Labour Migration and Mobility Patterns
Towards Smart Labor Migration Management in MENA

ILO-World Bank Course on Promoting Job Quality and Productive Employment in the Middle East & North Africa, Turin 2010

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Outline

I. Introduction: Labor Migration Management, Development and Employment

II. Labor Migration in MENA: Mobility Patterns, Challenges and Opportunities, Policy Agenda

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IV. Social Protection and Portability of Social Benefits for Migrant Workers

V. Intra-regional Labor Migration: Challenges and Options

VI. Selected References
I. Introduction: Labor Migration Management, Development and Employment

- **Migration and Development:** Labor mobility contributes to economic growth and employment creation through multiple channels, such as human capital formation and circulation; international capital transfers and productive investments; demographic arbitrage between young and aging societies; larger and more competitive global labor markets with lower prices, increased efficiency; better matching of skills supply and demand; and better social risk management instruments for households.

- **Benefits for sending countries:** relative to population size the number of emigrants remains small. Hence, impacts of migration will be mostly evident at the micro- rather than the macro level. Available evidence suggests that migration has positive returns in terms of poverty alleviation and it strengthens households’ capacity to save, cope with crises, and diversify livelihoods. With the current inclinations towards temporary migration, origin countries would gain from fostering brain circulation and productive uses of remittances.

- **Benefits for receiving countries:** firms around the world can greatly benefit from a larger pool of adequately 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 international social networks, cultural and institutional practices for enhanced market penetration overseas.

- **Leveraging the positive impacts of labor mobility through an objective-driven system of smart labor migration management interventions:** The aim of migration management is to improve the benefits and reduce the risks of migration for all the key stakeholders by putting in place adequate local institutions, policies and programs and by fostering cooperation between migration sending and receiving countries, and eventually migrant workers and their families. Leveraging the potential of labor mobility for growth and development requires a set of well designed and impact-evaluated public and private sector interventions across the migration cycle, including employment, education, and social protection policies.
II. Labor Migration in MENA: Mobility Patterns, Challenges and Opportunities, Policy Agenda

1. Migration Patterns in MENA: Trends and Characteristics

2. Demographic Matches and Skill Mismatches

3. Labor Market and Development Impacts

4. Policy Agenda for Improving the Development Outcomes of Labor Migration in MENA
II.1 Migration Patterns in MENA: Trends and Characteristics

- **High emigration from Arab Mediterranean Countries:** Of the top 10 emigration countries in the world in 2005, 3 were from MENA (Morocco, Algeria, Egypt). Migrants from Maghreb countries are mostly unskilled looking for permanent residence in Europe while Egyptian migrants typically look for temporary job opportunities in GCC countries.

- **High immigration to GCC countries:** WB estimates indicate that 2.4 million Arab contractual foreign workers reside in Gulf countries. In the Gulf, the immigrant population has increased from less than 3% in 1960 to more than 70% in 2005. At the same time, the percentage of Arab workers among non-GCC citizens has declined from 72% in the early 70s to 23% today (WB, 2010).
Figure: MENA Emigration Rates 2005, WB

II.2. Demographic Matches and Skill Mismatches

- Most migrant receiving countries face stagnating populations and expected labor force decline.
- Arab Mediterranean Countries face difficulties to absorb the large cohorts of young labor market entrants.
- Situation suggests demographic arbitrage.
- While MENA sending countries’ demographic profiles complement the profile in richer destination countries, the skill profiles do not match.
Figure 8: Emigration rates by skill level and trends in skilled migration

Emigration rates, high skill and low skill, geographical regions and income groups


Source: Estimates based on DLM.

Docquier-de Silva-Marfouk. 2010. Skilled Migration from the MNA region, WB
Figure 9: Skilled emigration rates at country level.

MENA countries: low and high skilled emigration rates, 2000.


Source: Estimates based on DLM (2007)
II.3. Labor Market and Development Impacts

- **Remittances, growth and poverty reduction:**
  - i. Remittances allows to circumvent the limits to access to finance for small businesses
  - ii. Remittances improves social risk management capacities and participate to poverty reduction at the household level
  - iii. Remittances allow for increased health and education expenditures

- **Labor Markets Impacts**
  - i. High rates of skilled emigration in MENA but limited loss of human capital given the high unemployment rates highly educated youth and non-productive use of skilled workers
  - ii. High immigration rates while high unemployment rates among native population in GCC: competitive advantages of foreign workforce over the local workforce

- **Return Migration**
  - i. High potential of diaspora networks for development initiatives in countries of origin but requires open collaboration with governments.
  - ii. Return investment, entrepreneurship and knowledge transfers under certain conditions: access to finance, human capital formation and successful labor market integration.
II.4. Policy Agenda for Improving the Development Outcomes of Labor Migration in MENA

- **Towards a system of smart migration management:**
  i. Articulating the objectives of the key stakeholders
  ii. Mechanisms to balance the different objectives
  iii. Effective policies and public and private sector interventions to achieve the objectives

- **Migrant-specific training schemes:** pre-departure training, language training, expectation management, support of migrant entrepreneurs

- **Skills Development and Matching:**
  i. MENA countries need to improve the quality and relevance of their education systems
  ii. Regional Instruments for Skills Harmonisation
  iii. Skills Recognition, Upgrading and Matching Mechanisms in receiving countries

- **Social Protection and Portability:** designing relevant social protection benefit packages for temporary migrant workers and establishing the portability of health and pension benefits

- **Towards results-based policy making:**
  i. Improving data collection and diffusion
  ii. Integrating rigorous Monitoring and Evaluation to policy interventions
III. Migration, Skills Development and Skill Matching

1. Skills Circulation, Productivity, and Growth

2. Potential Development Impacts of Skilled Emigration on Sending Countries

3. What can sending countries do to foster human capital formation in a context of increased Labor Mobility?

4. Regional Mechanisms of Skills Recognition and Matching
Labor Migration may affect productivity and growth both in receiving and sending countries if migrant workers find the enabling conditions for human capital formation and productive investments abroad and back in their country of origin in case of return.

The magnitude of the brain drain depends on sending countries’ capacity to use skilled workers productively and exploit the positive externalities generated by their knowledge and education.

Emigration provides incentives to upgrade education systems in sending countries to match skills demand in receiving countries: the example of Filipino nurses. This can have a positive effect on development through improved quality of education.

Circular or temporary migration can benefit sending countries and the migrants in terms of access to work opportunities, human capital formation and remittances while avoiding long-term brain drain.

Return migration and skills and knowledge transfers: creating the conditions for a productive use of return migrants’ skills gained abroad.

Diaspora, professional networks and technology transfers: the examples of Taiwanese and Indian engineers in the Silicon Valley.
### III.3. Potential Development Impacts of Skilled Emigration on Sending Countries

<table>
<thead>
<tr>
<th>Skilled emigration is costly</th>
<th>Skilled emigration is not costly</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education costs</strong></td>
<td></td>
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<tr>
<td>- If migration prospects encourage human capital formation at home (public education)</td>
<td>- If migration prospects encourage human capital formation abroad</td>
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<tr>
<td>- Private education</td>
<td></td>
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<tr>
<td><strong>Human capital</strong></td>
<td></td>
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<tr>
<td>- If skilled emigration reduces the supply or proportion of skilled labor</td>
<td>- If skilled emigration increases the supply or proportion of skilled labor (brain gain)</td>
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<td>- If skilled emigration induces occupational shortages in strategic sectors</td>
<td></td>
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<tr>
<td><strong>Economic effects</strong></td>
<td></td>
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<tr>
<td>- If skilled workers tend to remit less</td>
<td>- Skilled emigration induces a large amount of remittances</td>
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<td></td>
<td>- Skilled migration generates Diaspora or network externalities (trade, FDI, technology adoption)</td>
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<td></td>
<td>- Tourism revenues</td>
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<td><strong>Transfer of norms</strong></td>
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<td>- If the integration of the world labor market induces wage pressure at origin</td>
<td>- If emigration improves institutions at origin through diffusion of values</td>
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<td></td>
<td>- If migrants transfer other norms e.g. fertility, the importance of health and education investments, etc.</td>
</tr>
<tr>
<td><strong>Employment opportunities at home</strong></td>
<td></td>
</tr>
<tr>
<td>- Migrants would have been productively employed at home and contribute to growth and well being (“brain drain”)</td>
<td>- High unemployment and inefficient high skilled labor allocation in sending country (“brain in the drain”)</td>
</tr>
<tr>
<td></td>
<td>- Accompanying institutions lacking (e.g. in health sector): binding constraint to growth not emigrating labor</td>
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<tr>
<td><strong>Employment opportunities abroad</strong></td>
<td></td>
</tr>
<tr>
<td>- Skilled emigrants not productively employed in receiving country (“brain waste”)</td>
<td>- Skilled emigrants productively employed in receiving countries (high private returns to education)</td>
</tr>
</tbody>
</table>

Source: Docquier, de Silva, and Marfouk (2010)
III.3. What can sending countries do to foster human capital formation in a context of increased Labor Mobility?

- Improve the relevance and quality of education systems: addressing the educational quality issues at all skill levels
- Create an enabling labor market environment that allows for a productive use of skilled workers at home
- Skills recognition mechanisms for return migrants and incentives to attract needed skilled workers back in their countries of origin
III.4. Regional Mechanisms of Skills Recognition and Matching

- **Sectoral skills assessments** to improve the matching between potential migrants and employers’ needs
- **Regional qualification frameworks** for recognition of technical skills
- **Regional quality assurance mechanisms for higher education** degrees at the regional and global levels
- **Participation of receiving countries’ governments and employers in upgrading the education system in sending countries**, both for technical training and universities
- **Skills upgrading, vocational training and apprenticeship in receiving countries**
IV. Social Protection and Portability of Social Benefits for Migrant Workers

1. Social Protection for Temporary Migrants: Key Policy Considerations

2. A Benchmark Benefit Package for Temporary Migrant Workers

3. Results of the Assessment of Selected Schemes in Destination Countries: 9 OECD countries, Singapore and GCC countries

4. Portability of Pension and Health Benefits for Migrant Workers
IV.1. Social Protection for Temporary Migrants: Key Policy Considerations

- **A benefit package should be based on second best considerations** that take account of special needs, preferences and circumstances for temporary migrants in sending and receiving country.

- While first best considerations and potential full access of temporary migrants to all social protection benefits may be useful starting position, social risk management suggests **both under as well as over-provisioning in benefits and broader migration services to address specific risks and constraints**.

- Any benefit package will be a **compromise between not fully consistent objectives of the key stake holders**, i.e. sending and receiving countries (and different policy actors within), and the migrants.

- In order to achieve the best compromise benefit package it is important that the **objectives of temporary migrant programs with regard to development, labor market and social protection are fully articulated** by and known to each of the key stake holders.

- **The benchmark benefit package may be differentiated by the length of the contract that is broadly linked to the skill’s level.** The paper proposed to differentiate between 3 types of temporary migrants: seasonal workers, with contracts below one year; low to middle skilled with contracts up to a few years and limited expectations for renewal or residency; and middle to high skilled workers, with time-bound initial contracts as screening device and strong expectations for renewal/residency when successful.
### IV.2. A Benchmark Benefit Package for Temporary Migrant Workers

<table>
<thead>
<tr>
<th>Type of Contract</th>
<th>Type of Benefits</th>
<th>Short-term benefits</th>
<th>Work-related benefits</th>
<th>Family benefits *</th>
<th>Long-term benefits</th>
</tr>
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<tbody>
<tr>
<td><strong>Type 1: Seasonal labor migration schemes for low-skilled migrants</strong></td>
<td></td>
<td>Full access to work injury benefits, basic health care benefits, and time-limited sick pay in the host country</td>
<td>Pre-departure training/information</td>
<td>[*Family typically left behind]</td>
<td>Covered by home country’s social protection programs</td>
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<td></td>
<td></td>
<td></td>
<td>Travel arrangements (arrival, departure) and housing provisions</td>
<td>Covered by home country’s social protection programs</td>
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<td></td>
<td></td>
<td></td>
<td>Repatriation insurance</td>
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<tr>
<td><strong>Type 2: Non-seasonal and non-transitional temporary labor migration schemes for low- to medium-skilled workers in low-tech industries and services</strong></td>
<td></td>
<td>Full access to work injury benefits, health care benefits, sick pay, and maternity leave in the host country on the same basis as national workers</td>
<td>Pre-departure training/information on administrative and cultural issues</td>
<td>[*Family mostly left behind except in exceptional cases of allowed family unification]</td>
<td>Full access to and portability of pension (and health care) benefits with end-of-service benefits plus voluntary matching contribution schemes as second best</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Travel arrangements (arrival, departure, home leave) and housing provisions</td>
<td>Health care, survivors benefits, and family benefits (provided by host or home countries)</td>
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<td>Access to finance and facilitation of remittances</td>
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<td>Wage equality with native workers/anti-discrimination policies</td>
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<td>Work-specific labor market integration and training</td>
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<td></td>
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<td></td>
<td>Provisions in case of bankruptcy (insolvency fund)</td>
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<td></td>
<td>Repatriation insurance/cost coverage of emergency repatriation</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Severance pay/end-of-service benefits (unless access to pensions in home or host countries)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Type 3: Probationary labor migration schemes for mid- to highly-skilled workers</strong></td>
<td></td>
<td>Full access to work injury benefits, health care benefits, sick pay, and maternity leave in the host country on the same basis as national workers</td>
<td>Pre-departure information and arrival facilitation</td>
<td>[*Family unification typically allowed]</td>
<td>Full access to and portability of pension (and health care) benefits</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Facilitation of remittances</td>
<td>Health care and family benefits as national workers in host country with possible access in home country (for family members staying voluntarily behind)</td>
<td></td>
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<tr>
<td></td>
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<td></td>
<td>Access to the same work-related benefits as national workers</td>
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</table>
IV.3. Results of the Assessment of Selected Schemes in Destination Countries: 9 OECD countries, Singapore and GCC countries

- **Short term benefits** (work injury, basic health care, maternity leave) are always provided, mostly by public mandate and provisions and at par with national workers. This applies for all 3 types of migrant workers which make these risk management instruments the core provision for the migrant workforce.

- **Work-related benefits and services** (ranging from pre-departure training, non-discrimination legislation to unemployment and termination benefits) show quite some variance across countries. While housing and transport is provided in most of the reviewed programs, departure training is hardly ever (except in Australia and New Zealand for seasonal workers). Unemployment benefits are available for non-seasonal workers in most reviewed OECD countries but only in one GGC country (Kingdom of Bahrain). And severance pay provisions for non-seasonal workers are the rule for OECD countries but more an exception in GCC countries. The reverse is true of end-of-service pay provisions where they are universal in GCC countries but the exception in OECD countries.

- **Migration-related risks** for temporary migrants are increasing covered in sending countries in East and South Asia through national migration welfare fund copying and extending on that of the Philippines. The risk covered and benefits and services provided can range from regulation of recruitment, pre-departure training and information, repatriation and financing assistance, to support for family left behind. On paper this is a very encouraging approach to address risks that can and will not be well covered by the receiving country. Yet, none of these programs has yet undergone a through impact evaluation.

- **Family benefits** (basic health care and family allowance), as far as provided at all to national workers, are inaccessible for temporary migrant workers unless their families reside with them. Family unification is typically excluded for seasonal workforce and often not permitted under non-seasonal temporary work permits. For health care this puts the onus on the migrant sending country and the need to organize coverage there. For family benefits, the high level of inter- and intra generational redistribution they imply is apparently something that migrant receiving countries are not willing to extend unconditionally to their temporary workforce.

- **Coverage for pension benefits** is provided in most OECD countries but in only one GGC country (Kingdom of Bahrain). In the latter countries, end-of-service pay constitutes a saving proxy for long-term benefits (retirement income and health care). In Singapore migrant workers are excluded from the pension scheme unless permanent residents. In OECD countries, however, eligibility to pension is typically conditioned on lengthily contribution periods or residency beyond the reach of temporary migrants. And portability of acquired rights is conditioned on appropriate bi- or multi-lateral agreements which often do not (yet) exist and which effectiveness is unknown.
IV.4. Portability of Pension and Health Benefits for Migrant Workers

- **4 broad types of portability regimes**
  
  I. Access to social security and portability through bi-lateral **agreements**
  II. Access to social security and exportability by **national** legislation
  III. Formal labor market participation, but **no access** and no contributions to social insurance
  IV. **Informal** labor market participation and hence no eligibility to benefits (and portability)

- **Problem:** No inventory about content and scope of agreements even less about the effectiveness of such agreements. Cursory evidence not promising.

- **Requirement:** new approach to portability that involves economic analysis (Holzmann-Koetle, 2010):

  - Portability issues emerge from tensions between domestic social policy objectives re risks and international objectives re labor mobility
  - Critical for portability is to disentangle the 3 components of social benefits
    - Insurance (risk pooling)
    - Pre-funding across life-cycle (actual or notional)
    - Redistribution (inter-personal)

- **2 key options to establish portability**
  - Change in benefit design and disentangling 3 components
  - Use of uni-, bi-lateral and multilateral arrangements
<table>
<thead>
<tr>
<th>Origin country income-group</th>
<th>Regime I (Agreement)</th>
<th>Regime II (National)</th>
<th>Regime III (No Access)</th>
<th>Regime IV (Informal)</th>
<th>Total</th>
<th>% global stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income countries</td>
<td>850,985</td>
<td>36,720,832</td>
<td>5,293,338</td>
<td>10,757,086</td>
<td>53,622,241</td>
<td>29%</td>
</tr>
<tr>
<td>% total</td>
<td>2%</td>
<td>68%</td>
<td>10%</td>
<td>20%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Lower middle-income countries</td>
<td>11,312,511</td>
<td>47,224,671</td>
<td>3,476,163</td>
<td>14,473,805</td>
<td>76,487,150</td>
<td>41%</td>
</tr>
<tr>
<td>% total</td>
<td>15%</td>
<td>62%</td>
<td>5%</td>
<td>19%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Upper middle-income countries</td>
<td>3,521,212</td>
<td>10,724,671</td>
<td>189,357</td>
<td>7,203,975</td>
<td>21,639,215</td>
<td>12%</td>
</tr>
<tr>
<td>% total</td>
<td>16%</td>
<td>50%</td>
<td>1%</td>
<td>33%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Non-OECD high-income countries</td>
<td>2,063,914</td>
<td>3,534,415</td>
<td>192,987</td>
<td>57,809</td>
<td>5,849,125</td>
<td>3%</td>
</tr>
<tr>
<td>% total</td>
<td>35%</td>
<td>60%</td>
<td>3%</td>
<td>1%</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>OECD high-income countries</td>
<td>24,778,310</td>
<td>3,658,850</td>
<td>291,007</td>
<td>189,802</td>
<td>28,917,969</td>
<td>16%</td>
</tr>
<tr>
<td>% total</td>
<td>86%</td>
<td>13%</td>
<td>1%</td>
<td>1%</td>
<td>100%</td>
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<tr>
<td>Total</td>
<td>42,526,932</td>
<td>101,863,439</td>
<td>9,442,852</td>
<td>32,682,476</td>
<td>186,515,699</td>
<td>100%</td>
</tr>
<tr>
<td>% global stock</td>
<td>23%</td>
<td>55%</td>
<td>5%</td>
<td>18%</td>
<td>100%</td>
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</tr>
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</table>
V.1. Intra-regional Labor Mobility in the Arab World: Trends and Characteristics

- Estimates from the ALO/IOM/PiD report (2010) on Intra-regional Labour Mobility in the Arab World suggest that at least **2.4 million Arab contractual foreign workers are living in the countries of the GCC**, with at least 1.5 million living in other receiving countries in the Mashreq and Maghreb sub-regions.

- The **Arab Agreement for the Mobility of Arab Labor** provides a regional framework for intra-regional labor migration management but has only been ratified by a minority of ALO members.

- **3 types of intra-regional migration patterns:** (1) from non-Gulf labor-exporting countries to GCC; (2) from population abundant Arab countries to non-Gulf resource-rich economies such as Libya; (3) between neighboring countries such as Palestine and Jordan, Egypt and Jordan, Lebanon and Syria.

- **The percentage of Arab workers among incoming contractual workers in the GCC has dramatically declined from a 72% peak in 1970 to less than 23% today.** Asian workers now represent the great majority of low- to mid-skilled workers in non-tradable services and construction.

- Intra-regional labor mobility bears the potential to match the surplus work supply in Arab Mediterranean Countries with the demand in resource-rich economies, providing solutions to regional unemployment in a mutually beneficial way and at lower integration costs than extra-regional migration.

- **The lack of data on Arab migrant workers in the region** is an obstacle to sound evidence-based policy making.
V.2. Intra-regional Labor Mobility in the Arab World: Challenges and Options

- **North African origin countries**, such as Tunisia and Egypt, are primarily interested in seizing development opportunities through emigration.

- **In Gulf destination countries**, where foreign-nationals have become the overwhelming majority of private sector employees while nationals are increasingly highly educated and have limited opportunities for productive employment, the priority is to increase the share of nationals in the workforce.

- In such a regional context, **temporary or circular labor migration should be explored**. For sending countries and the migrants it promises access to work opportunities, human capital formation and remittances while avoiding long-term brain drain. For the receiving countries it allows filling certain temporary or permanent labor market needs across the skills spectrum at the lowest economic and political costs in terms of integration of new residents. Reaping the benefits of such a system of labor mobility requires collaboration between governments around the region to create the enabling conditions for migrants to develop their skills and realize their investment projects across the migration cycle.
VI. Selected References


