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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A Regional Perspective

For more information on the Study
http://www.eui.eu/RSCAS/Research/LMM/

* 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 OCDE, 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.
The European University Institute (RSCAS) was selected by the European Commission to carry out a Study on “Labour Markets Performance and Migration Flows in Arab Mediterranean Countries: Determinants and Effects” (Nº ECFIN/D/2008/036).

Scientific Director: Philippe Fargues  
Project Coordinator: Iván Martín

Objectives
The objectives of the Study are two-fold:

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

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Jackline Wahba, University of Southampton, UK
**Background papers**

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

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

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

**Activities**

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

- **Methodological Workshop.** Florence, 28 January 2009. A one-day co-ordination workshop focused on methodology and data issues for the National Background Papers.

- **Validation Workshop.** Montecatini Terme, 26-27 March 2009. A two-day workshop to discuss and validate National and Thematic Background Papers and to undertake a regional comparative analysis of labour markets performance and migration flows in AMCs.

- **Policy-Makers and Experts Conference on “Labour Markets and Migration Flows in Arab Mediterranean Countries”.** Cairo, 11-12 October 2009. Jointly organised by the EUI, Cairo University and the European Commission. A two-day conference for policy makers, labour market specialists and experts on migration issues from the EU and the AMCs to present and discuss the final Study and proposals and recommendations to improve the design of the EU’s migration policies towards AMCs and policy options available to them for the management of mismatches between labour supply and demand.
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LIST OF BACKGROUND PAPERS

1. Thematic background papers

EU Migration Policy towards Arab Mediterranean Countries and its Impact on their Labour Markets
Authors: Alessandra Venturini, Tamirace Fakhoury and Nathalie Jouant, Robert Schuman Center for Advanced Studies, European University Institute.

The Impact of Migration on Labour Markets in Arab Mediterranean Countries. A Bibliographical Review
Author: Francesca Marchetta, Robert Schuman Center for Advanced Studies, European University Institute.

2. Country background papers

Labour Markets Performance and Migration Flows in Morocco
Author: Larabi Jaidi, Université Mohamed V, Rabat

Labour Markets Performance and Migration Flows in Algeria
Authors: Rafik Bouklia-Hassane, Université d’Oran, Algeria, and Fatiha Talahite Université de Paris 13 Nord, France

Labour Markets Performance and Migration Flows in Tunisia
Author: Azzam Mahjoub, Université de Tunis

Labour Markets Performance and Migration Flows in Egypt
Author: Jackline Wahba, University of Southampton, UK

Labour Markets Performance and Migration Flows in Palestine
Authors: Mustapha Khawaja and Mohammad Omari, Palestinian Central Bureau of Statistics, Ramallah

Labour Markets Performance and Migration Flows in Jordan
Authors: Ibrahim Saif, Carnegie Endowment for International Peace Carnegie Middle East Centre, Beirut, and Thoraya El-Rayyes, ILO Arab States Regional Office, Amman

Labour Markets Performance and Migration Flows in Syria
Author: Samir Aita, General Manager, A Concept Mafhoum

Labour Markets Performance and Migration Flows in Lebanon
Author: Jad Chaaban, American University of Beirut, Lebanon
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., curtailig 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:

<table>
<thead>
<tr>
<th>Effects on labour markets</th>
<th>Migration stages</th>
<th>Prospect to migrate</th>
<th>Actual migration (permanent; temporary)</th>
<th>Remittances</th>
<th>Return migration</th>
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<tbody>
<tr>
<td>Labour supply (L)</td>
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<td>Skills supply (H) (brain drain/gain)</td>
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<td>Capital supply (K)</td>
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<td>Education (H) (skills acquisition)</td>
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<td>Wages (reservation wages)</td>
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<tr>
<td>Labour demand (K)</td>
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</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:
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;
   - Enpower 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 county, 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.