-EU born aged 15-64 by region of origin in the EU, 2007**



Source: Employment in Europe 2008, p. 60

As Fig.1 shows, skilled migrants in Europe are mainly from North America (70% of recent immigrants are highly-skilled), and Eastern Europe (38% of recent Eastern Europeans immigrants are highly-skilled). Recent immigration from the AMCs has not improved the scenario. On the contrary, the “more recent” immigrants, those with less than seven years of residence in the destination countries, include a higher percentage of low-skilled migrants.

We can always question the accuracy of the data, that is whether the skill level should be measured by education level or by job type, but the message remains similar even if we change data source and look at education level (International Migration Outlook, SOPEMI, 2008, p.58). From a European point of view, whereas on average 25.3% of the immigrants in the OCDE countries hold tertiary education, in Europe only the United Kingdom (35%)<sup>159</sup> and recently Ireland (41%) with its economic development and its investments in high-tech industries, stand high among OECD countries. With these two exceptions, all other European countries range in between 24% (Sweden) and 11% (Austria) and this consequently implies a negative immigrants’ qualification effect, namely a downgrading of total skill production (see Table 1).<sup>160</sup>

<sup>159</sup> Considering its longstanding tradition of high-level education open to foreigners, and its internationally spoken language.

<sup>160</sup> Norway has a high rate as well, but it has a large Nordic migration which is classified as extra-European.

**Table 1 Percentage of immigrants with tertiary education and its impact, circa 2001**

Country	Immigrants with tertiary education attainment%	Immigrant qualifications effect
Austria	11,3	-9,8
Italy	12,2	-14,1
Greece	15,3	-7,5
France	18,1	-1,2
Portugal	19,3	-5,8
Spain	21,8	-3,3
Switzerland	23,9	1,4
Sweden	24,1	-3,4
Australia	25,7	-5,7
United States	25,8	2,5
New Zealand	31,0	-3,2
United Kingdom	35,0	0,7
Canada	37,9	5,7
Ireland	41,0	6,0
All Countries	25,3	

Source: International Migration Outlook, SOPEMI 2008, p.58.

### 2.1.2 Where do skilled AMC migrants go?

Migrants from Arab Mediterranean countries follow two distinct patterns, with the Maghreb migrants going mainly to Europe and in particular to France and the Mashreq ones going mainly to Arab and non-European countries. Recent, more educated outflows are changing direction with an increase of emigration from the Maghreb countries toward other European countries and Canada and the US and also some Arab countries. This is the case of Algerian migrants<sup>161</sup> where UK (41%), US (53%) and Canada (61%) have the largest share of educated migrants. The same is true for Tunisian migrants who experienced an increase in the education of emigrants and emigration to Arab countries: the share of emigrants in Arab countries has increased from 12% in 2005 to 25% in 2008,<sup>162</sup> a similar pattern emerging with Morocco.<sup>163</sup> The Mashreq emigration to the Gulf has a long tradition. At least 80% of Egyptian migrants work in Arab countries where at least 40% hold highly-skilled jobs.<sup>164</sup> An interesting finding is that Egyptian migrants in the Gulf countries and in North America are more

161 National Background paper Algeria Bouklia-Hassan R., Talahite F. Also H. Khelfaoui (CARIM R.R.2006/4) shows how much more skilled are the Algerian immigrants in the USA and in Canada as well as the distribution of immigrants coming from the Middle East and North African (MENA) regions where the skill positions dominate over the unskilled positions.

162 National Background paper Tunisia, A. Mahjoub.

163 National Background paper for Morocco, L.Jaidi.

164 National Background paper for Egypt J.Wahba.

skilled than Egyptian migrants to Europe, and 55% of highly-skilled Egyptians going to OCDE countries migrate to North America.<sup>165</sup>

The difference is striking too in the case of Lebanon. Thus, 46% of total migrants are in the US, Canada and Australia; 19% in Europe; 9% in other southern countries and 27% in the Gulf countries, and 45% of emigration from Lebanon is highly skilled.

In short, the main destination countries for skilled migrants from the AMC countries are the US, Canada and the Gulf countries.

### *2.1.3 Factors attracting foreign skilled migrants*

Skilled migrant location is decided by the different job opportunities available to migrants in various labour markets and by the different channels of access to these opportunities.

The first factor in attracting foreign skilled migrants is language, which gives easier access to information, better selection and makes the immigrants' quality of life less strenuous. The United Kingdom and Ireland in Europe and the US, Canada and Australia hold an advantage here because skilled migrants – even if educated in the country of origin – are frequently fluent in English, which is the most widely-spoken language. But this is not always the case in AMCs, where French is also spoken.

The second factor is the educational system, which attracts foreign students and thus potential migrants. The United Kingdom, the US and Canada have a long tradition in higher-educational training, attracting not only third-country nationals, but also a large number of European students. France, similarly, attracts students from the former colonies.

The third factor is the result of the special economic and political ties which derive from historical relations frequently connecting two countries, as for instance those ties between Germany and Turkey. Such connections make it easier to find a job and reduce the cost of migration.

The aforementioned three ease the migration of educated labour, but the main driver of attraction is the skill-wage premium offered in the destination country, which pushes skilled migrants from many countries, including continental European ones, to choose the US, the UK etc, where wage dispersion is large and wage skill premium higher. Inside the OCDE countries skilled migrants workers tend to go where the higher and wider number of jobs are offered, where one of their languages is spoken and, if possible, to a society where it is easier to settle thanks to a long tradition of international communities. This creates a large supply in the US and the UK, channeled by selective migration policy.

A selective immigration policy is made by the quota system which selects migrants according to skill gaps and thus creates a process of virtuous immigration in the destination country. The lack of a selective immigration policy in continental Europe is only one, but not the main cause, of the prevalence of low- and medium-skilled migration. When for instance, in the 1990s, the German government tried to attract Indian engineers, the wage premium was not rewarding in comparison with competing offers available in countries where the cost of migrating was, in any case, lower given the previous immigration tradition.

So if the European Union want to attract more skilled migrants it has of course to start with a selective migration policy, a necessary though not a sufficient condition to bring about skilled inflows. Other instruments including student programmes, degree recognition and bilateral agreements will also have to be implemented if a higher-skill wage premium is impossible given the wage structure of the economy.<sup>166</sup>

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<sup>165</sup> Nassar ASN 2008/9, Table 6.

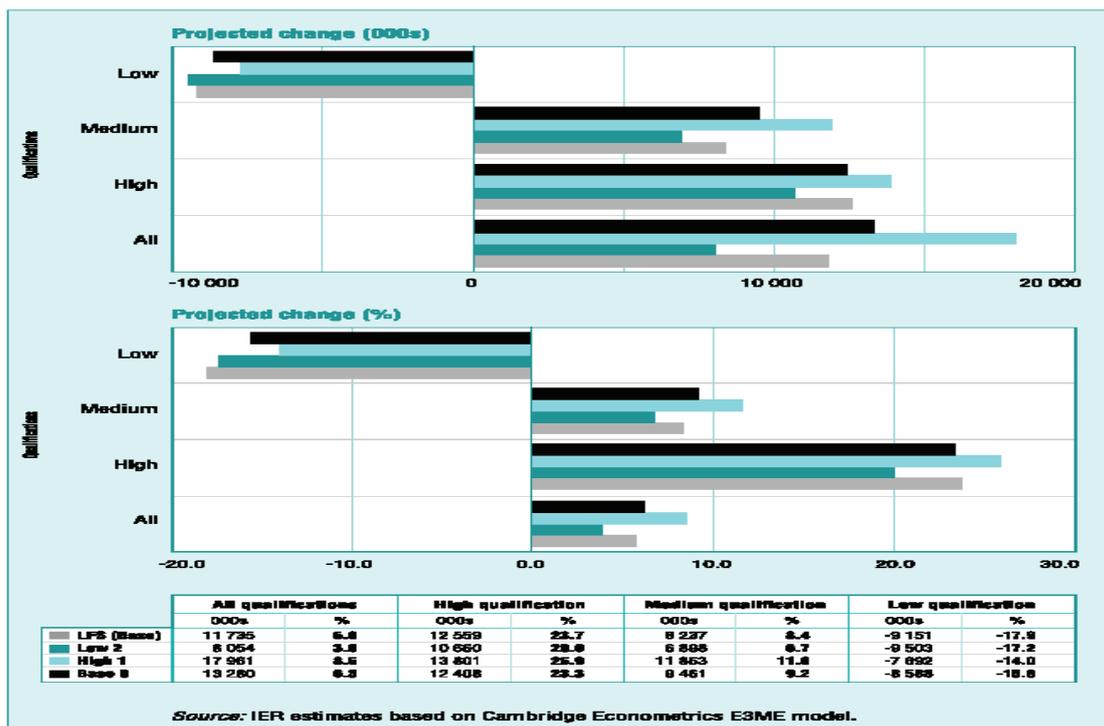
<sup>166</sup> All this section draws upon the CARIM database and in particular table 1 of the CARIM annual report 2006/7.

### 2.1.4 Supply and demand match in the Mediterranean

In the future, Europe will undoubtedly need skilled labour. The CEDEFOP report (Future Skill Needs in Europe 2008), even if it was written before the current economic global recession, is relevant for understanding the long-term direction of European labour demand. Although the current deep recession will probably change national growth paths and will alter sector distribution and productivity, the main findings of the modeling will not be affected. Thus, in the course of the coming five years more skilled labour will be needed. Whichever scenario is considered, a decline in low-skill demand (-1.9%) will be compensated for by an increase in medium- (1%) and even more in highly-skilled labour demand (2.4%).<sup>167</sup> (See Figure 2).

**Fig. 2 Scenarios compared: expansion demand by qualification, 2006-15, EU-25\***

Source: CEDEFOP, Future Skill Needs in Europe, p. 63.



167 Data refers to table 7 page 60 of the report.

**Table 2 Projected employment change by country and occupation, 2006-15 (000s)**

Occupation major group	0	1	2	3	4	5	6	7	8	9	All
Belgium	-10	66	48	128	1	26	-11	-59	93	19	300
Czech Republic	1	-3	22	193	-7	2	-13	-136	171	-58	171
Denmark	0	20	88	86	-55	-24	-14	-26	-25	0	52
Germany	8	-83	518	325	-576	856	-144	135	-36	967	1 972
Estonia	1	-8	-1	-8	-1	15	-7	-25	3	7	-24
Greece	3	7	29	107	22	144	-96	-16	37	82	320
Spain	27	10	230	915	-160	538	-302	-233	-83	329	1 272
France	-37	333	317	455	-317	138	0	-181	-57	1 127	1 778
Ireland	-3	62	71	48	7	50	-5	11	-6	12	247
Italy	-5	571	358	1 262	239	250	-232	-773	-228	185	1 628
Cyprus	-1	3	13	16	17	-3	-3	4	2	35	84
Latvia	0	38	14	7	6	9	-30	-9	-17	-2	18
Lithuania	10	-25	74	10	-19	26	-64	27	0	23	61
Luxembourg	0	2	15	10	0	7	-1	-7	2	11	40
Hungary	-13	92	66	-11	28	36	-15	-104	54	42	175
Malta	1	4	-3	4	-2	4	0	2	-3	6	14
Netherlands	-11	-100	117	96	136	139	-28	-38	-22	312	602
Norway	-4	-40	62	114	-34	101	-34	3	-5	-11	153
Austria	0	26	64	186	-7	20	-32	-52	-51	133	287
Poland	1	183	586	137	97	-212	-624	361	88	59	676
Portugal	-9	45	197	4	34	15	-21	-78	69	63	319
Switzerland	0	62	222	80	-41	7	-39	-19	27	-1	299
Slovenia	0	19	58	40	-18	-5	-25	10	-13	8	73
Slovakia	5	10	26	31	-31	45	-2	-43	-6	-17	18
Finland	-2	120	23	45	-62	33	-30	-31	-28	-44	23
Sweden	-5	20	30	38	-45	69	4	-51	5	31	96
United Kingdom	-6	1 235	516	420	-484	238	61	-98	564	181	2 629
EU-25*	-51	2 671	3 762	4 739	-1 273	2 528	-1 707	-1 425	536	3 501	13 280
EU-25	-47	2 649	3 477	4 545	-1 198	2 419	-1 634	-1 410	514	3 512	12 828

*Note:* Total also includes armed forces.  
*Source:* IER estimates based on Cambridge Econometrics E3ME model.

**Occupation major group:**  
0 armed forces  
1 legislators, senior officials and managers  
2 professionals  
3 technicians and associate professionals  
4 clerks  
5 service workers and shop and market sales workers  
6 skilled agricultural and fishery workers  
7 craft and related trades workers  
8 plant and machine operators and assemblers  
9 elementary occupations

Source: CEDEFOP, Future Skill Needs in Europe

This modeling considers both replacement demand<sup>168</sup> and the additional demand<sup>169</sup> which will take place in the economy. If the additional demand were more sensitive to the ongoing recession, the replacement demand which is mainly determined by exits from the labour market induced by retirement will constitute the larger component (80% of total demand) and, the highest-skilled position, (legislator and professionals) 61% (See Table 2).

So, the overarching inference is that if European countries want to remain competitive, given the high cost of labour, it is imperative that they turn towards more skilled production. This applies especially to southern European countries which still specialize in labour-intensive products, characterized by unskilled immigration and which do not risk the displacement of native workers in the labour market, but which rather risk, in the short term, being overtaken in the goods market by eastern and fast-growing emerging economies.

On the other hand, we note that AMCs, instead, produce skilled labour and that an excess supply of educated workers is noticeable. In Egypt for instance the labour force participation rate has a V shape with the highest participation rate among the illiterate and the university-educated both in urban and rural areas (Assaad, 2007). The young male (15-29) unemployment rate is however increasing with the level of education (Amer 2007), and is frictional for the level below middle school and increases for general secondary, technical secondary, post secondary institute and university (and above) where it reaches 25% of the total labour force. What is even more important is that, in the last 20 years, it has increased from 15% to 25% with the increase in the investment in education.

The lower unemployment rate of the less educated is usually explained by the lower reservation wage of the low skilled who accept any job offered to them. In this case the decrease in the unemployment rate of illiterates, and the increase in the unemployment rate of the more educated is

<sup>168</sup> The demand for new workers induced by age exit.

<sup>169</sup> The demand for new jobs.

the result of a mismatch between labour supply and national labour demand, which affects all educational levels above the middle school and which also touches technical education and post secondary education and university education. It is important to stress that high unemployment among university students is frequently explained by the lack of integration between the direct need of the labour market and the general increase in human capital. The higher unemployment rate among the highly educated is common to all AMC's (see summary Table 3.3.1 of the Final Report of the Study) and in Morocco, Tunisia and Algeria is a very recent phenomenon. Not all the educated unemployed are ready to emigrate, and not all those women who are unemployed are ready for a big move: many of them, as in Egypt, are in search of a job in the public sector, while, instead, in Lebanon the wage premium abroad pushes both men and women, both unemployed and employed towards migration.

In Europe, there is already an excess demand for skilled labour that is not satisfied by the domestic supply and satisfied only partially by the labour supply coming from Eastern European countries. In the not so near future labour supply from the new accession countries will not be available for migration anymore, and, as could have been predicted before the recent recession, there will be open demand for high and medium-skilled migrant labour. The Arab Mediterranean countries can thereby be the appropriate pool for recruiting foreign-skilled labour because there is an explicit labour supply and, at the moment, a lack of adequate demand for educated workers.

If the quantity demanded seems to match the quantity supplied, the second problem is the question of whether the quality of the human capital produced in AMC's is the type of quality needed in Europe. A wide-spread complaint in AMC's is that the increase in education has been obtained through a reduction in the quality of the educated, which could also explain high unemployment there.<sup>170</sup>

But one of the weaknesses of the educational systems in the MENA region is the type of specialization among the highly-skilled which is overly concentrated in the humanities and social sciences (76.2% of the university students are in the humanities and social sciences in Egypt, 75% in Morocco, 60% in Lebanon, 57.4% in Syria, 56% in Algeria, 50% in Tunisia)<sup>171</sup> with too little attention devoted to vocational training. According to G. Corm (2009)<sup>172</sup> in the MENA region the total share of student who went through vocational training in 1999 was only 20%, while, for instance, in Turkey the corresponding number was 47%. This is an important point to recall in matching supply on one side of the Mediterranean and demand on the other.

Table 2 presents an accurate analysis of likely demand by profession as it could arise in each European country and the modeling of the CEDEFOP research also specifies the demand by sector and skill level. If it is difficult to make forecasts because of the present economic crisis and the near impossibility of measuring its course, it is possible to say that, if in the short run total demand declines and the economy settles on a less-skilled growth path, this effect will be temporary, and the CEDEFOP forecast will only be postponed for, at most, two years. These remain then important pointers for future tendencies.

Given demand on the one side and supply on the other the policy approach will not be to train workers for emigration, applying the Filipino model, but to use some trained workers in the origin countries for (temporary or more permanent) positions in the European labour market. The excess supply of skills (unemployment) is very large thus brain drain is not typically a danger.

The economic moment seems also propitious for Europe to attract skilled migrants. After all, North American labour markets, in particular the US's, are seeing workers laid off at all levels, and open demand for skilled migrant has already declined there. Then too, the economies of the Gulf countries – while not all seeing the same rapid fall off in production – is postponing investments and reducing growth plans and therefore reducing open demand for foreign labour. European states

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170 National background paper Egypt, J. Wahba, 2009.

171 World Bank 2009, "Shaping the Future", p.44.

172 See "Labor Migration in the Middle East and North Africa, A View from the Region", back ground report for the WB Report "Shaping the Future" p.29.

are hardly in a better position. But their labour markets are less flexible. Thus the queues of unemployed are not as long and some sectors are still growing: comestibles, for example. Hence, labour demand in Europe is falling at a slower pace. If Eastern European countries recover more quickly from the recession there will then be open demand for additional skilled workers.

After analyzing the trends and the dynamics of highly-skilled migration in the Euro-Arab Mediterranean context, it is important to look at the Blue Card and determine whether it could provide a solid instrument to satisfy the need for highly-skilled migration in the EU and the demand for labour stemming from Arab Mediterranean countries.

### *2.1.5 The Blue Card: is it attractive enough to satisfy the need for highly-skilled immigration in the Euro-Arab Mediterranean context?*

The EU Blue Card directive was adopted by the Council in May 2009 as part of a plan for defining and facilitating “the conditions of entry and residence of third-country nationals for the purposes of highly qualified employment”.<sup>173</sup> It is important to keep in mind that the Directive is in line with the Lisbon Strategy objectives that aims at addressing skill shortages and the labour needs of EU member states with a view to making the EU labour market more competitive and fostering economic growth. Hence it has to be interpreted as a logical extension, as well as a major component of the EU economic migration strategy.

The Directive lays the foundations for admission for highly-skilled migrants, the issuance and withdrawal of the Blue Card, highly-skilled migrants’ economic and social rights and, finally, their residence in EU member states. For the sake of clarity, it defines the EU Blue Card as “the authorisation bearing the term ‘EU Blue Card’ entitling its holder to reside and work in the territory of a Member State under the terms of this Directive”.<sup>174</sup>

The EU Blue card is valid for a period of one to four years, with the possibility of renewal, and it is contingent upon the following five admission conditions: a “valid work contract” or a “binding job offer” of at least one year in one EU member state; the presentation of a “document attesting fulfillment of the conditions set out under national law for the exercise by Union citizens of the regulated profession”; the presentation of a valid travel document or an application for a visa; the presentation of evidence of an application for health insurance; and for the issuer to be satisfied that the applicant does not “pose a threat to public policy, public security or public health”.<sup>175</sup>

Furthermore, the card grants the EU Blue Card holder equal social and economic rights as nationals in various areas, namely working conditions, freedom of association; education, training and recognition of qualifications; a number of provisions in national law regarding social security and pensions; access to goods and services, including procedures for obtaining housing, information and counseling services; and free access to the entire territory of the member state concerned within the limits provided for by national law.<sup>176</sup> It also recognizes that “favourable conditions for family reunification and for access to work for spouses should be a fundamental element”.<sup>177</sup> Moreover, it makes sure that “the gross annual salary {...} shall not be inferior to a relevant salary threshold [...], at least 1,5 times the average gross annual salary” in the concerned EU member state.

It is important to stress that the Blue Card has various advantages. Thus, it provides for a minimum level of legal and policy harmonisation among EU member states regarding highly-qualified employment. It also creates the mechanisms for a fast-track procedure enabling highly-skilled migrants to take up highly-skilled employment. Moreover, it bestows favourable rights to highly-skilled migrants in terms of mobility inside the EU, equal treatment with nationals regarding social

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173 See Council Directive 2009/50/EC of 25 May 2009, on the conditions of entry and residence of third-country nationals for the purposes of highly-qualified employment.

174 See Article 2 entitled “Definitions, paragraph (c) in the directive under Chapter I.

175 See Chapter II, Article 5 in the Directive.

176 See Article 14 entitled “equal treatment” under Chapter IV.

177 See Preamble Article 23.

assistance, tax benefits and recognition of diplomas, and access to the labour market. Finally, it envisages more flexible procedures allowing family reunification and work access for spouses. It is important to add that it establishes “implementing measures” and reporting obligations; hence suggesting that the policy instrument is to be assessed and monitored<sup>178</sup>.

However, the Blue Card as an instrument for the promotion of highly-skilled migration has inherent weaknesses that we will not dwell upon extensively. It must suffice here to mention the following concerns:

- The Blue Card project is conditional upon a contract or work offer and does not provide a right of first entry for a highly-skilled migrant (Guild: 2007, 4). This suggests that the EU has failed to reach a minimal consensus and a level of harmonisation on the conditions for first entry and the residence of economic migrants who come for the purpose of employment or self-employment;
- Although it bestows upon its holder various economic and mobility rights, it also presupposes various restrictive prerequisites that limit its attractiveness. For instance, in the case that temporary unemployment should occur for a period exceeding three consecutive months or if it occurs more than once, the EU Blue Card is withdrawn;<sup>179</sup>
- The fact that it gives more privileges in terms of family reunification to the highly-skilled migrants who have not lived in the EU, as opposed to third-country nationals who are established residents of the EU is controversial;
- More importantly, it is not clear whether and how the Blue Card is an instrument that excludes or paves the way for an EU citizenship and if the Blue Card is to be understood in this way, how do divergent citizenship laws in EU member states and the Blue Card complement each other?
- Although it explicitly targets the necessity of avoiding brain drain and of establishing ethical recruitment procedures so as to “minimise negative and maximise positive impacts of highly skilled immigration on developing countries in order to turn ‘brain drain’ into ‘brain gain’”,<sup>180</sup> concerns have been raised about whether the Blue Card could negatively impact on origin countries as no sufficient empirical work has been done on the effects of brain drain and how the latter occurs;
- From a broader angle, the Blue Card raises the question of whether future migration trends in EU labour immigration would be more focused on highly-skilled and selective migration. In this regard, analysing the Blue Card as an instrument for the implementation of the Global Approach to Migration casts doubt on the *Globality* of the Approach itself. This is why it has been argued that Europe needs instead “a common policy for all types of labour migration, be it unskilled, semi-skilled or highly-skilled” (Baldwin-Edwards, 2009, 135) and not partial instruments addressing specific migration aspects;
- Despite the fact that the EU Blue Card Proposal has been adopted as Council directive, the UK, Denmark and Ireland did not adhere to the proposed approach. Moreover, the UK has already a quite efficient system of skilled labour recruitment. This not only draws attention to the lack of coordination and difficulties relating to shaping a common European labour migration policy, but also casts some doubt upon the credibility of the EU Blue Card as a policy instrument capable of pooling all EU actors together.

## 2.2 Seasonal work, temporary and circular migration

The second feature promoted by the Global Migration Approach is the idea of “temporariness” and “circularity” in migration. This section will examine the added value of circular and temporary

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<sup>178</sup> See Chapter VI or Final Provisions of the Directive.

<sup>179</sup> See Chapter IV, Article 13 of the Directive.

<sup>180</sup> See Preamble Article (22) of the Directive.

migration schemes in the framework of the Global Migration Approach and more specifically in the EU-Arab Mediterranean framework.

### *2.2.1 Trends and dynamics of temporary movements*

According to the OCDE definition, “temporary migrants” covers many conditions: seasonal workers, trainees, international students, exchange visitors, researchers, artists, tourists, service providers, installers etc. It is very difficult then to compare data because single cases are classified in different ways in each country. The data provided by the OCDE on this issue is thereby incomplete for the reason mentioned above.

Data collected shows, however, the sheer scale of temporary movements, which are 3 times larger than permanent migration. It is important to note that seasonal workers represent 23% of all temporary flows. Seasonal migration features in agriculture, but also in the tourist sector. The demand for seasonal workers is, in general, larger than the number of visas granted by the government. Thus temporary jobs are usually done by holders of a student or tourist visa (in Table 3 they are termed “working holiday makers”). In addition, when well-organized yearly jobs can be done in shifts and so shared between two or more workers.

The idea of expanding seasonal migration opportunities both for skilled and unskilled workers is in line with the circular vision of migration. However, supply and demand in this field needs more coordination if irregular employment is to be avoided and demand anticipated.

The idea put forward by the Commission to favour circular migration begins with the devising of an institutional framework. Institutions should thus change so as to favour this type of movement, which have, to date, been constrained by restrictive migration legislation in destination countries. The history of European migration has shown that if migrants are free to exit and re-enter they tend to maintain a strong attachment with the country of origin and keep to a model of circular migration whereby migration is not perceived as permanent. The changed institutional setting which took place in Northern Europe in 1973 after the beginning of the recession transformed temporary migration to Germany, France and Belgium into permanent migration precisely because of the changes in migration policies. The reduction in the number of new entry permits granted by host countries reduced first of all the number of exits and pushed immigrants to settle and to become more integrated in the destination countries (the number of demands for citizenship increased)<sup>181</sup>.

If regulations shape the duration and the type of migration, a change in regulation versus a more flexible pattern should increase the number of temporary migrants staying abroad. Seasonal migration is just one of the many types of temporary migration. Also, contracted migrations, which could be designed so as to meet the workers’ needs, are another form used by companies for special projects.

Nevertheless, it must be stated that temporary migration cannot be the only solution for the supply pressure of the AMCs. As Venturini (2008) has shown, the migratory potential due to excess supply is too large to be solved by repeated migrations. With the use of a stock-flow model, we can calculate the flow excess supply as the difference between the low supply and flow demand (as replacement flow demand and as additional flow demand) and even the absolute excess flow supply which takes into account the usual traditional (permanent) annual emigration outflows. What is left, the absolute excess supply in term of flows is too large to be solved only through repeated emigration as Table 4 shows. This would, for example, mean that each year in Morocco 126,000 and in Egypt 72,000 workers would leave temporarily, and if economic conditions remain the same, the following year the same people would leave temporarily for a second year abroad and the new entrants for the first time with a total of 252,000 for Morocco and 144,000 for Egypt and so on.

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<sup>181</sup> See Venturini 2004, section 5.

**Table 3 Inflows of temporary labour migrants, selected OECD countries, 2003-2006**

Thousands						
	2003	2004	2005	2006	Distribution (2006)	
Working holiday makers	442	463	497	536	21	
Trainees	146	147	161	182	7	
Seasonal workers	545	568	571	576	23	
Intra-company transfers	89	89	87	99	4	
Other temporary workers	958	1,093	1,085	1,105	44	
<b>All categories</b>	<b>2,180</b>	<b>2,360</b>	<b>2,401</b>	<b>2,498</b>	<b>100</b>	
					Per 1 000 population (2006)	
Australia	152	159	183	219	10,7	
Austria	30	27	15	4	0,5	
Belgium	2	31	33	42	4,0	
Bulgaria	-	1	1	1	0,1	
Canada	118	124	133	146	4,5	
Denmark	5	5	5	6	1,1	
France	26	26	27	28	0,5	
Germany	446	440	415	379	4,6	
Italy	69	70	85	98	1,7	
Japan	217	231	202	164	1,3	
Korea	75	65	73	86	1,8	
Mexico	45	42	46	40	0,4	
Netherlands	43	52	56	83	5,1	
New Zealand	65	70	78	87	21,1	
Norway	21	28	22	38	8,2	
Portugal	3	13	8	7	0,7	
Sweden	8	9	7	7	0,8	
Switzerland	142	116	104	117	15,7	
United Kingdom	137	239	275	266	4,4	
United States	577	612	635	678	2,3	
<b>All countries</b>	<b>2,180</b>	<b>2,360</b>	<b>2,401</b>	<b>2,498</b>	<b>2,6</b>	
<b>Annual change (%)</b>	na	8,3	1,7	4,0		

Statlink <http://dx.doi.org/10.1787/427045515037>

Source: OECD database on International Migration

**Table 4 Absolute excess supply**

Source: Venturini, 2008.

Annual Labour Market Flows								
		1	2	3	4=2+3	5=1-4	6	7=5-6
	Year	Supply Inflow into employment	Exit flow from employment	Additional demand	Total Flow Demand	Internal Excess Supply	Emigration out.flows	Absolute Excess Supply
<b>Tunisia</b>	2005	113,000	35,000	48,000	83,000	30,000	4113/9,000	26,000/21,000
<b>Morocco</b>	2006	310,000	92,000	30,000	122,000	188,000	60,000	128,000
<b>Egypt</b>	2006	938,000	150,000	624,000	774,000	164,000	92,811	72,000
<b>Algeria</b>	2005	357,000	37,000	12,000	49,000	308,000	42,000	266,000
<b>Turkey</b>	2006	837,000	240,000	130,000/ 430,000	370,000/ 670,000	597,000	51,590	400,000 or100,000

Population data, Labour force data, Exit data: ILO statistics.  
Additional demand CARIM data Istanbul Conference  
Migration data CARIM Report 2006-7

### 2.2.2 Policy changes

Still, even if the temporary migration programmes do not solve the demand for income and jobs among potential migrants, some changes have to occur in the near future so as to improve this option, making it more beneficial and more appealing. The main weaknesses of all forms of temporary migration programmes lie in the fact that they are not designed to grant any old-age pension to the worker. All contributions (social charges) paid by the employer and the employees are lost because migrants do not reach the minimum period, which in general in Europe is 15 years, namely the minimum number of years of contribution necessary to receive a pension in the host country.

If the minimum vesting period is important for determining a minimum pension level necessary to live in the host country, it reduces the incentive for those types of contracts which grant an annual income in the country of origin for a short period in a host country. To transform temporary migration into a long-lasting form of migration, a revision of the payment and cash of the social contribution paid by the migrants and the firm should be made into a personal social account attached to the migrant that he/she can fill whilst working in different periods and maybe also in different countries. The portability regulation that allows migrants to receive their pension in the country of origin has to be integrated with special treatment for temporary workers which allows a reduction of the vesting period and an obligation to cash the pension in the sending country.

Furthermore, easier visa policies have to be devised in order to facilitate the mobility of temporary migrations so that agencies are encouraged to favour this option.

Special attention could be devoted to students and to trainees. Participation in the educational system of the host country varies a lot. Table 5 shows how the participation of foreign students differs in the host educational system. Thus, this varies from 2% in Italy to 18% in Switzerland, with even larger variations if advanced research programmes are considered: 40% in the UK and 3.4 % in Italy. As part of a future employment strategy, the presence of foreign student has also to be enhanced because it is a prerequisite for cooperation between workers of different origins and better future social integration.

**Table 5: Table International and/or foreign students in OECD Countries, 2000 and 2005**

	<b>International Students</b>	<b>Foreign Students</b>	<b>Number of Students 2005</b>	
	<b>As a percentage of all tertiary enrolment</b>	<b>As a percentage of all tertiary enrolment</b>	<b>Foreign Students</b>	<b>International Students</b>
	<b>Total tertiary</b>	<b>Total tertiary</b>		
<b>OECD Countries</b>				
Australia	17.3	20.6	211 300	177000
Austria	11.0	14.1	34500	27000
France	10.8	n.a.	226500	236500
Germany	n.a.	11.5	259800	204600
Ireland	6.9	n.a.	12900	12900
Italy	n.a.	2.2	44900	n.a.
New Zealand	17.0	29.9	69400	40900
Spain	1.0	2.5	45600	17700
Sweden	4.4	9.2	39300	19900
United Kingdom	13.9	17.3	394600	318400
United States	3.4	n.a.	590200	590200
<b>OECD Total</b>	<b>6.7</b>	<b>7.8</b>	<b>2318401</b>	<b>1982701</b>
<b>OECD Total for common countries</b>			<b>1339301</b>	<b>1032101</b>

n.a. : means not available.

1. International students are defined on the basis of their country of residence.
2. International students are defined on the basis of their country of prior education.
3. Percentage in total tertiary underestimated because of the exclusion of certain programmes.
4. Excludes private institutions.

Source: education at a glance, OECD 2007. See [www.oecd.org/edu/eag2007](http://www.oecd.org/edu/eag2007)

### 2.3 Integration policies of permanent migrants

An additional and fundamental component of the EU Global Approach to Migration revolves around integration policies. After having taken into consideration economic integration, we notice obvious discrepancies between the migrant and the native worker who have similar characteristics in terms of wage compensation and job options.

A survey of wage assimilation results for Europe (Venturini, 2009) shows an open under-assimilation in southern and in northern European countries. Although the findings of research papers are various, we can group the causes of under-assimilation into several causal groups: insufficient human capital,<sup>182</sup> limited knowledge of the language of the destination country,<sup>183</sup> the economic cycle at entrance,<sup>184</sup> negative selectivity upon return,<sup>185</sup> and the existence of national differences.<sup>186</sup>

<sup>182</sup> If the human capital is not adequate, migrants integrate in the labour market at a lower level than natives (for instance in France Granier Marciano 1975) and the increase of their wage during their working life is lower. Frequently, only the human capital acquired in the country of destination has a positive effect (in Denmark Neilson, Rosholm, Smith 2000; in the Netherlands Kee 1994).

<sup>183</sup> For linguistic proficiency see in UK, Chiswick 1991, Dustmann Fabbri 2003 favouring the economic upgrading.

<sup>184</sup> Migrants who enter destination countries in periods of recession (negative cycle) as wage carrier have limited prospects (in Canada: Bloom, Grenier, Gunderson 1995, in Sweden: Bevelander and Scott, 1996) or as changes in the types of jobs available take place (technological change) requiring more linguistic skills with regards to available jobs mainly in the service sector (see for instance in Sweden and Denmark: Rosholm, Scott and Husted, 2000).

The causes of under-assimilation are, however, not easy to tackle. Integration policies in the host country such as language courses and training courses have had a very limited effect. Probably more binding programmes have to be envisaged such as linguistic tests for a permanent residency permit and training courses. The selection of migrants will reduce cases of under-assimilation and remains one of the few options available in this field. But as under-economic assimilation frequently means under-social assimilation, the selection of migrants does not insure against social exclusion, which is affected by income level and by the education level of workers.

It is important to stress that policies used to reduce the number of under-assimilated foreigners, and the incentive return policies for the unemployed have already shown their inefficiency as unemployed migrants do not go back home. If host countries are keen on revising their migration policies so as to reduce the number of permanent migrants but not the number of workers, a solution is to combine more temporary migration schemes which insure a return on human capital to the origin country with more efficient integration policies optimising the long-term migrant's integration in the host country.

After having studied how and to what extent highly-skilled migration, temporary circular-migration schemes, and integration policies could empower the promoted Global Approach to Migration in the Euro-Arab Mediterranean Framework, we will now look more closely at the Euro-Mediterranean framework and the European Neighborhood Policy, and evaluate whether they are adequate instruments capable of refining the Global Approach to Migration and the EU's external migration policy at both bilateral and regional levels in the Euro-Arab Mediterranean migratory and economic space.

### **3. The Euro-Mediterranean framework and the European Neighborhood Policy: Adequate tools for an external migration policy?**

The need for "a comprehensive approach to migration addressing political, human rights and development issues in countries and regions of origin and transit" was already stressed in the Tampere European Council's conclusions (1999). Thus, the latter emphasizes that "this requires combating poverty, improving living conditions and job opportunities, preventing conflicts and consolidating democratic states and ensuring respect for human rights, in particular rights of minorities, women and children". In many respects, those general objectives, considered as causes of undesirable immigration to the EU, match the Euro-Mediterranean Partnership's (EMP) declared aims.

However, paradoxically, the consideration of migration issues both in the Barcelona Declaration and in the Euro-Mediterranean Association Agreements (EMAAAs) between the EU and Mediterranean Partner Countries was quite limited, except in the field of non-discrimination with regard to legally residing migrant workers (see Appendix). Whereas, in the most recent EMAAAs, cooperation in the field of illegal migration is stressed (this is particularly clear in the EMAA with Algeria), migration remains part of a social dialogue to be held between partners with no particular incentives, and not of the economic cooperation. Only in the last few years, after the Summit marking the first ten years of the Euro-Mediterranean Partnership (1995-2005), have migration issues come to the fore in Euro-Mediterranean co-operation, with a new pillar of cooperation in Justice and Home Affairs.

The European Neighbourhood Policy launched in 2003 raised new expectations in the Euro-Mediterranean context, as a result of which new cooperation methods and funds have been made

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185 It means that the more talented go back and the less qualified remain. Migration literature has usually assumed that migrants are positively selected, namely that the best move. Still this does not necessarily mean that the more educated move. For a given level of observable characteristics, the unobservable variables which positively effect the wage equation affects positively too the probability of leaving. This is the case in Italy and Germany (Venturini Villosio 2008, Massey Constance 2003) and is one of the explanation of the lower assimilation.

186 Even after controlling for language, human capital, years since migration and the economic cycle a national fixed effect remain which probably leads back to the social capital of the migrants or to a form of discrimination – be that discrimination open or otherwise.

available. In the following section, we will assess to what extent the present conjunction of EMP (as multilateral track) and ENP (as a bilateral scheme) incorporates the Global Approach to Migration's objectives in a more systematic way than in the previous EMP era, and could thereby pave the way for a more proactive cooperation in the Euro-Arab Mediterranean space.

### 3.1 The Barcelona Process (1995-2005)

Launched in 1995, the Barcelona Process provided for an institutional framework for multilateral cooperation between the EU and its Mediterranean neighbours with a view to creating a common space of "prosperity, stability and security". Through the Barcelona Declaration, partners proclaimed their commitment to a free-market economy and to democratic governance around the Mediterranean basin. The objective aiming at the establishment of a zone of peace, prosperity and stability in the Mediterranean region without any prospect of formal EU membership was emphasised. In order to meet those far reaching objectives, the Euro-Mediterranean Partnership was implemented through a limited number of regional programmes and through the Association Agreements concluded between the EU and each of the Mediterranean Partner Countries involved in the Barcelona Process (among them, Tunisia, Morocco, Algeria, Egypt, Palestine Lebanon and Jordan).<sup>187</sup> In the Barcelona Declaration establishing the Euro-Mediterranean Partnership, migration was only mentioned in the chapter on the "Partnership in Social, Cultural and Human Affairs"<sup>188</sup> in the following terms:

"They acknowledge the importance of the role played by migration in their relationships. They agree to strengthen their cooperation to reduce migratory pressures, among other things through vocational training programmes and programmes of assistance for job creation. They undertake to guarantee protection of all the rights recognized under existing legislation of migrants legally resident in their respective territories.

In the area of illegal immigration the decide to establish closer cooperation. In this context, the partners, aware of their responsibility for readmission, agree to adopt the relevant provisions and measures, by means of bilateral means or arrangements, in order to readmit their nationals who are in an illegal situation".

#### 3.1.1 The Euro-Med Partnership's objectives

Each of the Euro-Mediterranean Association agreements concluded in the framework of Euro-Mediterranean Partnership relies on three pillars: political cooperation and security, economic and financial cooperation, and cooperation in the field of human and social affairs and culture. According to the EMAA's aims, a free-trade area between partners should be established over a transitional period of twelve years. This economic "negative"<sup>189</sup> integration process would imply free trade in industrial goods and the progressive liberalisation of trade in agricultural products as well as the future liberalisation of trade and services.

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187 We note that until now no EU-Syria Association Agreement has come into force.

188 According to the Barcelona Declaration, the partners agreed to establish a partnership in social, cultural and human affairs with a view to bringing peoples closer together, promoting understanding between them and improving their perception of each other. This partnership is based on the delicate compromise between, on the one hand, the existence, recognition and mutual respect of diverse traditions, cultures and civilisations throughout the Mediterranean and, on the other hand, the promotion of common roots: to this end, the Barcelona Declaration and its work programme emphasise: the importance of intercultural dialogue, and of dialogues between religions; the importance of the role the media can play in the reciprocal recognition and understanding of cultures; the development of human resources in the area of culture: cultural exchanges, knowledge of other languages, implementation of educational and cultural programs that respect cultural identities; the importance of health and social development and respect for fundamental social rights; the essential contribution civil society can make to the Euro-Mediterranean partnership and the need to strengthen the instruments of decentralized cooperation to encourage exchanges between those active in development; cooperation in the field of illegal immigration, the fight against terrorism, drug trafficking, international crime and corruption.

189 Negative because it implies removal of trade obstacles.

This process is expected to be complemented by political, economic, social and cultural cooperation. The EMAA with Algeria, which was the latest to be signed,<sup>190</sup> also includes a chapter on cooperation in the field of Justice and Home Affairs.

Upon reading the main objectives pursued by the Association Agreements,<sup>191</sup> it is clear that migration or human mobility was not the principal focus of the Partnership at the time the EMAAs were drafted.<sup>192</sup> The EC-Algeria Association Agreement is a noticeable exception in this respect because article 1§2 among other objectives includes the “facilitation of human exchanges, particularly in the context of administrative procedures”. Here visa and admission procedures are targeted (see article 83 of the EC/Algeria AA).

Notwithstanding these remarks, “The EMP is centred on the Economic and Financial Partnership and on the expected positive effects of the establishment of the Euro-Mediterranean Free trade Area (EMFTA)” (Brach, 2007).

Regarding migration, the Barcelona Declaration’s implicit rationale, as drawn from the above quotations, was that migratory pressures should be tackled through job creation and development, combating illegal immigration and protecting the rights of legal immigrants.<sup>193</sup> But no specific policy with regard to the migration challenge and its various dimensions was foreseen. The rationale was to tackle the root causes of migration such as unemployment and to cooperate in the field of illegal migration. The establishment of schemes for legal migration is certainly the missing link here.

Indeed, while the Free Trade Area to be established includes the liberalisation of the movement of goods, services and capitals, it is important to note that workers, not to say people, were not granted the same freedom of movement, even as a distant goal. At best, regular social dialogue shall be used to find ways to achieve progress in the field of free movement of workers alongside equal treatment and social integration. This reflects the static position taken by the partners regarding the liberalisation of labour force circulation at the time of the drafting of the EMAAs. It has to be recalled that at the time of the entry into force of the first EMAA, the Schengen rules were being implemented by most EU countries and admission of third-country nationals for economic purposes was officially banned.

Nevertheless, to the extent that the EMP will succeed, it is supposed to have an impact on migratory flows in the region, addressing the root causes of migration such as economic disparities and unemployment (Aubarell, and Aragall, 2003). According to this theory, progressive development and economic integration in the Mediterranean region would, in the long run, ensure job creation and increase the quality of life in southern Mediterranean Countries. Meanwhile, in the short term and due to economic adjustments, negative effects such as job loss are expected, which could intensify migration pressures.<sup>194</sup> Still, with regard to migration, no specific measures addressing those effects were foreseen.

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190 April 2002; in entered into force in September 2005.

191 See articles 1 of the AA in the Appendix.

192 The ones with Tunisia, Morocco and Jordan were signed before the so called “communitarisation” of the legal basis related to migration by the Amsterdam Treaty in 1999 and thus before the Tampere Summit which set the milestones of European common policy, including the cooperation with third countries. While the ones with Egypt, Lebanon and Algeria were signed afterwards, it is worth noticing that they all include more extensive provisions in relation to cooperation in the field of illegal migration, even for Algeria a full Chapter on Cooperation in the field of Justice and Home Affairs.

193 They acknowledge the importance of the role played by migration in their relationships. They agree to strengthen their cooperation to reduce migratory pressures, among other things through vocational training programmes and job creation programmes. They undertake to guarantee protection of all the rights recognised under existing legislation of migrants legally resident in their respective territories. In the area of illegal immigration they decide to establish closer co-operation. In this context, the partners, aware of their responsibility for readmission, agree to adopt the relevant provisions and measures, by means of bilateral agreements or arrangements, in order to readmit their nationals who are in an illegal situation. To that end, the Member States of the European Union take citizens to mean nationals of the Member States, as defined for Community purposes.

194 See the Sustainability Impact Assessment Study of Euro-Mediterranean Free Trade Areas carried out by the Institute for Development Policy and Management of the University of Manchester.

This section will not evaluate the success of the Euro-Med partnership as a co-development project. Suffice it to say that scholarly work has already addressed this aspect.<sup>195</sup> Nevertheless, it should be stressed that a consensus has emerged on the weakness of the democratization process, as well as of the human dimension of the Partnership. More specifically, external political factors have undermined this process.<sup>196</sup>

Despite the enlightened and ambitious goals of the Barcelona Declaration regarding the building of bridges across the Mediterranean, no concrete measures regarding mobility of people are provided for in the EMAAs.

### 3.1.2 The Euro-Med Association agreements (EMAA) and Migration

In this section, we will further explore the EMAA's content. This will substantiate our statement regarding the absence of dynamic objectives for human mobility in the EMAA, and will give us the opportunity to show how each EMAA has a somewhat different approach towards migration.

Indeed, some provisions of the EMAA concluded with the Maghreb countries (Morocco, Algeria, Tunisia) reflect the peculiar relations that these countries have with European countries with regard to migration. The most recently concluded EMAAs, meanwhile, give, as we have already mentioned, more emphasis to the need for cooperation in the field of "illegal" migration but remain silent on a comprehensive approach to migration.

Beyond that, the Euro-Med framework provides for a privileged institutional framework in which dialogue on migration may be conducted at various political levels. This institutional framework has also provided the channels through which the ENP has progressively been implemented since 2003.

The EMAA dealt with migration issues under Chapters dedicated to "cooperation in social and cultural matters". In those chapters, some specific provisions related to migration are set out.<sup>197</sup>

The first important point to make is that, contrary to the expectations raised by the Barcelona Declaration regarding the establishment of a full-fledged Euro-Mediterranean Free Trade Area, the free movement of workers is not enabled by any of the Association Agreements.

In the following subsections, we will deal with specific provisions regarding migration (a), and give an overview of the institutional mechanisms through which the social dialogue regarding migration is supposed to take place (b).

#### a) Substantial provisions

Cooperation in the field of illegal immigration is seen as part of the partnership in only three of the EMAAs: with Algeria,<sup>198</sup> Egypt<sup>199</sup> and Lebanon.<sup>200</sup> It is important to note that all those that were

195 See i.e. A. MARCHETTI (ed.), "Ten Years Euro-Med Partnership – Defining European Interests for the next decade", ZEI, Discussion Paper, C154, 2005; J. BRACH, "The Euro-Mediterranean Partnership: The Role and Impact of the Economic and Financial Dimension", *European Foreign Affairs Review*, n°12, pp. 555-579, 2007; G. AUBARELL, G., and X. ARAGALL, "Immigration and the Euro-Mediterranean Area: Keys to Policy and Trends, EuroMescoPapers, n°47, September 2005; MARTÍN, I. "In Search of Development Along the Southern Border. The Economic Models Underlying the Euro-Mediterranean Partnership and the European Neighborhood Policy", in Anna Maria Ferragina (ed.), *Bridging the Gap: The Role of Trade and FDI in the Mediterranean*, Consiglio Nazionale delle Ricerche-Istituto di Studi sulle Società del Mediterraneo, 2009.

196 Terrorism and the fear that the changing elite would provoke a rise in Islamic political parties, and the breakdown of the Israeli-Palestinian peace process, L. KUHNHARDT, "10 Years Euro-Mediterranean Partnership – The Human Dimension Revisited", ZEI, Discussion Paper, C154, 2005.

197 For an exhaustive overview of those provisions, please refer to the tables in the Appendix. Here when we do not refer to one of the EMAAs in particular we make use the EC/Tunisia Association Agreement provisions, which was the first to be signed and served as a model for the negotiation of the others.

198 Title VIII Cooperation in the field of Justice and Home Affairs – Cooperation for prevention and control of illegal immigration article 84.

199 See Title VI Cooperation for prevention and control of illegal immigration (art. 68-70).

200 See Title VI Chapter 3 Cooperation for prevention and control of illegal immigration (art. 68-69).

signed after or during 2001 tackle this aspect.<sup>201</sup> This, for sure, reflects, the priority set by the European Council on the fight against illegal immigration and echoes the European Council's Seville Conclusions in June 2002. In these conclusions, the European Council urges "that any future cooperation, association or equivalent agreement which the European Union or the European Community concludes with any country should include a clause on joint management of migration flows and on compulsory readmission in the event of illegal immigration". In the other EMAAs, no direct commitment to cooperate in the field of illegal migration and readmission is made, and the fight against illegal migration is part of the social dialogue in which the parties are committed to engage on a regular basis.<sup>202</sup>

In the field of legal migration, provisions regarding the rights of migrants already residing legally in EU (or in a partner country) are set out. Yet, binding provisions subject to interpretation and enforcement by the European Court of Justice and national courts of the partners countries are only given for the Maghreb countries. According to the first article under Title VI of those EMAAs, the treatment accorded by each Member State to workers of Tunisian/Moroccan/Algerian nationalities employed in its territory shall be free from any discrimination based on nationality, as regards working conditions, remuneration and dismissal, relative to its own nationals. Temporary Tunisian, Moroccan, and Algerian workers are also envisaged. Again, they benefit from a non-discrimination clause solely in the field of working conditions and remuneration. It is to be stressed that Tunisia/Morocco/Algeria shall accord the same treatment to workers who are nationals of a Member State and employed in its territory.

Furthermore, workers from Tunisia/Morocco/Algeria and any members of their families living with them shall enjoy, in the field of social security, treatment free from any discrimination based on nationality relative to the nationals of the Member States in which they are employed.<sup>203</sup> All periods of insurance, employment or residence completed by such workers in the various Member States shall be added together for the purpose of pensions and annuities in respect of old age, invalidity and survivors' benefits and family, sickness and maternity benefits and also for that of medical care for the workers and for members of their families resident in the EU Community. The workers in question shall receive family allowances for members of their families who are resident in the Community, and shall be able to transfer freely to Tunisia/Morocco/Algeria, at the rates applied by virtue of the legislation of the debtor Member State or States, any pensions or annuities in respect of old age, survivor status, industrial accident or occupational disease, or of invalidity resulting from industrial accident or occupational disease, except in the case of special non-contributory benefits.

In fact, upon reading the specific provisions related to workers, it is clear that the agreements acknowledge the presence of immigrant workers in the EC (also reciprocity in rights for EU citizens in one of the partner country is foreseen) and consolidate their rights as far as they are legally residing in one member state, the scope of the non-discrimination principle being larger for residents than for the temporary workers.

It is only the Agreement with Algeria, article 83, which foresees the necessity to facilitate the movement of persons between the partner countries. But this facilitation is foreseen in the framework of mutual cooperation in the field of irregular migration with no concrete objectives or measures.

It is worth noting that no considerations for labour needs or the nature and quality of permit of stay or procedures or conditions for admission are included in the EMAAs. Indeed, reducing migratory pressure through social cooperation is one of the priorities in the field of social cooperation ("root cause approach"). In the social field, projects and programmes shall be carried out in any area of

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201 Egypt AA was signed in June 2001, Lebanon AA in 2002 and Algeria AA in April 2002.

202 See article 69 AA-Tunisia, AA-Morocco and article 72 AA-Algeria. "Dialogue shall cover in particular all issues connected with: (c) illegal immigration and the conditions governing the return of individuals who are in breach of the legislation dealing with the right to stay and the right of establishment in their host countries".

203 The concept of social security shall cover the branches of social security dealing with sickness and maternity benefits, invalidity, old-age and survivors' benefits, industrial accident and occupational disease benefits and death, unemployment and family benefits.

interest to the parties: “Reducing migratory pressure, in particular by creating jobs and developing training in areas from which emigrants come; resettling those repatriated because of their illegal status under the legislation of the state in question”.<sup>204</sup>

These cooperation channels took place in the framework of the MEDA programme.<sup>205</sup> Measures financed under the MEDA programme are selected, taking into account the beneficiaries’ priorities, evolving needs, absorption capacity and progress towards structural reform. The provisions of association or cooperation agreements are also taken into consideration. However, at the regional level almost ten years elapsed before any regional programme was adopted in this field:

- Education and Training for Employment<sup>206</sup> (2004-2007, €5 million), a project managed by the European Training Foundation to support MPCs in the design and implementation of technical and vocational education and training policies with the ultimate goal of promoting employment (the only Euro-Mediterranean project in the area of employment so far);<sup>207</sup>
- The EuroMed Migration I (2004-2007, €2 million) aimed to promote analysis and cooperation on questions linked to migration, and the social integration of immigrants. The project developed four research programmes: migration, transfers and development; Transit migration; border management; Diaspora and countries of origin. A database with information on migratory flows in the Mediterranean region has been created and studies were conducted on different areas, such as the Annual Report on Mediterranean migration.

#### b) Institutional dialogue in social matters

At the outset, the EMP was basically designed as a process to create a framework for multilateral as well as bilateral dialogue and cooperation. It has undoubtedly generated positive effects since it has brought various partners together and has managed to maintain a regular pace of dialogue even in cases of rising tensions between the Mediterranean countries. Social dialogue takes place at the same level and according to the same modalities as the political dialogue foreseen in the EMEA, which leaves various possibilities open.<sup>208</sup>

Each EMEA foresees a regular social dialogue which includes migration matters, however; the reciprocal minimal commitment targets the social aspects of migration and does not make an economically- or labour-centered dialogue mandatory.<sup>209</sup>

According to the EMAs, the social dialogue with regard to migration is supposed to be conducted on “ways to achieve progress in the field of movement of workers and equal treatment and social integration for the one residing legally in a host country”.

Each EMEA institutes an Association Council<sup>210</sup> which meets once a year at the Ministerial level and has decision-making power.<sup>211</sup> The Council is supposed to adopt provisions to implement the

204 Article 71 EMEA EC/Tunisia – Same provision in the EMEA EC/Morocco – See also article 73 of the EC/Algeria EMEA which covers a larger scope of priorities related to migration. See article 82 of the EMEA EC/Jordan, articles 63 of the EMEA EC/Egypt and Lebanon.

205 See Council Regulation No 1488/96 of 23 July 1996 on financial and technical measures to accompany (MEDA) the reform of economic and social structures in the framework of the Euro-Mediterranean Partnership, Official Journal, L 189 of 30.07.1996. Two MEDA have been funded. MEDA I from 1996-2000 and MEDA II from 2000-2006.

206 <http://www.meda-ete.net>.

207 For a report on this project, see Regional cooperation in education and training: the whole is more than the sum of its parts, European Training Foundation, [http://www.meda-ete.net/meda-ete-web.nsf/opennews/6e32398ad71a0646c1257474002b341f/\\$FILE/10%20MEDA-ETE%20project\\_Main%20achievements%20-%20FINAL%20-%20050509.pdf](http://www.meda-ete.net/meda-ete-web.nsf/opennews/6e32398ad71a0646c1257474002b341f/$FILE/10%20MEDA-ETE%20project_Main%20achievements%20-%20FINAL%20-%20050509.pdf).

208 Article 5 EMEA’s: Political dialogue shall be established at regular interval and whenever necessary notably: (a) at ministerial level, principally within the Association Council; (b) at the level of senior officials representing Tunisia, on the one hand, and the Council Presidency and the Commission on the other; (c) taking full advantage of all diplomatic channels including regular briefings, consultations on the occasion of international meetings and contacts between diplomatic representatives in third countries; (d) where appropriate, by any other means which would make a useful contribution to consolidating dialogue and increasing its effectiveness.

209 See article 69 of the EC/Tunisia EMEA and correspondent provisions in the others agreements.

210 See article 78 EMEA Tunisia. Composed by EU Council and Commission members and members of the partner country government.

211 Until now, our research substantiates that only propositions of ‘Decisions’ related to the coordination of social-security systems are currently discussed in the Association Councils (Tunisia, Algeria, Morocco and Israel). Those decisions, not yet adopted, will specify the scope of the social security system that is covered for the exportation of benefits. It is important to note that in conformity with the EMEA, the family members of workers may benefit from family allowance only if they reside in an EU country.

principles stated in the agreement and adopt detailed rules for administrative cooperation providing the necessary management and monitoring guarantees for the application of the provisions. The Association Committee<sup>212</sup> deals with the day-to-day implementation of the EMAA and meets at the level of officers. Specific sub-committees or working groups on specific issues may be created. The EMAA with Tunisia, for instance, establishes a working group with a view to monitoring social cooperation. In the framework of the EMAAs with Tunisia, Morocco, Egypt, Lebanon a specific working group on migration and social affairs has been established. Those institutional bodies are privileged places through which the EMP is enacted and monitored. For those of the Mediterranean countries which take part in the European Neighbourhood policy, they are also a place for dialogue and the monitoring of the Action Plans.

In short, if we were to evaluate the Euro-Med cooperation in this field after the first ten years, we would infer that “the Barcelona Declaration remains the normative ideal [...]. Instead, the day to day implementation of the EMP has concentrated essentially on the economic basket, apparently confirming the perception that European political objectives were ill-defined from the outset”.<sup>213</sup> Many observers would thus agree that the EMP in its socio-cultural pillar did not live up to the expectations that the Barcelona Declarations raised in November 1995. This is particularly relevant for migration issues as in this field no real progress has been made since 1995 at the Euro-Med level. According to observers, “there is a need to review established migration policies, given current trends in migration to Europe” in the framework of the Euro-Med partnership (Aubarell & Aragall 2003). In this regard the balance between “policies to control migration and the need for labour” has still not been found.<sup>214</sup> Thus, taking into account these gaps, the EU was invited to “reconsider the human dimension of its Euro-Mediterranean partnership.” (Kuehnhardt, 2005). Moreover, there is consensus that “migration policies at the EMP level have not been effective enough to develop a common Euro-Mediterranean strategy” (Aubarell et al, 2009). This is not to deny though that at the national level, some frameworks through bilateral cooperation implement policies which to some extent match the Global Approach.<sup>215</sup>

### **3.2 The 2005 five-year Work Programme and the European Neighbourhood Policy – an opportunity for a “Global Approach to Migration” with Arab Mediterranean partners?**

A new impetus inspired by the “Global Approach to Migration” promoted by EU stakeholders has been seen in the framework of the Euro-Mediterranean Partnership since 2005, both as a consequence of the new pillar on cooperation in Justice and Home Affairs and of the implementation of the European Neighbourhood Policy. In this context, it is important to recall that much has been said on the externalisation and extra-territorialisation of EU migration policies. This “remote control approach” aimed at transferring EU internal security preoccupations onto third countries and more particularly neighbouring countries.<sup>216</sup> However, in this section, we will not touch upon these aspects but will concentrate, instead, on the “root-cause approach”<sup>217</sup> which is better anchored in developmental concerns. We argue that that the ENP, while externalising the EU’s labour needs, meets, to some extent, the labour needs and demands of sending countries. This aspect finds its expression in some ENP actions which emphasise legal migration opportunities to the EU. It is also

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212 See article 81 EMAA Tunisia. Composed by EU Council and Commission members and members of the partner country government.

213 D. Schmid, “Interlinkages within the Euro-Mediterranean Partnership: linking Economic, Institutional and Political Reform : Conditionality Within the Euro-Mediterranean Partnership”, EuroMesco Papers, December 2003. With the same opinion, R. A. del Sarto and T. Schumacher, “From EMP to ENP: What is at Stake with the European Neighbourhood Policy towards the Southern Mediterranean?”, European Foreign Affairs Review, n°10, 2005, pp. 17-38.

214 On this apparent contradiction between the need for labour in EU and the unwillingness to solve that need through legal immigration policies see J-L Reiffers, “L’impact de l’élargissement de l’UE sur les partenaires Méditerranéens”, 7th Annual FEMISE Network AMCinar, April 2003.

215 See for instance the Spain, French, Moroccan, Egyptian, and Mauritanian cases (Aubarell et al 2009) and (CARIM series on Circular Migration 2008) available at [www.carim.org](http://www.carim.org).

216 For an account on the “remote control” approach, see Zolberg, 2003, “The Archaeology of ‘Remote Control’”, in Fahrmeir, A. and Faron, O. and Weil, P. (eds) Migration Control in the North Atlantic World: The Evolution of State Practices in Europe and the United States from the French Revolution to the Inter-War Period. New York: Berghahn Books quoted in Aubarell et al 2009, 14.

217 See Aubarell et al 2009, 14.

there in the EMP five-year program which acknowledges that “Migration, Social Integration, Justice and Security are issues of common interest in the Partnership, and should be addressed through a comprehensive and integrated approach,” and emphasises that the Euro-Mediterranean partnership will enhance co-operation by promoting legal migration opportunities and facilitating the legal movement of individuals as important factors aiming at encouraging economic growth and improving cooperative channels between countries.

### *3.2.1 The Five-Year Work Programme: A new approach at a multilateral level*

The Five Year Work Programme of the Barcelona Summit (28 November 2005) called for enhanced cooperation in the fields of Migration, Social Integration, Justice and Security through a comprehensive and integrated approach.

This chapter contains 6 objectives:

- a) Promote legal migration opportunities: the facilitation of the legal movement of individuals, recognising that these constitute an opportunity for economic growth; the fair treatment and integration policies for legal migrants; and the facilitation of the flow of remittance transfers and an attempt to deal with “brain drain”);
- b) Reduce significantly the level of illegal migration (trafficking in human beings and loss of life through hazardous sea and border crossings);
- c) Pursue the modernisation and efficiency of the administration of justice and facilitate access to justice by citizens;
- d) Reinforce judicial cooperation (including on cross-border issues);
- e) Facilitate solutions to problems arising from mixed-marriage disputes and child-custody cases and encourage cooperation in accordance with the principle of the UN Convention of 1989 on the Rights of the Child and national legislation;
- f) Promote the ratification and further implementation of the relevant UN conventions on combating organised crime and drugs, and improve cooperation by law enforcement agencies.

To contribute to these objectives, it was decided to:

- a) Hold a Ministerial meeting to discuss all issues pertinent to migration;
- b) Develop mechanisms for practical cooperation and sharing experiences on managing migration flows humanely, (deepen dialogue with countries of origin and transit and explore options for providing assistance for countries of origin and transit);
- c) Promote schemes for safer, easier, less expensive channels for the efficient transfer of migrants’ remittances;
- d) Develop ways to assist capacity building for those national institutions in partner countries dealing with expatriates;
- e) Promote legal migration opportunities and integration of migrants;
- f) Enhance cooperation to fight illegal migration. This cooperation should involve all aspects of illegal migration, such as the negotiation of different kinds of readmission agreements, the fight against human trafficking and related networks as well as other forms of illegal migration, and capacity building in border management and migration;
- g) Develop contacts, training and technical assistance for judicial and legal professionals, building on the EuroMed Justice Programme;
- h) Develop contacts, training and technical assistance for police and law-enforcement officers, building on ENP Action Plans and the EuroMed Police Programme, encouraging networks in the EuroMed region and drawing on the expertise of Europol.

During the 8th Euro-Mediterranean Conference of Ministers of Foreign Affairs held in Tampere in November 2006,<sup>218</sup> Ministers underlined the need to “strengthen the management of migratory flows in a comprehensive and balanced manner beneficial to the peoples in the whole Mediterranean region while respecting migrants’ rights,” and to intensify cooperation on all aspects of migration between all parties concerned, including the fight against trafficking in human beings and “negotiations of different kinds of readmission agreements.” The Ministers decided to organise Euromed Ministerial meeting on migration in 2007. The 9th Euro-Mediterranean Meeting of Ministers of Foreign Affairs,<sup>219</sup> held in Lisbon on 18 and 19 November 2007, stressed “the need for continued progress by all Partners to achieve the strategic goal of optimising the social and economic benefits of migration for countries of origin, transit and destination, as well as continued cooperation in efficiently tackling illegal immigration.” Ministers mandated the senior officials to reflect on ways and means to increase the added value of regional cooperation in the fields of Justice and Security in accordance with the Five Year Work Programme. The conclusions also mentioned two other international initiatives, the Rabat Euro-African Ministerial Meeting on Migration and Development, held 10-11 July 2006, as well as the EU-Africa Ministerial Meeting on Migration and Development, held in Tripoli 22-23 November 2006.

Under the Portuguese Presidency, the First Euro-Mediterranean Ministerial Meeting on Migration was held in Albufeira (Algarve) on 19 November 2007.<sup>220</sup> During this meeting, political and operational conclusions were approved. Facilitating legal movement is considered as one of the key elements of the cooperation “being aware of the globally positive effect of legal migration in terms of development.” It was therefore proposed to “analyse the possibilities of facilitating and simplifying legal migration procedures for workers in demand, in order to improve legal channels for migration.” These efforts would focus on “different categories of legal workers and could also include different forms of mobility such as circular and temporary migration, taking into account the needs of the Euro-Mediterranean countries labour markets as well as in terms of development.”<sup>221</sup> “The needs of the countries of origin in terms of transferring competences and alleviating the consequences of the brain drain that migration can represent” and “the possibilities of facilitating and simplifying legal migration procedures for workers in demand, in order to improve legal channels for migration” were also taken into account. A series of measures were adopted, such as a working group on migration aspects of the labour market, the introduction of training courses for migrant workers, pre-departure professional training and linguistic courses for potential migrants; a seminar on the transfer of funds and micro-credit opportunities; training courses for the countries of transit on methods for the detection and identification of false or falsified and counterfeit identity and travel documents; enhancing capacity building related to departure flows and a strengthening of the relationship between fighting illegal migration and the respect for relevant international instruments. The Ministers made a commitment to hold regular meetings, through the establishment of task forces at the level of senior experts and officials to implement all the actions and supervise their progress.

Also, the link with migration and development in the partnership is stressed with the need to address the root causes of migration particularly poverty, unemployment, and the development gap. Those conclusions show that a shift in the realm of migration and its link with development and labour needs has occurred in the Euro-Mediterranean space – at least at the rhetorical level.

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218 Tampere Conclusions: [http://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/er/91928.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/91928.pdf).

219 Agreed Conclusions of the 9th Euro-Mediterranean Meeting of Ministers of Foreign Affairs, Lisbon, 5-6 November 2007, <http://www.eu2007.pt/NR/rdonlyres/FF7CA6E4-5980-4B3A-A3B6-00D072967697/0/9ReuniaoEuromedMNES.pdf>.

220 Ministerial Conclusions of the first Euro-Mediterranean Ministerial Meeting on Migration, 2007-11-19

[http://www.eu2007.pt/UE/vEN/Noticias\\_Documentos/20071119Conclusoeseuromed.htm](http://www.eu2007.pt/UE/vEN/Noticias_Documentos/20071119Conclusoeseuromed.htm).

221 A first Euro-Mediterranean Employment and Labour Ministers Conference was held in Marrakech in November 2008.

On November 3-4 2009, the Euro-Mediterranean Ministers of Foreign Affairs<sup>222</sup> held in Marseille agreed that “important steps need to be taken in 2009 to implement the Barcelona Five Year Work Programme and the declaration of the Paris Summit in order to advance the regional integration process.” A work programme for 2009 was therefore adopted, including “Developing a genuine social dimension”.<sup>223</sup> As regards migration, the Ministers stated again that migration should be an integral part of the regional partnership. Legal migration, migration and development and the fight against illegal migration were to be addressed through a comprehensive, balanced and integrated approach, as well as the launching of EuroMed Migration II (2008-2011, €5 million), aiming at strengthen the Euromed cooperation in the management of migration, so as to build up the MPCs’ capacity to provide an effective, targeted and comprehensive solution for the various forms of migration.

In the following section, we will show how the European Neighbourhood Policy instruments have reinvigorated the Euro-Med framework in the realm of migration.

### 3.2.2 *The European Neighbourhood Policy: Which added value to Migration?*

Against the backdrop of the Euro-Mediterranean Partnership and the post-2004 EU enlargement, a new framework regulating external relations emerged: the European Neighbourhood Policy (ENP). The latter has built on the existing Euro-Med partnership and has refined it by adding new incentives (a “stake in the internal market”) and a new financial instrument:<sup>224</sup> some countries are invited to use legal tools such as bilateral agreements and to adopt the *acquis communautaire* through a soft method of coordination (the so-called Country reports and Action Plans) in the various fields of cooperation. Some of the Mediterranean Partners<sup>225</sup> take part in the ENP and have agreed on Action Plans with their EU partners with a view to developing strengthened cooperation in various fields.<sup>226</sup> In the case of the European Neighbourhood Policy, the regional dimension is still taken into account, but more emphasis is put on bilateral relationships, mainly through Action Plans – which are instruments adapted to each country’s needs and willingness to move in the direction hoped for by the EU. This approach seems to favour more in-depth collaboration in migration matters, while also creating competition at the EMP level.

In its launch phase, the European Neighbourhood Policy raised new expectations regarding human mobility among EU neighbours.<sup>227</sup> Contrary to the initial EMP which mainly addressed the integration of third-country nationals and the fight against irregular migration, the Neighbourhood Policy accentuates the importance of an integrated approach to migration in EU-Arab Mediterranean relations including the movement of persons. In the Action Plans, new opportunities for legal economic migration are envisaged as part of a balanced approach and a positive option for both origin and host countries. Thus, the ENP strengthens the foreign agenda of migration and

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222 Barcelona Process: Union for the Mediterranean, Ministerial Conference, Final Statement, Marseille, 3-4 November 2008, [http://ue2008.fr/webdav/site/PFUE/shared/import/1103\\_ministerielle\\_Euromed/Final\\_Statement\\_Mediterranean\\_Union\\_EN.pdf](http://ue2008.fr/webdav/site/PFUE/shared/import/1103_ministerielle_Euromed/Final_Statement_Mediterranean_Union_EN.pdf).

223 “Ministers should approve a framework of action setting out key objectives in the fields of employment policy, employability and decent employment opportunities. This framework will address strengthening the participation of women in the labour market, non-discrimination, integration of young people within the labour market. - Employment and Labour Ministers should approve an effective follow-up mechanism. - The cooperation of social partners across the Euromed region should be further developed. - Ministers mandated Senior Officials to identify ways and means to implement the objective of facilitating legal movement of individuals”.

224 Regulation No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument, Official Journal L 310 of 9.11.2006.

225 Morocco, Tunisia, Egypt, Lebanon, Jordan.

226 It is noteworthy that Algeria has refused to engage in the ENP process.

227 The EU Commission Communication on “Wider Europe” (2003) stresses that: “The EU should aim to develop a zone of prosperity and a friendly neighbourhood – a ‘ring of friends’ - with whom the EU enjoys close, peaceful and co-operative relations. In return for concrete progress demonstrating shared values and effective implementation of political, economic and institutional reforms, including in aligning legislation with the *acquis*, the EU’s neighbourhood should benefit from the prospect of closer economic integration with the EU. To this end, Russia, the countries of the Western NIS and the Southern Mediterranean should be offered the prospect of a stake in the EU’s Internal Market and further integration and liberalisation to promote the free movement of – persons, goods, services and capital (four freedoms)”.

introduces mutual commitments with a view to developing incremental joint migration management in the “illegal” but also the legal aspects.

Indeed cooperation in the field of justice, security and migration is at the top of the agenda of the ENP. For instance, the European Commission, in its 2006 communication “On strengthening the European Neighbourhood Policy”,<sup>228</sup> identified the following “action points” concerning “mobility and migration”:

- facilitating visas, removing obstacles to legitimate travel, e.g. for business, educational, tourism, official purposes;
- ensuring well-managed mobility and migration, addressing readmission, cooperation in fighting illegal immigration, and effective and efficient border management.

In its 2007 communication “A Strong European Neighbourhood Policy”<sup>229</sup> the European Commission noted that “the promotion of mobility will go hand in hand with the commitment of our partners to increase security and justice and fight illegal migration, with efforts to strengthen our neighbours’ capacity to deal with migratory flows to their countries, and with the security of documents.” Therefore, it urged the EU Council and the European Parliament to adopt “its 2006 ‘package’ on legislative proposals aiming at revising the European Visa policy, ensuring a high level of security within the common area and simplifying the procedures for visa applicants.”

It must be stressed that this issue is one of the priority areas of the ENP Regional Indicative Programme 2007-2013<sup>230</sup> which identifies a number of concrete projects and programmes.

So the statement that the ENP constitutes an important “policy shift” towards the Southern Mediterranean partners (Del Sarto & Schumacher 2005) on the basis of which the Euro-Med partnership has been re-stimulated is fully warranted in the field of migration.

Certainly the added value of the ENP process is to include, in a multifaceted international perspective, encompassing both the European-receiving contexts and Mediterranean-sending contexts, acts of cooperation enabling bilateral and regular dialogue among the actors. Hence, the ENP framework offers these actors structured and intensive collaboration channels, short and mid term objectives as well as monitoring processes with rewarding perspectives commensurate with each country’s progress. It is, however, worth noting that in the field of migration, some Mediterranean Arab partner are more motivated than other to cooperate.

In the following section, we will show how the ENP integrates legal migration into its objectives and how bilateral relations between the EC and its neighbours are varied.

### 3.2.3 *The ENP and legal migration*

Legal migration is part of each of the Action Plans negotiated with the Arab Mediterranean countries included in the ENP (see Appendix where the elements related to migration or movement of persons between the EU and its neighbours are visible). Morocco and Tunisia are certainly the countries with which the Action Plans are the most advanced, but management of migration flows as well as visa facilitations are on each of the partners’ agenda.

The ENP objectives are much more formulated, global and ambitious than those of the EMP. Regarding Egypt and Lebanon it is certainly too early to expect any concrete results with regard to the ENP. With Morocco and Tunisia, expectations could be higher, while for Jordan we must

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228 Communication from the Commission on strengthening the European Neighbourhood Policy, COM(2006)726 final, 4 December 2006, [http://ec.europa.eu/world/enp/pdf/com06\\_726\\_en.pdf](http://ec.europa.eu/world/enp/pdf/com06_726_en.pdf).

229 Communication from the Commission “A Strong European Neighbourhood Policy”, COM(2007) 774 final, 05/12/2007, [http://ec.europa.eu/world/enp/pdf/com07\\_774\\_en.pdf](http://ec.europa.eu/world/enp/pdf/com07_774_en.pdf).

230 ENPI Regional Strategy Paper (2007-2013) and Regional Indicative Programme (2007-2010) for the Euro-Mediterranean Partnership, [http://ec.europa.eu/world/enp/pdf/country/enpi\\_euromed\\_rsp\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_euromed_rsp_en.pdf).

consider that not much has been done, except for information exchange.<sup>231</sup> According to the Commission follow-up report on Morocco (April 2008), thanks to EC funding supporting the movement of persons,<sup>232</sup> the level of legal migration from Morocco to EU has slightly increased. The Commission expresses a positive evaluation of the reinforcement of border control by the Moroccan authorities. Nevertheless, the issue of visa facilitation seems to be contingent on several factors including the conclusion of a readmission agreement. The report on Tunisia acknowledges intensification in border control and the fight against irregular migration by the Tunisian authorities, whereas in the field of legal migration, except for avenues permitting dialogue and meetings of experts, outcomes seem less concrete than for Morocco.

So in practice, at the EU level, when it comes to migration and relations with Mediterranean Arab countries, the concrete results are still, with the notable exception of Morocco, quite poor. Indeed, in comparison with Eastern neighbours no strong commitments are taken at the EU level. Reference might be made here to the mobility partnerships negotiated with Moldova or to visa facilitation offered to neighbouring countries.

Regarding the Arab Mediterranean Countries, mutual recognition has been established as a reciprocal interest in labour migration: at least with some of the countries – Morocco, Tunisia and Egypt. Also, some EU member states such as France, Spain and Italy have expressed their readiness to deepen cooperation with Arab Mediterranean neighbours, while other European countries are more reluctant to do so. Some member states show their interest in the bilateral relations that they have established with the origin countries.

It is worth noting that the European differentiated approach towards AMCs could explain the difficulty in finding a common migration policy towards the Mediterranean region at the EU level. Hence, elaborating a more consensual migration policy is crucial since visa policies have become of paramount importance to EU common policy and as some European actors have agreed on the necessity of immigration. A more consensual migration policy towards the Arab Mediterranean Countries might also empower the instruments of European Neighbourhood Policy and endow the Euro-Mediterranean partnership with a more coherent and far-reaching vision.

#### **4. Conclusions and recommendations**

The Euro-Arab Mediterranean space is currently the theatre of significant trends and opportunities in the field of migration. On the one hand, the European Union needs highly- and less highly- skilled migrants for short or long periods of stay so as to address its development pathway as well as its economic and social challenges. On the other hand, the Arab Mediterranean Countries face major problems such as high unemployment and the inability to efficiently manage the growth of their labour forces. It is certain that certain European countries have, to some extent, developed policies to respond to these needs. At the EU level, important actors – such as the EU Commission and partially the European Council and the Council of Ministers – are pleading for a renewed approach to migration which finds its finest expression in the “Global Approach to Migration”.

Still, in spite of this economic and social context which predisposes the two shores of the Mediterranean towards more cooperation, regular migration opportunities for economic purposes remain underdeveloped or involve discouraging procedures. This fuels irregular migration and aggravates its negative effects.

In this study, keeping in mind the multifaceted aspects of the Global Approach, we particularly stressed the emergence of proactive patterns in immigration/emigration policies in the Euro-Mediterranean region. Emphasis was also laid on assessing the efficiency and adequacy of instruments envisaged by the Global Approach to Migration, and how, if duly implemented, they could, indeed, respond to the needs of both sides of the Mediterranean.

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231 See Working Document by the EC Commission Following-Report for Jordan. SEC (2008)398, April 2008.

232 Support to the movement of people (MED/2003/5725).

More precisely, it was argued that if EU countries want to remain competitive in production, it is imperative that they encourage more skilled immigration. Arab Mediterranean countries that produce supply in skilled labour, could thus respond to this demand for highly-skilled migration provided that the education levels and quality of the labour force is taken into consideration. It was also argued that expanding seasonal and circular migration opportunities both for skilled and unskilled workers in the Euro-Arab Mediterranean context is beneficial to enhancing cooperation opportunities. In addition to that, this study highlighted how the Global Approach to Migration takes into consideration important realities at work in the Euro-Mediterranean region. For instance, the supply of skilled migrants in the Arab Mediterranean Countries, on the one hand, and the demand for temporary migration by the migrants themselves, on the other, pursue to some extent common interests shared with destination countries. These departure points could thereby provide realistic foundations for a more symmetrical “needs and demand-base” labour migration approach.

Furthermore, the paper shows how, in contrast with the EMP process before 2005, the current nexus between the European Mediterranean Partnership and the European Neighbourhood Policy (ENP) could serve as an institutional platform that could integrate the objectives of the “Global Approach to Migration”, hence paving the way for more proactive cooperation at the EU level. At the regional level, the first Euro-Ministerial Conferences on Migration (November 2007) and on Labour and Employment (November 2009) are expected to give prominence to region-wide strategies in these fields.

Indeed, the Euro-Med framework and the European Neighbourhood policy constitute an important reference framework for implementing the Global Migration Approach for various reasons. First, the framework envisages the facilitation of mobility (as an aim though no enforceable provisions are stated), and targets non-discrimination when it comes to third-country workers (with enforceable provisions). In addition to that, the ENP Action Plans provide more constructive avenues for addressing the Global Approach to Migration since they specifically tackle the external aspects of migration.<sup>233</sup> It is true that divergent priorities on each side of the Mediterranean have incontestably obstructed the consolidation of the Euro-Mediterranean framework. Thus, while EU countries focus on joint responsibility and control of migration flows, the origin countries of the Mediterranean fix their attention on development concerns and plead for a facilitated movement of persons and the integration of legal-resident migrants. Nonetheless, it should be noted that the Action plans are adequate methods to strive for more convergence in policy outcomes and bridge the gap in migratory discourses, since they are tailored to the needs of origin and host countries and offer contextual devices to address the divergences.

These observations notwithstanding, many drawbacks undermine an efficient orientation line in the EU’s labour strategy towards the Arab Mediterranean and impede constructive Euro-Arab Mediterranean cooperation.

On the one hand, upon assessing the EU’s level of action, one has to keep in mind that despite gradual harmonization at the EU level in the realm of migration policy and despite the fact that a more unified labour strategy has emerged, divergent national policies still supersede supranational decisions. In addition, overriding national competences take the lead in spite of the Commission’s efforts to communitarise certain labour and migration orientation lines.<sup>234</sup> The Document of the French Council Presidency (2008), which is expected to shape EU legislation and policy orientation in migration issues in the years to come shows that national governments will remain the main actors as far as the proactive side of European immigration policies are concerned. Different national set-ups and labour-market configurations, as well as different labour preferences,

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233 Already in 2001, the Report of the European Parliament on “the EU-Mediterranean Relations: a Re-Launch of the Barcelona Process”, notes that migration policy must be based on the circulation of workers. It seems that the ENP, at least in its discourse, takes the need for more mobility into account.

234 Key issues are divergences over unanimity voting, limited competences in the field of legal migration, inconsistencies between security concerns and the need for legal migration and mobility.

delay an intersection of policy outcomes. Moreover, much controversy revolves around the future orientation tracks of a unified EU labour-migration strategy.<sup>235</sup>

On the other hand, drawbacks inherent in the Global Approach to Migration get in the way of strengthening EU-Arab Mediterranean labour and migration cooperation. Thus, despite its enlightened approach, with its determination to take into account the root causes of migration, the Global Approach to Migration does not give much space to the role of sending countries. Furthermore, solid literature and empirical evidence supporting the efficiency of the instruments of the Global Approach (the Blue Card, Circular Migration schemes...) and whether they could really be adequate in responding to the needs of the Arab Mediterranean Region are still lacking. Also, there is controversy over whether instruments such as the Blue Card are suitable and attractive enough to satisfy the need for highly-skilled migration to Europe.

Beyond these difficulties, some specific recommendations for more policy convergence in the Euro-Arab Mediterranean framework can be made:

#### *At the EU institutional level*

Institutional changes in EU decision-making should take place so that a firmer and clearer orientation line emerges at the EU level. In the Lisbon Treaty (2008), the European member states accepted the adoption of legal-migration instruments on the basis of qualified majority voting involving the European Parliament. Indeed, legal migration into Europe will be a predominant topic for the 2009-2014 legislature. This could provide the basis for a more efficient cooperation strategy in migration matters between the EU and the Arab Mediterranean countries.

#### *At the Euro-Arab Mediterranean institutional and policy-making level*

In order to improve the comprehensiveness of the Global Approach to migration and remedy the gaps left by its instruments, it is important to:

- Empower institutions and legal channels addressing the recruitment of labour forces on both sides of the Mediterranean;
- Ease access to work permits in the EU space and inside the EU (e.g. provide fast-track procedure visas);
- Encourage visa and institutional policies that favour temporary patterns of migration and mobility;
- Refine temporary migration programs and make them more attractive by guaranteeing social rights and the portability of benefits even if such programmes are only a labour strategy, and cannot solve, in the near future, the demand for income and jobs for all potential migrants;
- Improve the recognition of educational degrees in the EU and create more institutional and legal synergies between academic institutions from either side of the Mediterranean.

#### *At a bilateral level*

The Euro-Arab Mediterranean framework should give prominence to bilateral initiatives which match the objectives of the “Global Approach to Migration”. Positive outcomes at a bilateral level could thus provide a propitious constellation able to convince other reluctant parties to join. Also, monitoring current bilateral experiences,<sup>236</sup> assessing their economic, social and human dimensions, and detecting positive gains and outcomes should become a policy-making priority so as to enhance cooperation and activate new cooperative dynamics in the Euro-Arab Mediterranean context.

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235 Scenarios oscillate between an approach centred on promoting selective labour migration and building intrinsic and extrinsic boundaries; an approach favouring intra-EU labour mobility, hence stressing internal labour mobility but establishing strong external borders undermining chances for non EU-labour migrants; a third approach advocating the abolition of both internal and external borders and the promotion of labour mobility and integration within the EU as well as labour mobility originating from non-EU countries.

236 Egypt-Italy; Morocco-Spain; Mauritania-Spain; Italy-Tunisia; France-Tunisia/Morocco.

In addition to these recommendations whose overarching aim is to consolidate policy convergence and joint migration management in the Euro-Arab Mediterranean region, the paper strongly advocates **the concretization and contextualization of the Global Migration Approach with respect to the Arab Mediterranean region** through the following tangible measures: initiating bilateral and regional consultative processes (RCPs) in the Euro-Arab Mediterranean context tackling the potential launching and implementation of mobility partnerships and circular migration schemes. These consultative processes should identify concrete and specific collaboration steps, namely under which circumstances mobility partnerships could be launched, how to solve policy divergences hampering such initiatives, and how these partnerships could reflect an integrative migration approach taking into account all categories of migrants. These processes should also define parties' interests and expectations with a view to forging a transparent dialogue on migration in the Euro-Arab Mediterranean region.

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### **Appendix (see Annex separate file)**

*I. Association agreements concluded by the EC and the EU countries with Mediterranean Partners (Euro-Mediterranean framework)*

*II. Action Plans with Southern Mediterranean Neighbors in the framework of the ENP Development Group, Middle East and North Africa Region September 2.*