



## LABOR MOBILITY IN THE MIDDLE EAST AND NORTH AFRICA: CHALLENGES AND OPPORTUNITIES

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**Introduction:** Increased labor mobility bears large potential benefits for human development and poverty reduction through various channels including more competitive global labor markets and increased efficiency in the matching of skills supply and demand.<sup>2</sup> Bank support for enhanced and better managed migration can complement broader efforts to reduce poverty and promote human development, similarly to how Bank projects on trade liberalization have helped in reducing market distortions and raise welfare. With MENA countries becoming increasingly eager to adopt a proactive approach to improve migration outcomes, cross-sectoral Bank teams are well positioned to respond to increasing demand for migration management systems.

**Migration and development:** Labor mobility has proven to be a forceful driver of convergence in living standards. Estimates suggest that gains from the liberalization of migration could surpass welfare gains from trade liberalization.<sup>3</sup> Currently, migration

represents the main form of global and regional integration for MENA countries. In the future, increased labor mobility could foster regional economic integration, a recognized priority within the Arab World Initiative (AWI).

**Challenges and opportunities:** One of the main challenges facing countries in the MENA region over the coming decade will be to absorb the large cohort of young and increasingly well-educated labor market entrants into productive employment. Currently, the inability to provide sufficient numbers of quality jobs as well as economic imbalances within and outside the region contributes to migration towards the Gulf, Europe, and North America. To date, full liberalization of migration is not a feasible solution and prior efforts to reach a joint global agreement on international migration have failed. There is agreement, however, that a realistic approach entails the establishment of effective migration management systems. Migration management aims at enhancing the benefits and reducing the risks of migration for key stakeholders by putting in place adequate local institutions, policies and programs and by fostering cooperation between migration sending and receiving countries.<sup>4</sup>

**Context:** Recent World Bank reports have outlined the main diagnostics on migration in

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<sup>2</sup> UNDP: Human Development Report 2009.

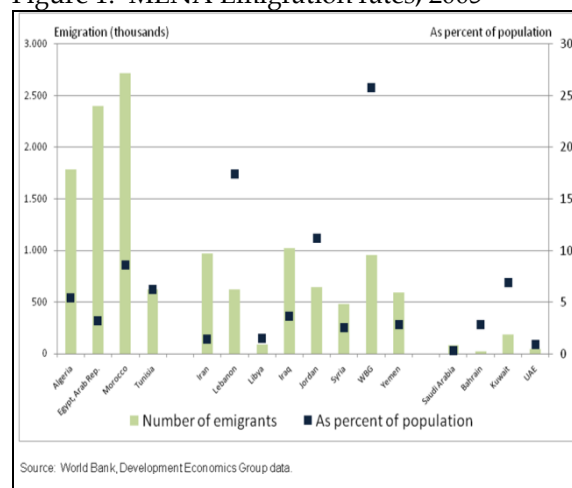
<sup>3</sup> The yearly gain from a 3 percent increase in the stock of migrants is an estimated \$175 billion compared with a yearly gain from total trade liberalization of \$155 billion

(World Bank: *Global Economic Prospects: Economic Implications of Remittances and Migration*, 2006).

<sup>4</sup> Robert Holzmann and Yann Pouget: *Migration Management in the Mediterranean Region: Taking Stocks, Reviewing, and Looking Ahead*. Revised paper presented at the CMI (Marseille Center for Mediterranean Integration) workshop on Migration Management, Marseille, March 8-9, 2010.

MENA<sup>5</sup> by gathering and systematically analyzing the available evidence while projecting future labor supply and demand within and outside the MENA region.

Figure 1: MENA Emigration rates, 2005



**Regional diversity:** The MENA region is economically diverse and includes both high immigration and emigration countries.<sup>6</sup> Of the top-10 emigration countries in the world in 2005, three were from MENA (Morocco, Egypt, and Algeria). Among these, Egypt is the largest country of origin for workers migrating to Arab countries. Egyptian migrants represent 85% of temporary workers in Arab countries, representing as much as 10% of the Egyptian labor force in recent years. Estimates suggest that at least 2.4 million Arab contractual foreign workers reside in Gulf countries, 1.5 million in other receiving countries in the region and 2.5 million in countries of the EU25, Iceland, Norway and Switzerland. In the Gulf, the immigrant population has increased dramatically from less than 3% in 1960 to over 70% in 2005. At the same time, the percentage of Arab workers among non-citizens has

decreased from 72% in the beginning of the 1970s to around 23% today.<sup>7</sup>

### Demographic matches and skill mismatches:

Most migrant destination countries are faced with stagnating populations and impending labor force declines, providing opportunities for the outsourcing of production as well as the importing of labor from MENA countries with large cohorts of young labor market entrants. While the demographic profile of migrant-origin countries in the MENA region complements the profile in richer destination societies, the skill profiles do not match. The demand for foreign labor in aging societies is projected to increase for medium and high-skilled labor. Yet, the current profile of labor migrants is dominated by low-skilled individuals (e.g., 70% of migrants from Maghreb countries are low-skilled) and the bulk of new labor market entrants have low levels of education.

### Investments in skill development to prevent 'brain drain':

Countries in the MENA region have high rates of skilled migration *relative* to the available stock of skilled workers. So far, the loss of human capital as a result of migration ('brain drain') are likely limited given that unemployment disproportionately affects highly educated youth in MENA countries. Countries in the MENA region can benefit from increased labor opportunities to the extent that they make strong and concrete efforts to increase labor force participation and improve education. In a context of intense competition for workers at the international level, major receiving countries have a clear interest in promoting education and skills development and in creating an attractive environment for migrants to achieve their objectives of growth and competitiveness.

### Challenges to evidence-based policy making:

A critical obstacle to ensuring well-founded policy options is the limitation in availability and access to data. Data limitations constrain the analysis of the estimates, determinants, and effects of migration on societies and

<sup>5</sup> Produced at the Chief Economist's Office of the MENA region of the World Bank, Leila Zlaoui led the report *Shaping the Future: A Long-Term Perspective of People and Job Mobility in the Middle East and North Africa*, 2009 and Jennifer Keller managed the report *Labor Migration from North Africa: Development Impact, Challenges, and Policy Options*, 2010.

<sup>6</sup> High emigration countries include Algeria, Djibouti, Egypt, the Islamic Republic of Iran, Iraq, Jordan, Lebanon, Morocco, the Syrian Arab Republic, Tunisia, West Bank and Gaza, and the Republic of Yemen. High immigration countries include Libya and the GCC countries.

<sup>7</sup> International Organization for Migration: *Intra-Regional Labour Mobility in the Arab World*, 2010.

individuals. In addition, evidence on the effectiveness of policies and programs is lacking due to the absence of rigorous monitoring and evaluation (M&E). Such evaluations are crucial for informing decision to scale-up or redesign interventions and for contributing to the body of evidence-based knowledge on best practices.

**The ‘win-win’ of labor mobility:** Overall, labor mobility contributes to global economic growth and employment through multiple channels. These include international capital transfers and productive investments; technology transfers, diffusion of innovation, improved governance and business practices; demographic arbitrage between young and aging societies; larger and more competitive global labor markets with lower prices, increased efficiency; better matching of skill supply and demand; and human capital formation and circulation.

**Specific impacts on countries of origin and destination:** For the country of origin, the impacts of migration will be primarily evident at the micro rather than the macro level because relative to population size the number of emigrants in MENA remains small. Available evidence suggests that migration has positive returns for migrant families by reducing poverty and strengthening households’ capacity to save, cope with crises, and diversify livelihoods. With the current trend towards temporary migration, origin countries would gain from fostering brain circulation and productive uses of remittances. On the receiving side, firms around the world can greatly benefit from a larger pool of appropriately qualified workers and improved intermediation in more competitive international job markets. Beyond the immediate efficiency gains generated by wider and better skills at lower costs, hiring foreign workers can also help firms to tap into diasporas and international social networks which facilitate market penetration.

**Opening up opportunities through migration management:** The positive effects of labor mobility for origin and destination countries and for the migrants themselves depend largely on the type and capacity of existing institutions,

policies, and programs to increase the efficiency of the migration process. Migration management aims at enhancing the benefits and reducing the risks of migration by putting in place adequate local institutions, policies and programs and by fostering North-South and South-South cooperation between countries of origin and destination.

**The role of the World Bank:** The Bank is in a unique position to broker such cooperation by building on its engagement with countries of origin such as Tunisia and Egypt, and destination countries, such as the Gulf Cooperation Countries. Both labor-abundant and labor-scarce countries in MENA seek to increase the employability of their citizens: countries of origin through increased labor mobility and destination countries through the nationalization of the workforce (e.g., ‘Emiratization’). Acknowledging these competing needs and finding solutions to increase efficiency and employability will require a mutually beneficial labor migration system grounded in a cross-sectoral approach and sound empirical evidence. In light of pressing economic and demographic imbalances within and beyond MENA, governments are increasingly aware of the pitfalls of the current ad-hoc approach to migration and the need for a coherent strategy.

**Multiple angles of effective engagement:** The Bank is engaged in dialogue with countries of origin and destination in MENA, aimed at seizing opportunities and dealing with the challenges presented by labor mobility. Different angles of engagement include: improving the efficiency of labor intermediation and ensuring better matching of labor through the establishment of National Qualification Frameworks, such as in lending operations in Tunisia. The Bank is also engaged in assisting in designing, implementing, and evaluating migration programs to increase the efficiency of the migration process while exploring the mainstreaming of human rights protection in migration interventions, as undertaken by a technical assistance program for Egypt. In the UAE and Dubai, a technical assistance program is proposing to shift the incentives of the private sector from hiring low-skill/low-wage expatriate workers to hiring

higher-skilled local citizens. Also being explored are options towards introducing a pension scheme for expatriate workers.

**Expanding the knowledge-base:** On the analytical level, the Bank has taken the lead in filling the knowledge gap on migration in areas such as remittances and the developmental effects of migration. Recent conceptual-level work include the analysis of social protection schemes for temporary migrant workers and a stock taking of existing and currently operated social protection programs.

**Opportunities for further engagement:** The current configuration of migration policies and programs leaves ample room to enhance the positive effects of migration. A number of areas lend themselves for further engagement, representing areas of Bank expertise and comparative advantage. Such areas include: Better assisting client countries in both migrant origin and destination countries by mapping out regional interdependencies of economies and policies. Such work should entail an overview of existing migration policies, bilateral agreements, programs and interventions across the MENA region to improve coherence in policy-making and foster cooperation. Such an inventory would also allow to identify best practices and to build capacity for evaluating migration policies and programs. The Bank has considerable expertise in monitoring and evaluation and should take the lead in establishing an empirical evidence-base on the effectiveness of migration policies and programs. Clients increasingly demand assistance in improving migration outcomes for development. To this end, the Bank would be well positioned to assist governments in defining migration policy objectives in line with development strategies, articulating objectives in discussions with receiving countries, and designing and implementing measures to promote the efficiency of processes and improve outcomes. Concrete examples include measures to ensure that diaspora and returning migrants better capitalize on newly acquired skills and capital to the benefit of their home countries; identifying relevant social protection mechanisms for various types of migrants (seasonal, temporary non-seasonal, permanent) according to their specific needs and

vulnerabilities; introducing mechanisms for skill recognition, such as National Qualification Frameworks; and regulating recruitment agencies to promote an efficient and safe labor intermediation. Finally, sharing policy lessons and building partnerships among key regional and local actors, including governments, the business community, donors, private foundations, research institutions, and NGOs, will be crucial in managing migration for development.

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