Labour Markets Performance and Migration Flows in Arab Mediterranean Countries. A Regional Perspective

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Final Report
November 2009
Labour Markets Performance and Migration Flows in Arab Mediterranean Countries: Determinants and Effects

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For more information on the Study
www.eui.eu/DepartmentsAndCentres/RobertSchumanCentre/Research/Migration/LabourMarketsMigration/Index.aspx

* 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.
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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

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

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 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.” 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 (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\(^3\)). 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 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

\(^{3}\) 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.
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)

*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.

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<tbody>
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<td>Morocco</td>
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<td>20061000</td>
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<td>10056000</td>
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<td>23,00%</td>
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<td>2040000</td>
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<td>15,70%</td>
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<td>66,40%</td>
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<td>50787827</td>
<td>1444074</td>
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</tbody>
</table>

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 Martin 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 AMCs 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 AMCs 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)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Labour force</td>
<td>11148373</td>
<td>3593200</td>
<td>23624780</td>
<td>875285</td>
<td>1403600</td>
<td>1493000</td>
<td>6369000</td>
<td>48507238</td>
</tr>
<tr>
<td>None</td>
<td>40,4%</td>
<td>11,6%</td>
<td>28,9%</td>
<td>14,0%</td>
<td>4,0%</td>
<td>10,0%</td>
<td>23,7%</td>
<td>28,0%</td>
</tr>
<tr>
<td>Primary</td>
<td>40,9%</td>
<td>36,7%</td>
<td>14,2%</td>
<td>31,4%</td>
<td>44,3%</td>
<td>50,1%</td>
<td>53,5%</td>
<td>29,4%</td>
</tr>
<tr>
<td>Secondary</td>
<td>10,2%</td>
<td>36,7%</td>
<td>33,0%</td>
<td>27,4%</td>
<td>26,7%</td>
<td>16,0%</td>
<td>14,9%</td>
<td>24,9%</td>
</tr>
<tr>
<td>University</td>
<td>8,5%</td>
<td>15,0%</td>
<td>18,9%</td>
<td>27,2%</td>
<td>24,9%</td>
<td>20,1%</td>
<td>6,1%</td>
<td>14,9%</td>
</tr>
</tbody>
</table>

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 neccessary for comparability purposes, but should not mislead about the diversity of the education systems across AMCs 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 Markets Performance and Migration Flows in Arab Mediterranean Countries. A Regional Perspective

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**

![Figure 1.2.1. Average years of schooling in the adult population. Developing countries](image)

**MENA: Middle East and North African countries**
**EAP: Eastern Asiatic countries**
**LAC: Selected Latin American Countries**
**Source:** World Bank 2009a, p. 43.

**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*

<table>
<thead>
<tr>
<th></th>
<th>Morocco</th>
<th>Algeria</th>
<th>Tunisia</th>
<th>Egypt</th>
<th>Palestine</th>
<th>Jordan</th>
<th>Lebanon</th>
<th>Syria</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2020*</td>
<td>180000</td>
<td>225100</td>
<td>84600</td>
<td>715526</td>
<td>45977</td>
<td>53501</td>
<td>15000</td>
<td>221000</td>
<td>1540704</td>
</tr>
<tr>
<td>+5% labour</td>
<td>228000</td>
<td>317600</td>
<td>107077</td>
<td>742286</td>
<td>70294</td>
<td>54845</td>
<td>16700</td>
<td>247000</td>
<td>1783802</td>
</tr>
</tbody>
</table>

*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

<table>
<thead>
<tr>
<th>Country</th>
<th>Labour demand elasticity (ILO)</th>
<th>Labour demand elasticity (national calculations)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morocco</td>
<td>0.78</td>
<td>0.35</td>
</tr>
<tr>
<td>Algeria</td>
<td>1.37</td>
<td>0.5</td>
</tr>
<tr>
<td>Tunisia</td>
<td>0.72</td>
<td>0.855</td>
</tr>
<tr>
<td>Egypt</td>
<td>0.68</td>
<td>0.855</td>
</tr>
<tr>
<td>Jordan</td>
<td>0.97</td>
<td>0.855</td>
</tr>
<tr>
<td>Lebanon</td>
<td>0.61</td>
<td>0.1</td>
</tr>
</tbody>
</table>

*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 times 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\textsuperscript{4} published its conclusions and recommendations. There (Martín \textit{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 \textit{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 \textit{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.

\textsuperscript{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 AECI, Spanish Internacional 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. 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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Table 2.2.1. Indicators of Labour Market Flexibility, Doing Business Report 2010

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulty of Hiring Index (0-100)</td>
<td>89</td>
<td>44</td>
<td>28</td>
<td>0</td>
<td>33</td>
<td>11</td>
<td>44</td>
<td>11</td>
<td>22.5</td>
<td>25.7</td>
</tr>
<tr>
<td>Rigidity of Hours Index (0-100)</td>
<td>40</td>
<td>40</td>
<td>13</td>
<td>20</td>
<td>40</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>41.1</td>
<td>42.2</td>
</tr>
<tr>
<td>Difficulty of Redundancy Index (0-100)</td>
<td>50</td>
<td>40</td>
<td>80</td>
<td>60</td>
<td>60</td>
<td>30</td>
<td>50</td>
<td>31.6</td>
<td>26.3</td>
<td></td>
</tr>
<tr>
<td>Rigidity of Employment Index (0-100)</td>
<td>60</td>
<td>41</td>
<td>40</td>
<td>27</td>
<td>31</td>
<td>24</td>
<td>25</td>
<td>20</td>
<td>31.7</td>
<td>31.4</td>
</tr>
<tr>
<td>Redundancy cost (weeks of salary)</td>
<td>85</td>
<td>17</td>
<td>17</td>
<td>132</td>
<td>91</td>
<td>4</td>
<td>17</td>
<td>80</td>
<td>53.6</td>
<td>25.8</td>
</tr>
<tr>
<td>Employing workers (World Rank 2010)</td>
<td>176</td>
<td>122</td>
<td>108</td>
<td>120</td>
<td>135</td>
<td>51</td>
<td>66</td>
<td>91</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rank 2009</td>
<td>168</td>
<td>118</td>
<td>113</td>
<td>107</td>
<td>109</td>
<td>52</td>
<td>58</td>
<td>122</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


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)

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 AMCs 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 AMCs 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 AMCs for the small segment of the population enjoying extensive social protection systems. But for any flexicurity scheme to be effective in AMCs, a precondition would be to extend coverage of social security systems (as mentioned above, social protection systems in AMCs 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.**

<table>
<thead>
<tr>
<th>Monthly wages, in euros</th>
<th>Morocco</th>
<th>Algeria</th>
<th>Tunisia</th>
<th>Egypt</th>
<th>Palestine</th>
<th>Jordan</th>
<th>Lebanon</th>
<th>Syria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector (avg)</td>
<td>489</td>
<td>180</td>
<td>153</td>
<td>349</td>
<td>335</td>
<td>150</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private sector (avg)</td>
<td>281</td>
<td>220</td>
<td>338</td>
<td>106</td>
<td>315</td>
<td>268</td>
<td>484</td>
<td>144</td>
</tr>
<tr>
<td>Minimum wage</td>
<td>163</td>
<td>120</td>
<td>133.5</td>
<td>102</td>
<td>157</td>
<td>256</td>
<td>103</td>
<td></td>
</tr>
</tbody>
</table>

*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 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. 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).

---

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

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Morocco</td>
<td>2661 (10.69%)</td>
<td>2980 (10.57%)</td>
<td>3589 (12.13%)</td>
<td>3880 (12.55%)</td>
</tr>
<tr>
<td>Algeria</td>
<td>5631 (22.63%)</td>
<td>6087 (21.59%)</td>
<td>7176 (24.25%)</td>
<td>7310 (23.64%)</td>
</tr>
<tr>
<td>Tunisia</td>
<td>4422 (17.77%)</td>
<td>5444 (19.31%)</td>
<td>6445 (21.78%)</td>
<td>7102 (22.97%)</td>
</tr>
<tr>
<td>Egypt</td>
<td>3586 (14.41%)</td>
<td>4211 (14.94%)</td>
<td>4574 (15.46%)</td>
<td>4628 (14.97%)</td>
</tr>
<tr>
<td>Jordan</td>
<td>3547 (14.25%)</td>
<td>3632 (12.88%)</td>
<td>4342 (14.67%)</td>
<td>4628 (14.97%)</td>
</tr>
<tr>
<td>Syria</td>
<td>3759 (15.11%)</td>
<td>3725 (13.21%)</td>
<td>4002 (13.52%)</td>
<td>4260 (13.78%)</td>
</tr>
<tr>
<td>Lebanon</td>
<td>7979 (32.06%)</td>
<td>8328 (29.54%)</td>
<td>9561 (32.31%)</td>
<td>9546 (30.87%)</td>
</tr>
<tr>
<td>AMC (a)</td>
<td>4294 (17.26%)</td>
<td>4743 (16.82%)</td>
<td>5417 (18.31%)</td>
<td>5537 (17.91%)</td>
</tr>
<tr>
<td>Euro Area</td>
<td>24884</td>
<td>28194</td>
<td>29590</td>
<td>30921</td>
</tr>
</tbody>
</table>

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,
Iván Martín

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)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>M  F  TOT</td>
<td>M  F  TOT</td>
<td>M  F  TOT</td>
</tr>
<tr>
<td>(by age, 000)</td>
<td>794.5 297.6 1092.1</td>
<td>1072 302.7 1374.7</td>
<td>334.1 174 508.1</td>
</tr>
<tr>
<td>15-24</td>
<td>17.9% 15.5% 17.20%</td>
<td>25.35% 39.93% 27.38%</td>
<td>31.58% 30.94% 31.4%</td>
</tr>
<tr>
<td>25-34</td>
<td>13.80% 15.80% 14.40%</td>
<td>16.14% 22% 17.31%</td>
<td>17.43% 22.45% 19.9%</td>
</tr>
<tr>
<td>35-44</td>
<td>5.60% 6.50% 5.90%</td>
<td>6.06% 6.56% 6.11%</td>
<td>5.27% 7.55% 5.9%</td>
</tr>
<tr>
<td>45-54</td>
<td>2.80% 1.50% 2.40%</td>
<td>3.20% 2.50% 3.11%</td>
<td>3.26% 3.31% 3.3%</td>
</tr>
<tr>
<td>55-64</td>
<td>0.60% 0.40% 0.60%</td>
<td>1.50% 1.96% 1.53%</td>
<td>3.11% 1.48% 2.9%</td>
</tr>
</tbody>
</table>

(by level of education, 000)

<table>
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<tbody>
<tr>
<td></td>
<td>M  F  TOT</td>
<td>M  F  TOT</td>
<td>M  F  TOT</td>
<td>M  F  TOT</td>
<td>M  F  TOT</td>
<td>M  F  TOT</td>
</tr>
<tr>
<td>(by age, 000)</td>
<td>861.6 1074.1 1935.8</td>
<td>190 38 228</td>
<td>142 66 208</td>
<td>111 35 153</td>
<td>734 710 1444</td>
<td>4239.2 2697.4 6943.7</td>
</tr>
<tr>
<td>15-24</td>
<td>10.3% 27.0% 14.6%</td>
<td>38.8% 47.3% 40.2%</td>
<td>23.0% 47.8% 28.3%</td>
<td>20.0% 18.9% 19.7%</td>
<td>%  %  %</td>
<td>21.0% 28.5% 21.6%</td>
</tr>
<tr>
<td>25-34</td>
<td>9.6% 38.7% 17.5%</td>
<td>25.1% 27.2% 25.5%</td>
<td>8.0% 24.8% 12.0%</td>
<td>6.4% 9.2% 7.2%</td>
<td>%  %  %</td>
<td>14.0% 30.1% 16.9%</td>
</tr>
<tr>
<td>35-44</td>
<td>2.2% 13.1% 4.9%</td>
<td>21.3% 11.0% 19.5%</td>
<td>5.2% 11.6% 6.3%</td>
<td>3.7% 6.0% 4.2%</td>
<td>%  %  %</td>
<td>5.7% 10.4% 6.1%</td>
</tr>
<tr>
<td>45-54</td>
<td>0.8% 1.1% 0.9%</td>
<td>20.8% 6.1% 18.4%</td>
<td>4.4% 5.9% 4.6%</td>
<td>3.1% 3.3% 3.1%</td>
<td>%  %  %</td>
<td>3.5% 1.8% 2.9%</td>
</tr>
<tr>
<td>55-64</td>
<td>0.6% 0.0% 0.5%</td>
<td>20.3% 2.6% 16.9%</td>
<td>3.8% 3.5% 3.8%</td>
<td>3.3% 1.8% 3.1%</td>
<td>%  %  %</td>
<td>2.4% 0.7% 1.9%</td>
</tr>
</tbody>
</table>

(by level of education, 000)

<table>
<thead>
<tr>
<th>Unemployment (2007, latest available year)</th>
<th>None</th>
<th>Primary</th>
<th>Secondary</th>
<th>University</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.00% 1.60% 2.40%</td>
<td>11.60% 14.10% 12.00%</td>
<td>18.00% 25.60% 19.80%</td>
<td>17.20% 30.40% 21.80%</td>
<td>13.9% 20.9% 15.4%</td>
</tr>
<tr>
<td>(by age, 000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12.9% 18.3% 13.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12.8% 17.8% 14.1%</td>
</tr>
<tr>
<td></td>
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</tbody>
</table>

Total AMC's 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.

Final Report – November 2009
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. It is this age bracket too that has the highest propensity towards migration. The risks of youth unemployment for social instability are well known, 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). 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/outside 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.

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8 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).

9 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.

Bouklia-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, Bouklia-Hassane and Talahite 2009, pp. 24-25). With a model inspired by the Harris-Todaro rural-urban model, Bouklia-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)\textsuperscript{10}. 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).

\textsuperscript{10} National Background Papers and Fargues (2009, pp. 24 and 486).
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. 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 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)\(^\text{12}\). 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 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

\(^{12}\) See also the figures in Fargues 2009, p. 26, that are substantially higher for Jordan and Syria.
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, ¾ of graduates from the medicine, pharmacy, the ENSI, the ENIT and the HEC benefit from support for their professional insertion. In contrast, less than ¼ 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**

What is clear is that the sheer size of employment creation in the AMCs 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 Australia13. 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).

13 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)

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

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 21st 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 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 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. A similar pattern applies to Morocco. 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. 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. 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 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

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14 National Background Paper for Algeria (Boukli-Hassane and Talahite 2009). Also H. Khelfaoui (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.
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), Algeria (522,545 workers) or even Egypt (63,683 workers).

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, France and Tunisia, and Italy and Egypt (signed back in

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

20 OECD Database on Immigrants in OECD Countries.

21 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, 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.
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 AMCs recruited through them remains marginal in comparison with the total volume of migration from AMCs 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 AMCs 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 AMCs, 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 AMCs 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 AMCs

<table>
<thead>
<tr>
<th>Year</th>
<th>FS Flow Supply</th>
<th>RD Replacement Demand</th>
<th>AD Additional demand</th>
<th>Total Flow Demand</th>
<th>Internal Excess Supply</th>
<th>M Emigration outflows</th>
<th>AES Absolute Excess Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tunisia 2005</td>
<td>113,000</td>
<td>35,000</td>
<td>48,000</td>
<td>83,000</td>
<td>30,000</td>
<td>4,113/9,000</td>
<td>26,000/21,000</td>
</tr>
<tr>
<td>Morocco 2006</td>
<td>310,000</td>
<td>92,000</td>
<td>30,000</td>
<td>122,000</td>
<td>188,000</td>
<td>60,000</td>
<td>128,000</td>
</tr>
<tr>
<td>Egypt 2006</td>
<td>938,000</td>
<td>150,000</td>
<td>624,000</td>
<td>774,000</td>
<td>164,000</td>
<td>92,811</td>
<td>72,000</td>
</tr>
<tr>
<td>Algeria 2005</td>
<td>357,000</td>
<td>37,000</td>
<td>12,000</td>
<td>49,000</td>
<td>308,000</td>
<td>42,000</td>
<td>266,000</td>
</tr>
</tbody>
</table>

Additional demand CARIM data
Migration data CARIM Report 2006-7

Source: Venturini, 2008.

(Contd.)

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

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. 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 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.

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23 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).

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

<table>
<thead>
<tr>
<th>Labour Markets Performance and Migration Flows in Arab Mediterranean Countries. A Regional Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Figure 5.1.1 Synthetic table of the effects of outward migration on labour markets</strong></td>
</tr>
<tr>
<td><strong>Migration stages</strong></td>
</tr>
<tr>
<td>Effects on labour markets</td>
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</table>

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.25

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).

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-

25 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 Meskine (1993), who observe that many construction and agricultural workers in the Rif area come from the Tafilalt and Draa valley in Southern Morocco.
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-schooleding 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

<table>
<thead>
<tr>
<th>Country</th>
<th>Rate of emigration (%)</th>
<th>Selection rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>by skills</td>
<td>by skills</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Algeria</td>
<td>4.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Egypt</td>
<td>0.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Jordan</td>
<td>1.0</td>
<td>2.4</td>
</tr>
<tr>
<td>Lebanon</td>
<td>9.4</td>
<td>11.1</td>
</tr>
<tr>
<td>Morocco</td>
<td>6.8</td>
<td>8.1</td>
</tr>
<tr>
<td>Palestine</td>
<td>1.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Syria</td>
<td>0.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Tunisia</td>
<td>5.1</td>
<td>3.8</td>
</tr>
</tbody>
</table>

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).

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, and to a lesser extent in Lebanon for nurses, medical technicians, agro-food specialists, translators, and semi-skilled 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, 26

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26 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).

27 For the specific case of physicians, see evidence in the literature in the Thematic Background Paper Marchetta (2009 pp. 19-20).
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 employed in skilled occupations in OECD countries can be calculated. 28 This is an extremely small figure compared to the 225,000 Jordanians employed in skilled occupations in Jordan 30 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 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.

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.

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)

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

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 Rodriguez-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 AMCs 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 AMCs 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 AMCs, 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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Morocco</td>
<td>5.7</td>
<td>9.5%</td>
</tr>
<tr>
<td>Algeria</td>
<td>2.9</td>
<td>2.2%</td>
</tr>
<tr>
<td>Tunisia</td>
<td>1.7</td>
<td>5%</td>
</tr>
<tr>
<td>Egypt</td>
<td>5.9</td>
<td>5%</td>
</tr>
<tr>
<td>Palestine</td>
<td>0.6</td>
<td>14.7%</td>
</tr>
<tr>
<td>Jordan</td>
<td>2.9</td>
<td>20.3%</td>
</tr>
<tr>
<td>Lebanon</td>
<td>5.5</td>
<td>22.8%</td>
</tr>
<tr>
<td>Syria</td>
<td>0.8</td>
<td>2.3%</td>
</tr>
</tbody>
</table>


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 off-spring. 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\(^{31}\), 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.\(^{32}\) This suggests a possibly significant positive impact on AMC labour markets.

In Egypt, were 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 of Egypt, so far the magnitude of return migration in all other AMCs is marginal both relative to the

\(^{31}\) Robert Schuman Centre for Advanced Studies.

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

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, 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 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,

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.

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33 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).


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.
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.\(^{36}\) 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.”\(^{37}\)

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.

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.\(^{38}\) 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.\(^{39}\)

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.

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\(^{36}\) 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.


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. 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 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”.

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.”

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

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42 See footnote 34.
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.

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:43

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”.44 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 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.”

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 and optimise the flexibility of labour markets, but to increase the positive impact of highly-skilled migration on developing countries.

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). 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.

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.
In the near future, there is no 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" 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%) (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 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

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49 Data from CEDEFOP (2008, Table 7 in p. 60).
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**

On the other hand, AMCs instead suffer from an excess supply of educated workers (see Section 2.4 above on graduate unemployment in AMCs). 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). 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 AMCs, 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, AMCs 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 AMCs 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). 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) 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 in 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 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.

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50 For a thorough analysis of this question, see World Bank 2009.
51 World Bank 2009, p.44.
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”. 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.

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 card-holder 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.53

- 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’”,54 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.

54 See Preamble Article (22) of the Directive.
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).


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.

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 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 a indirect result of trade liberalization and structural reform), combating irregular immigration and protecting the rights of legal immigrants.  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.

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.”
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. 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”. 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 dialogue mandatory. 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, 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. 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

56 For an exhaustive overview of those provisions, refer to the Thematic Background Paper (Venturini, Fakhoury and Jouant 2009).
57 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.
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)”.

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European Neighbourhood Policy, 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” 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 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 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. 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 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. 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.

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

65 Conclusions of the first Euro-Mediterranean Conference of Employment and Labour Ministers, Marrakech, 9-10 November 2008,
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 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;
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- 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 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 on either side of the Mediterranean;
- 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,\(^{66}\) 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\(^{67}\), 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.

\(^{66}\) See Section 4.2 on circular migration.

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