CHAPTER 8

Education and Migration

When domestic labor markets cannot fully absorb an increasing level of educated labor force, migration is an important channel for resolving local market imbalances with potentially large benefits to the individuals and nations involved. Labor movement is particularly important for the MENA region because one of the region's main characteristics is excess labor in a subgroup of countries (such as the Arab Republic of Egypt, Lebanon, Jordan, and Morocco) and excess capital in another (such as the Gulf Co-operation Council (GCC) countries).[1] A similar point can be made about labor-abundant countries in the South versus capital-rich countries in the North. This situation creates an opportunity for a mutually beneficial exchange between the two groups of countries, provided that market failures across borders are addressed and national migration policies are not biased against migration.

In this chapter, it is argued that, despite the significant level of migration in MENA, a host of factors has limited the full realization of its potential benefits. In addition to political factors, which are beyond the scope of this report, migration is adversely affected by widespread market failures (most visibly information asymmetry and imperfect contracts) and national migration and labor policies at both ends of the exchange. Historically, governments in the region tended to focus on the liberalization of trade in goods and services by joining the World Trade Organization (WTO) or signing regional free-trade agreements. No similar effort was made to liberalize or coordinate labor movement overseas, although the benefits from labor mobility can be more substantial than those from the movement of goods and capital because of the huge differential in the wage rates for similar skills across countries.[2] Thus, there is room for enhancing the returns to education through migration. This potential can be realized through labor mobility agreements among MENA countries (or a subset of countries) and through reforms of national migration policies that stand in the way of greater and more efficient labor mobility.

To elaborate this argument, the remainder of this chapter is structured as follows. The first section reviews the level, composition, and prospects of migration within MENA and between MENA and developed countries. The following section examines the net economic impact of migration on both the sending and receiving countries. Finally, the last section explores the factors that may have inhibited more migration in MENA, followed by a summary of the key points made as well as some policy options going forward.

The Nature of International Migration in MENA

To place the region in an international perspective, the United Nations Population Division estimated the world migrant population in 2005 at between 185–192 million people—up from 175 million in 2000—and almost 3 percent of the world's population. In 2000, the MENA region hosted around 18 million migrants, 6 percent of the region's total population (table 8.1). In addition, MENA countries have increasingly contributed to the migration flows to Western Europe and North America.

The pattern of migration in MENA reflects the diversity of countries in the region. There are broadly three types of labor markets/economies: (i) economies that import labor (mainly the Gulf States); (ii) economies that export labor to other Arab countries (such as Arab Republic of Egypt and Yemen); and (iii) economies that export labor to Europe (mainly the Maghreb countries). In some cases, labor-exporting economies export workers both to Arab and Western countries such as the United States, and countries in Europe and Australia. In others, like

TABLE 8.1

International Migration Trends, 2000

Region	Total population (000) 2000	Migrant stock: Stock (000) 2000	Migrant stock: Percent of population 2000	Net migration (average annual): (000) 1995–2000	Net migration (average annual): Rate per 1,000 pop. 1995–2000
World	6,056,715	174,781	2.90	0.00	0.00
More developed regions	1,191,429	104,119	8.70	2,321.00	2.00
Less developed regions	4,865,286	70,662	1.50	−2,321.00	−0.50
Least developed countries	667,613	10,458	1.60	−306.00	−0.50
MENA					
MENA : Gulf States	310,825	18,546	6.00	−123.00	−0.40
MENA: non-Gulf States	28,609	9,630	33.70	130.00	4.50

Sources: UNDP 2002, International Migration 2002, UN.

Note: MENA Gulf States are Saudi Arabia, Kuwait, United Arab Emirates, Bahrain, Oman, and Qatar. MENA non-Gulf States are Algeria, Arab Republic of Egypt, Jordan, Iraq, Islamic Republic of Iran, Lebanon, Morocco, Tunisia, Syrian Arab Republic, West Bank and Gaza, and Yemen.

Jordan and Lebanon, they both export and import workers. The net migration figures by country over the period 1970–2000 are shown in table 8.2. A discussion of the trend, composition, and prospects of intraregional migration, extraregional migration, and the prospects for migration in MENA in the future is outlined below.

Intra-Regional Migration

The MENA region has been a theater for huge labor flows. After the oil boom of 1973, the oil-exporting Gulf States found their development plans constrained by labor shortages and embarked on importing large numbers of workers from neighboring countries. As a result, the stock of migrant population as a proportion of the population in the GCC underwent significant transformation (table 8.3). At peak, these countries imported 90 percent of their labor force. During the 1970s and 1980s, Arab neighboring countries were the main labor exporters to the GCC, especially Egypt, Yemen, and the West Bank and Gaza. By the end of the 1980s and in the 1990s, the demand for labor shifted from Arab workers to Asian nationals. More recently, the high unemployment rates among the nationals of the GCC countries have prompted a shift in policy in favor of nationals.

TABLE 8.2

Net Migration in Selected MENA Countries, 1970–2000

(thousands)

Country	1970	1980	1990	2000
Algeria	−200.06	6.22	−70.00	−184.88
Bahrain	−5.64	31.53	17.82	30.00
Djibouti	25.00	77.00	87.48	20.28
Egypt, Arab Rep. of	−150.17	−750.00	−550.00	−500.00
Iran, Islamic Rep. of	−8.74	172.14	212.18	−456.00
Iraq	−5.93	−48.47	−620.84	138.75
Jordan	287.83	−79.79	75.22	35.00
Kuwait	141.89	154.63	174.07	347.00
Lebanon	−60.00	−285.00	−320.00	−30.00
Libya	67.97	122.20	10.00	10.00
Morocco	−217.74	−208.98	−175.00	−300.00
Oman	−5.00	75.00	9.00	−40.00
Qatar	30.95	37.53	61.04	30.00
Saudi Arabia	190.29	870.09	1,120.00	75.00
Syrian Arab Rep.	−15.00	−125.00	−45.00	−30.00
Tunisia	−144.52	−16.72	−23.00	−20.00
United Arab Emirates	56.17	395.70	240.00	566.98
West Bank and Gaza	−283.63	−13.08	−10.96	10.58
Yemen, Rep. of	−275.00	−75.00	−50.00	−50.00

Sources: The World Bank, GDF, and WDI Central (April 2005).

TABLE 8.3

International Migration in MENA, 1970–2000

(percent of population and in thousands)

Country	1970		1980		1990		2000	
	Percent	Stock	Percent	Stock	Percent	Stock	Percent	Stock
Algeria	1.20	168.90	1.00	185.00	1.10	274.00	0.80	250.10
Bahrain	18.10	37.90	31.00	103.50	34.40	173.20	38.00	254.30
Djibouti	1.40	2.20	13.50	40.40	12.00	58.80	4.20	28.10
Egypt, Arab Rep. of	0.60	203.50	0.50	188.90	0.30	175.60	0.30	169.10
Iran, Islamic Rep. of	2.50	703.50	2.70	1,064.40	7.00	3,809.10	3.60	2,321.50
Iraq	0.00	2.10	0.20	22.00	0.50	83.60	0.60	146.90
Jordan	35.30	531.60	37.20	810.30	36.20	1,146.50	39.80	1,945.20
Kuwait	62.80	467.50	70.10	964.20	73.40	1,560.10	50.60	1,107.70
Lebanon	7.30	191.20	8.10	241.80	14.70	532.60	14.60	634.00
Libya	6.20	122.20	10.20	310.60	10.60	457.50	10.90	569.80
Morocco	0.80	127.60	0.40	70.10	0.20	41.30	0.10	25.70
Oman	5.50	40.00	16.40	180.00	27.70	449.90	28.30	681.70
Qatar	57.10	63.40	68.60	157.00	71.20	345.40	70.00	409.40
Saudi Arabia	5.30	302.90	19.30	1,804.40	26.70	4,220.50	25.40	5,254.80
Syrian Arab Rep.	5.90	367.80	6.20	543.20	5.90	710.60	5.60	902.70
Tunisia	1.00	51.40	0.60	38.00	0.50	38.00	0.40	37.90
United Arab Emirates	28.40	62.40	70.70	737.10	87.70	1,555.80	59.20	1,922.00
West Bank and Gaza	..	88.30	..	976.10	59.90	1,180.80	56.10	1,664.60
Yemen, Rep. of	0.80	53.80	0.90	74.90	0.90	107.20	1.40	248.10

Source: United Nations Population Division 2002.

Note: Migration stock is the number of people born in a country other than that in which they live and also includes refugees. International Migration Stock (% of population).

Despite the drive to "nationalize" the workforce, foreign workers still constitute the majority of the labor force in the GCC. In 2002, 8 million out of the 12–13 million workers were expatriates, and one-third of all foreign workers were Arabs. The importance of non-nationals to nationals is clear if one looks at the share of expatriates in total employment (table 8.4). In 1995, total employment in the GCC was around 9.6 million, compared to 2.9 million in 1975. The share of nationals fell from 61 percent in 1975 to 26 percent in 1995 despite the increase in the employment of nationals from 1.7 to 2.5 million during the same period. The growth rate of employment of foreign workers was much higher than that of nationals—6.2 percent annually compared to 1.9 percent (Girgis 2002). Saudi Arabia was the largest importer of labor, accounting for about 72 percent of all non-nationals in the GCC in 1975 and 56.4 percent in 1995. In 2002, Saudi Arabia hosted around 7 million expatriates (Kapiszewski 2004).

The pattern of migration by origin in the GCC has also changed over time, as noted above. The proportion of Arabs among expatriates declined from 72 percent in 1975 to less than 30 percent in 2002, accord-

TABLE 8.4

Foreign Labor Force in the Gulf States, 1975–2000

(percent of total labor force and thousands)

Country	1975		1985		1995		2000	
	%	Foreign workers (000)	%	Foreign workers (000)	%	Foreign workers (000)	%	Foreign workers (000)
Bahrain	36.70	22.00	57.90	98.90	60.00	135.80		…
Kuwait	81.80	249.20	85.70	574.50	83.40	876.60	81.90	1,004.80
Oman	31.10	70.00	51.80	191.10	64.20	430.30	64.30	552.50
Qatar	83.00	57.00	76.50	76.70	82.10	179.00		….
Saudi Arabia	25.20	484.80	62.70	2,722.50	63.50	4,581.00	55.80	4,003.40
United Arab Emirates	84.00	234.20	90.60	784.20	89.80	977.00	89.80	1,217.50
Total Gulf States	39.00	1,171.10	68.20	4,447.80	74.00	7,179.70	….	39.00

Source: Girgis (2002).

Note: Bahrain's figures are for 1971, 1985, and 1991 respectively.

ing to Kapiszewski (2004), and as shown in table 8.5 for previous years. The biggest drop occurred in Saudi Arabia and Kuwait. In Saudi Arabia, the foreign population in 1995 was 6.26 million, of which 38 percent were Arab migrants and 53.4 percent Asians. The Asian population outnumbered Arab migrants by about 1 million. The highest concentrations of foreigners in Saudi Arabia, in descending order, are from India, Egypt, Pakistan, Philippines, Bangladesh, and Yemen. On the other hand, Kuwait was known to have been one of the GCC nations with a strong Arab presence, but that trend changed too after the 1991 Gulf War. During the 1990s, the number of Arabs in Kuwait dropped by 33.6 percent, while the number of Asians rose by about 50 percent. Arabs accounted for 45.5 percent of the total foreign population in Kuwait in 2000 (Girgis 2002).

TABLE 8.5

Share of Arabs in Total Foreign Population in the Gulf States, 1975 and 2002

(percent)

	1975	2002
Bahrain	22	10
Kuwait	80	34
Oman	16	11
Qatar	33	25
Saudi Arabia	91	37–43
United Arab Emirates	26	10
Total Gulf States	72	25–29

Source: Kapiszewski (2004) in IOM Arab Migration in a Globalized World.

Data on the skill composition of Arab and Asian workers are available for Kuwait (table 8.6). These data show that between 1989 and 2000, Arabs dominated the upper echelons of skill categories—technical, managerial, and clerical—while Asians dominated services, agriculture, and production-related jobs, with the mid-skills category—sales—evenly shared by Arabs and Asians. In spite of the large decline in the number of Arab workers in 2000 and the substantial increase in the number of Asians, Arabs still held the majority of high-skill occupations while Asians held the bottom three categories. Jobs in sales seem to have swung toward Arabs in 2000. The picture that emerges, assuming that Kuwait in 2000 is representative of the Gulf region, is that Asian migrant workers are hired in all occupations but with a distinct bias toward low-skill categories. The opposite is true for Arabs (Girgis 2002).

Turning to the exporting countries, the main ones, as expected, are non-oil-producing, most notably Egypt and Yemen, but also Jordan, West Bank and Gaza, and Syrian Arab Republic. Some countries, like Jordan, export workers to the Gulf, but also import workers from neighboring countries like Egypt. Within this group, Egypt has been the largest labor exporter, sending about 10 percent of its labor force to other MENA countries. Egypt exported mainly educated skilled workers to the GCC and uneducated workers to Iraq and Jordan. According to the estimates of the Central Agency of Public Mobilization and Statistics (CAPMAS) in 2000, the number of Egyptian temporary migrants in other Arab countries was just less than 2 million (table 8.7). Saudi Arabia hosts almost half of the Egyptian temporary migrants, who account for around 40 percent of the foreign labor.

Egyptian temporary migration flows comprise both highly skilled and unskilled persons. During the early 1970s, many Egyptian workers were employed in construction. Since then, the percentage of scientists and technicians has increased and the share of production workers has declined. Table 8.8 shows that more than 40 percent of Egyptian migrants

TABLE 8.6

The Distribution of the Labor Force by Arab and Asian Origin in Kuwait, 1989 and 2000

	1989			2000		
	Arab %	Asian %	Total thousands	Arab %	Asian %	Total thousands
Technical, managerial, clerical, and government	75	22	180	61	34	176
Trade, services, agriculture, unclassified	31	69	350	19	81	401
Production	43	56	253	32	68	428
Total	45	54	783	32	67	1,005

Source: Girgis 2002 in The World Bank, MENA Development Report, Unlocking the Employment Potential in the Middle East and North Africa—Toward a New Social Contract, 2004.

TABLE 8.7

Temporary Egyptian Migrants by Receiving Country, 2000

(thousands and percent)

Country	Thousands	Percent
Bahrain	4.00	0.20
Libya	65.60	3.50
Iraq	226.90	11.90
Jordan	190.60	10.00
Kuwait	12.50	0.10
Lebanon	332.60	17.50
Oman	15.00	0.80
Qatar	25.00	1.30
Saudi Arabia	923.60	48.60
United Arab Emirates	95.00	5.00
Yemen, Rep. of	22.00	1.20
Total	1,912.70	100.00

Source: Ministry of Manpower and emigration, Contemporary Egyptian Migration 2003.

in the region are skilled workers. However, unskilled laborers have been replaced by Asians workers to a greater extent than skilled workers. Regarding the distribution of Egyptian migrants by occupation and country, the Gulf States and Libya absorb highly skilled Egyptian workers, while Jordan, Iraq, and Lebanon tend to employ unskilled Egyptian workers. Based on the work permits granted to Egyptians by occupation (table 8.9), Egyptian migrants in the Gulf States are more skilled than those in Jordan, Lebanon, and Iraq.

Although data on the educational background of migrants are scarce, the data put together in table 8.10 suggest that labor-importing countries in the region absorb a wide range of skills. In Saudi Arabia, for example, 40 percent of the expatriates in the labor force do not have a primary degree (i.e., are either illiterate or can just read and write),

TABLE 8.8

Occupation of Egyptian Migrants in Arab Countries, 1985 and 2002

(percent)

	1985	2002
Scientists, managerial, and technicians	20.70	43.40
Clerical work	8.80	1.50
Sales and service	18.50	12.70
Agriculture	8.90	8.60
Production	43.00	33.80

Source: Ministry of Manpower and Emigration in CARIM.

TABLE 8.9

Work Permits Granted to Egyptians in Some Arab Countries by Occupation, 1985–2002

(percent)

Country	Scientists and technicians	Managers	Clerical workers	Sales and services	Agriculture	Production workers	Total
Bahrain	27.20	5.50	24.30	24.30	0.00	33.70	100.00
Iraq	2.60	0.00	1.50	1.50	33.00	62.90	100.00
Jordan	1.40	0.00	1.70	1.70	31.90	62.90	100.00
Kuwait	53.50	1.10	21.50	21.50	0.20	14.10	100.00
Lebanon	0.00	0.00	2.30	2.30	21.10	76.60	100.00
Libya	57.00	9.00	0.00	0.00	0.00	34.00	100.00
Oman	52.90	8.10	4.10	4.10	1.40	31.50	100.00
Qatar	51.50	1.90	6.10	6.10	1.00	37.40	100.00
Saudi Arabia	40.50	0.40	0.30	20.60	7.10	31.10	100.00
United Arab Emirates	41.10	4.00	2.90	2.90	0.90	50.10	100.00
Yemen, Rep. of	69.10	18.10	1.10	1.10	0.00	7.70	100.00
Total	39.00	2.40	12.70	12.70	8.60	35.80	100.00

Source: Ministry of Manpower and Emigration in CARIM.

but the rest hold intermediate or higher education. Similar observations can be made about Bahrain, where the share of the foreign population with no primary degree in the total population was about 30 percent in 2001.[3] The data for Jordan, which cover both foreign labor force and return migrants by educational background in the mid-1990s, show that Jordan, as mentioned above, tends to export better-educated workers (mainly to the Gulf States) and import less-educated labor (from Egypt and Syria). Similarly, Egypt exports both educated

TABLE 8.10

Distribution of Migrants by Educational Level in Selected MENA Countries, Various Years

(percent)

Educational level	Saudi Arabia: foreign labor force in 2002	Bahrain: foreign population in 2001	Jordan: foreign labor force in 1994	Jordanian return migrants in 1994	Egyptian migrants abroad 1994–2000
None	12.51	14.90	22.95	5.74	15.40
Read and write	29.25	15.64	9.19	4.65	18.70
Primary	12.31	9.59	12.73	10.42	7.80
Intermediate	14.65	15.46	15.62	27.39	4.20
Secondary	12.51	18.19	16.08	30.19	32.70
Diploma	4.50	4.22	13.32	10.30	—-
University	14.26	10.67	5.98	10.66	21.20
Unknown	0.00	11.34	4.15	0.64	
Total	100.00	100.00	100.00	100.00	100.00

Sources: Saudi Arabia: Population Census 2002; Bahrain: Population, Housing, Buildings, & Establishments Census 2001; Jordan: DOS, Population and Housing Census 1994, Vol. 2, 1997 in CARIM; Egypt: Ministry of Manpower and Emigration in CARIM.

(to the GCC) and uneducated workers (to Jordan, Lebanon, and Iraq). Thus, overall, the data suggest that migration in MENA is only somewhat selective by education.

Emigration from MENA

After intraregional migration within MENA, the second-highest migratory destination is OECD countries; this is especially true for Northern African countries (Algeria, Morocco, and Tunisia). These countries have a long history of emigration to Europe—in particular with France—connected with their colonial ties. Postwar reconstruction in France resulted in high demand for foreign labor and consequently high migration streams from the Maghreb for almost three decades (1945–75). By the mid-seventies, however, economic recession in Europe had led to a fall in demand for foreign labor and new restrictions on immigration, whereby only family reunion migration was permitted, were introduced.

In 1970, there were nearly 1.2 million Maghreb nationals in Germany, Belgium, France, Netherlands, Sweden, and Switzerland. By the beginning of the 1990s, Italy and Spain had also become popular destinations for North Africans. By 1990, there were nearly 2.1 million North Africans in eight European countries. These figures exclude undocumented migrants, but do not entirely reflect patterns of migration, as they include natural increases among the resident Maghrebian population. Table 8.11 shows the recent change in migration patterns in Europe. The North African population in the old European destinations (France, Belgium, and the Netherlands) has fallen as a percent of foreign population.

TABLE 8.11

Population from North Africa in Selected EU Countries

(thousands, unless otherwise stated)

Source country	Belgium		France		Italy		Netherlands		Spain	
	1985	2001	1982	1999	1985	2000	1985	2001	1985	2001
Algeria	10	8	805	478	. . .	. . .	. . .	. . .	. . .	14
Morocco	124	107	441	504	3	160	123	104	9	235
Tunisia	6	4	191	154	4	46	3	1	..	. . .
Egypt, Arab Rep. of	. . .	. . .	. . .	. . .	7	33	. . .	. . .	..	. . .
Total	140	119	1437	1136	14	239	126	105	9	249
Total foreign population	846	862	3714	3263	423	1388	690	668	293	1109
North Africa as % of total foreign population	17	14	39	35	3	17	18	16	3	22

Sources: Johansson de Silva, S., and Carlos Silva-Jauregui (2004) and OECD (2003) Trends in International Migration 2003.

At the same time, Italy and Spain have experienced a huge increase in the number of North African migrants they host. Moroccans comprise the largest migrant nationality among North Africans in Europe and in France in particular. Table 8.12 shows the main OECD destinations for Moroccans. Another important aspect of emigration from Northern African countries to Western Europe is the educational composition of migrants. Based on OECD (2005) immigrants and expatriates database, the majority (more than two-thirds) of Moroccans in Europe have low education.

Although most international migration from the MENA region takes place between the Maghreb and Europe, emigration from the Mashreq countries has picked up momentum in the wake of the fall in demand for labor in the Gulf. Emigration from Egypt to Europe, for example, has been on the rise, with 30 percent of all Egyptian migrants now residing in OECD countries. According to CAPMAS estimates, the total number of Egyptians abroad is 2.7 million; 1.9 million are in other Arab countries, and 0.8 million are in OECD countries. About 80 percent of Egyptian migrants to the West are concentrated in the United States (39 percent), Canada (13 percent), Italy (10 percent), and Greece (7 percent), as shown in table 8.13. Italy has become the main destination of Egyptian permanent migrants since the early 1980s. A substantial migratory trend from MENA—not only from Egypt but from other MENA countries, in particular Lebanon—has been toward the United States, Canada, and Australia.

Unlike migration within MENA, migration from Egypt to the United States, Canada, and Australia is highly selective. This is also apparent in the case of migrants from other Arab countries to those OECD countries, as seen in table 8.14. At least half of the immigrants to Canada from MENA have high education. In addition, figure 8.1 shows the occupation of MENA emigrants in the United States, where migration from

TABLE 8.12

Moroccan Migrants in Main OECD Countries, 2002

Country	Thousands	Percent
Belgium	214.90	9.14
France	1,025.00	43.62
Germany	100.00	4.26
Netherlands	276.70	11.77
Italy	287.00	12.21
Spain	222.90	9.49
Other OECD	223.50	9.51
Total	2,350.04	100.00

Source: Ministère des Affaires étrangers et de la Coopération, Maroc 2002- CARIM.

TABLE 8.13

Egyptian Migrants in OECD Countries, 2000

Permanent migration	Thousands	Percent
Australia	70.00	8.50
Austria	14.00	1.70
Canada	110.00	13.35
France	36.00	4.37
Germany	25.00	3.03
Greece	60.00	7.28
Netherlands	40.00	4.85
Italy	90.00	10.92
Spain	12.00	1.46
Switzerland	14.00	1.70
United Kingdom	35.00	4.25
United States	318.00	38.59
Total	824.00	100.00

Source: Ministry of Manpower and Emigration, Contemporary Egyptian Migration 2003.

MENA to the United States is highly selective, in 2000. Egypt has the largest proportion of its emigrants engaged in management and professional occupations while Morocco has the lowest, but it is still more than a third of its total emigrants.

Prospects for the Future

From the above discussion, it is clear that labor migration has been an important source of MENA's employment creation. However, the prospects of migration as a vehicle for supplementing domestic labor

TABLE 8.14

Immigrants (Aged 15 and Over) in Canada by Country of Birth and Level of Schooling, 2001

(percent, unless otherwise stated)

	Low	Medium	High	Total number
Egypt, Arab Rep. of	3.50	17.40	79.20	34,185.00
Lebanon	14.40	31.00	54.60	65,045.00
Syrian Arab Rep.	15.00	27.50	57.40	14,710.00
Jordan	4.00	29.90	66.10	4,260.00
Morocco	7.40	20.90	71.70	24,425.00
Algeria	4.80	16.10	79.10	17,405.00
Tunisia	3.90	14.10	82.00	5,215.00

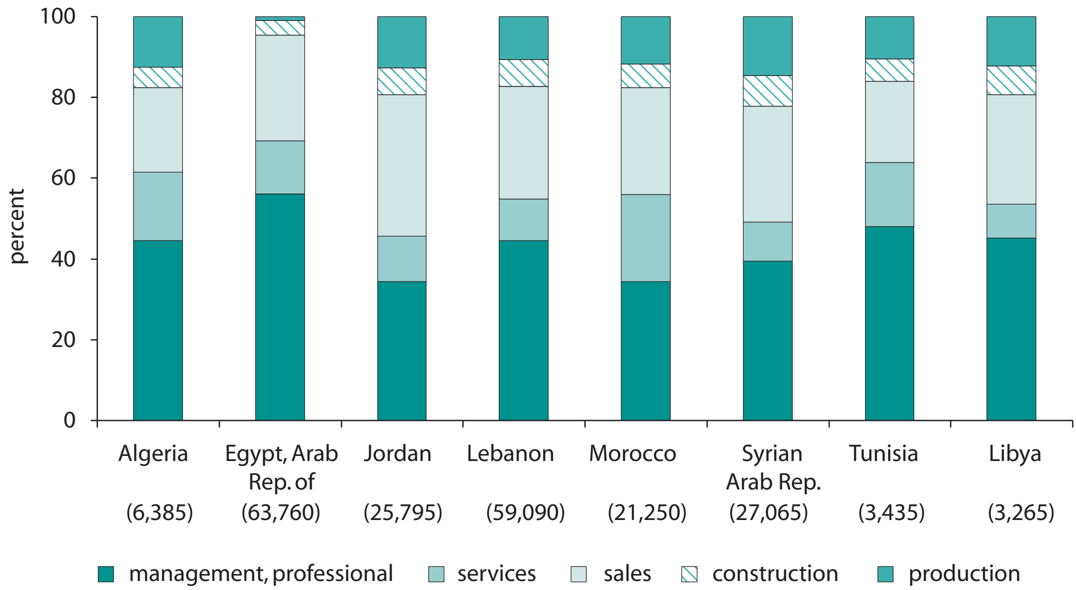
Source: Statistics Canada, Population Census of 2001, in CARIM.

Note: Low education: primary education (0 to 8 years of schooling); medium education: secondary education (9 to 12 years of schooling); high education: tertiary education (13 years and above).

FIGURE 8.1

Occupation of Foreign Born by Country of Birth in the United States, 2000

(percent)



Source: US Census Bureau, Census 2000, cited in CARIM.

Note: Figures in parentheses are the total number of foreign-born by country of birth in the United States in 2000.

markets in the region are not encouraging. The net outflows of MENA workers to other countries, not only in the region but also abroad, decelerated in the 1990s. For example, at the peak of the oil boom in the early 1980s, more than 20 percent of the Egyptian labor force and more than a third of the Yemeni and Jordanian labor forces worked abroad, primarily in the Gulf. This provided a significant buffer to many of the structural imbalances in the labor market and helped to contain unemployment. In the 1990s, however, the proportion of Egyptians and Yemenis working abroad dropped to about 12 percent, and in Jordan, to about 20 percent. Similarly, North African economies are increasingly facing greater restrictions on entering European labor markets.

The demand for Arab workers in the Gulf, according to Girgis (2002), is expected to fall. The GCC countries are increasingly seeking to fill new positions either with nationals or with Asian workers. Nationals are given skilled jobs (including jobs as teachers, journalists, clerks, and management where language requirements can be met) at higher (than average) wages. Asian workers are increasingly given unskilled jobs at lower (than average) wages and at wages below those of workers from Arab countries. Although the growth rate of the skilled labor force of nationals is not likely to meet demand in the foreseeable future, this trend will slow the demand for migrants from countries like Egypt, Lebanon, and Jordan. Demand will also depend on what happens to oil prices in the future. High and limited volatility of oil prices will enhance the demand for workers, from the region or elsewhere, while low and volatile oil prices will dampen labor demand.

In Europe, the share of North African migrants has declined at a time when Europe is becoming one of the main destinations of international migrants. In 2002, between 36 and 39 million international migrants were living in Europe, representing 8 percent of its population.[4] According to the European Commission, between 1960 and 2002, the population of the former EU-15 countries increased by 17.8 million persons. For the former EU-15, net migration was relatively low until the end of the 1980s. However, since 1999, as a consequence of migration, the EU-15 population has increased by close to, and sometimes more than, 1 million persons each year.[5] Migrants to the EU fall into four main regional groups: those from Eastern Europe and the former Soviet States, from the Maghreb, from Turkey, and from various former colonies and refugee countries in Sub-Saharan Africa and Asia. To some extent each country has its "own" foreigners as a result of colonial heritage, privileged and often bilateral links, or geographic proximity to the countries concerned. Table 8.15 shows the stock of foreign labor in OECD countries over the last decade. Overall, the proportion and number of foreign labor have increased in OECD. However, as seen earlier, the proportion of North Africans has not increased.

In Europe, migration has become a contentious issue for a host of social, economic, and political factors. As a result, there is no strong political constituency for mass immigration. It is evident from many of the recent debates on migration within Europe that the perception of migration as socially and economically costly for the host countries is widespread. It is unclear how much the MENA region can rely on migration to Europe to mitigate its own labor demand dilemmas. Migrants from the Maghreb in particular are increasingly facing greater restrictions on legal entry, which is leading to an increase in illegal migration. The EU enlargement is another factor, as some of the new member countries enjoy abundant skilled workers who are also willing to accept relatively low wages.

The good news is that there are strong labor-market complementarities between the emerging labor force in MENA and the shrinking European workforce, a workforce that is facing growing shortages in the mid-level skills MENA workers possess. With the prevailing pay-as-you-go social security system in Europe, a rapidly aging population threatens to weigh heavily on future workers, who will need to provide for retirees with increasing life expectancies. According to the International Labour Organization (ILO), the number of potential workers between the ages of

TABLE 8.15

Stocks of Foreign and Foreign-Born Labor in the Labor Force of Selected OECD Countries, 1992–2001

(thousands and percent)

Stocks of foreign labor force	1992	1995	1998	2001
Austria	295.90	325.20	327.10	359.90
% of total labor force	9.10	9.90	137.50	11.00
Belgium	325.60	362.10	390.70	..
% of total labor force	7.80	8.50	8.80	..
Denmark	74.00	83.80	98.30	100.60
% of total labor force	2.60	3.00	3.40	3.50
France	1 517.8	1 573.3	1 586.7	1 617.6
% of total labor force	6.00	6.20	6.10	6.20
Germany	..	..	..	3 616.0
% of total labor force	..	..	..	9.10
Ireland	40.40	42.10	53.30	82.10
% of total labor force	3.00	2.90	3.30	4.60
Italy	296.80	332.20	614.60	800.70
% of total labor force	1.40	1.70	2.70	3.80
Luxembourg	98.20	111.80	134.60	170.70
% of total labor force	49.20	52.40	57.70	61.70
Netherlands	229.00	221.00	235.00	..
% of total labor force	3.50	3.20	3.20	..
Norway	46.60	52.60	66.90	..
% of total labor force	2.30	2.50	3.00	..
Portugal	59.20	84.30	88.60	104.70
% of total labor force	1.30	1.80	1.80	2.00
Spain	139.40	139.00	197.10	607.10
% of total labor force	0.90	0.90	1.20	3.40
Sweden	233.00	220.00	219.00	227.00
% of total labor force	5.30	5.10	5.10	5.10
Switzerland	716.70	728.70	691.10	738.80
% of total labor force	18.30	18.60	17.40	18.10
United Kingdom	902.00	862.00	1 039	1 229
% of total labor force	3.60	3.40	3.90	4.40
Stocks of foreign-born labor force				
Australia	..	2 138.8	2 293.9	2 367.3
% of total labor force	..	23.90	24.80	24.20
Canada	..	..	..	3 150.8
% of total labor force	..	..	..	19.90
United States	..	12 900	16 100	20 014
% of total labor force	..	9.70	11.70	13.90

Source: OECD, Trends in International Migration, 2003.

20 and 65 will increase on a net basis by 1 million in the EU-15 member states between 2000 and 2010. The group of people in retirement, ages 65 and above, will increase by 3.6 million over the same period (Johansson de Silva and Silva-Jauregui 2004). Short of a drastic change in fertility rates in the EU, migration provides the only means of reinforcing the shrinking workforce. Presently, the

EU receives around 0.6 million migrants on a net basis every year. Demographic projections by the UN suggest that to keep the working-age population constant, another million people would need to enter the EU each year, and to keep the ratio of old population to working population constant, to ensure that each retiree can rely on the same number of workers, the region would need as many as 10 million additional immigrants per year (Diwan et al. 2002).

All this is to suggest that the region should look for opportunities to increase intra-regional migration and migration to other destinations. Before exploring how that might be achieved, the next section assesses the economic impact of migration so far.

The Economic Impact of Migration: A Win-Win Game

In theory, free labor mobility leads to efficiency gains and increases in world income. According to Rodrik (2002), liberalizing cross-border labor movements can yield substantial benefits to the world economy that may be almost 25 times larger than those that would accrue from free goods and capital flows, given the huge differential in the wage rates for similar skills in developing and developed countries. Thus, the potential benefits from migration are huge.

However, the impact of migration on the individual migrant depends on whether or not the net benefits from migration are larger than those from staying at home. For the exporting country, the economic impact depends mainly on the remittances received minus the cost of forgone output, if any, and the cost of migrants' education. For the host country, the benefits depend mainly on the contribution of migrants to economic and social development net of the labor cost. This section assesses the impact of migration on all three entities—the migrant, the exporting country, and the host country—starting with the migrant.

The Migration Decision and Individual Net Benefits

Migration is an individual decision made at the household level, taking into account individual/family benefits and costs. In general, individuals face a choice between staying in their own country or migrating overseas. To maximize their utility, they decide to migrate if the benefits from migration exceed the costs. The benefits are both economic (e.g., higher incomes and better living standards) and noneconomic (e.g., stable jobs, job satisfaction, or career prospects). The costs are also monetary (involving, for example, the cost of transaction, transportation, and forgone income) as well as nonmonetary (e.g., the psychic costs of moving to a foreign country or leaving family behind). In some cases, migration can be for political reasons as well.

As mentioned above, there is a positive relationship between education and migration. Educated individuals find it easier to access overseas labor markets because they have “saleable” skills; they have better access to information; and they are better in adapting to a new environment.

Going by revealed preferences, migrants in MENA must have decided to migrate because they believed that it was to their advantage to do so. This conclusion is supported by several factors. For both the educated and uneducated individuals in countries like Egypt, Yemen, and Jordan, higher wages overseas are an important pull factor. And indeed, the wage rate differentials between, say, the Gulf States and these countries are manifold. This factor alone would probably have been sufficient to convince some to migrate.

In addition to salary differences, the decision to migrate must have also been driven by push factors. These include relatively high unemployment rates at home, especially among university graduates, or the difficulty of finding a job that fits the training the graduate received. Going abroad often provides greater opportunities to find appropriately high-skilled, challenging work than is available at home. In addition, the evidence provided in chapter 9 points out that most MENA countries have had high rates of unemployment, especially among the youth and educated. Along the same lines, the evidence provided in the same chapter indicates that the rates of return to education in countries like Morocco, Egypt, and Jordan are low and declining. No wonder many individuals from these countries decide to migrate.

In addition to these economic factors, another push factor is political instability in the home country. On that account, it seems that the civil war in Lebanon and the first Gulf War did provide impetus for greater migration. In Lebanon, it was estimated during the time of the civil war that the number of Lebanese abroad exceeded the number of those who remained in Lebanon. Also, the Gulf War in 1990–91 resulted in the return of more than 2 million immigrants to their home country in MENA. Migration within the region has thus been a function of political circumstances, at least in some cases.

What all these factors suggest is that migrants in MENA must have benefited from migration, otherwise they would not have moved in such large numbers—voluntarily for the most part—to other counties in the region.

The Economic Impact on Home Countries

Labor-exporting MENA countries have benefited from emigration in a variety of ways. The most obvious is a reduction in domestic unemployment. According to the ILO, the MENA region recorded one of the highest unemployment rates among the developing regions in the 1990s.[6] The rate has hovered around the 12 percent mark for at least the past decade, reflecting a steady increase in the number of total unemployed since mid-1990s. In addition, unemployment tended to be concentrated among the young and the educated. Without emigration providing a safety valve for the surplus labor, the rate of unemployment would have been even higher.

Equally important, migration does not seem to have created bottlenecks in domestic labor markets. Although some countries, Jordan, for example, experienced a shortage of agriculture workers, this was filled by Egyptian workers. Nor did the outflow of unskilled workers lead to a general rise in wages, given the vast pool of unskilled workers in labor-sending countries. Among skilled workers, the majority were either unemployed or worked in the public sector, where too many are employed in the first place and wages are determined according to a fixed scale. If anything, migration out of public employment probably reduced the wage bill.

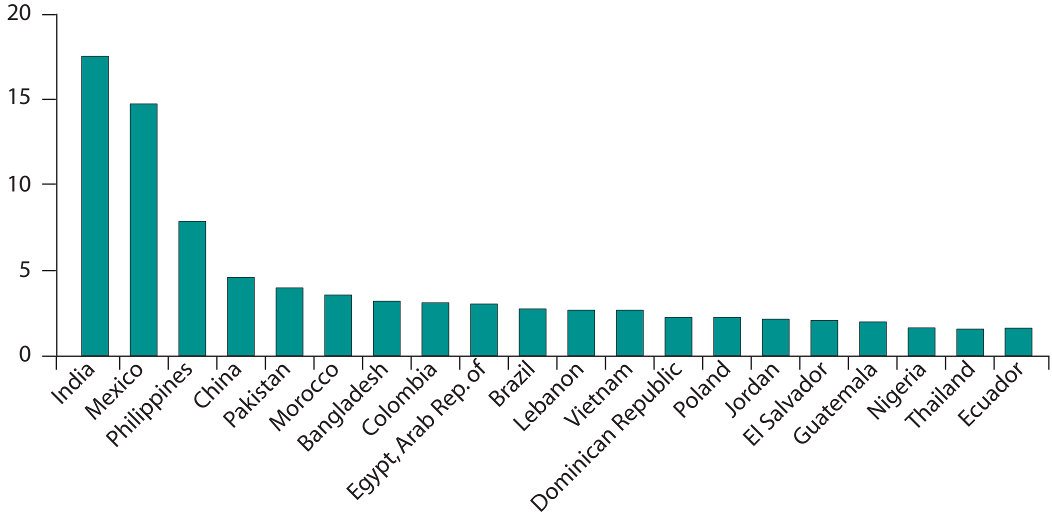
Another important benefit from migration has been the financial flows to the home country. For developing countries in general, remittances represent the second-largest source of external funding, after Foreign Direct Investment (FDI) (*Global Development Finance* 2003). According to Maimbo and Ratha (2005), workers' remittance receipts in developing countries stood, in 2003, at $126 billion or 1.7 percent of their combined GDP, which is much higher than total official flows and private non-FDI flows, and more than half of total FDI flows to these countries. For MENA countries, workers' remittances, amounting to $13 billion, were larger than net FDI flows and net official flows, which modestly stood at $2 billion and $1.6 billion, respectively (*Global Development Finance* 2004). Furthermore, these figures only refer to official transfers. Thus, they represent an underestimate of the size of remittances. In some countries it is believed that only around half of the remittances pass through official banking channels, because migrants are discouraged from using them by cumbersome procedures, high fees, and poor rates of exchange.

For a number of MENA countries, remittances have become the principal source of foreign exchange. Figure 8.2 shows the amount of labor remittances received by the top 20 countries. Four of the top receiving countries in the world are MENA countries. Figure 8.3 shows the top 20 countries from which remittances payments are sent. The United States and Saudi Arabia[7] are the largest sources of workers' remittances, but Kuwait and Oman are also among the top 20 sources of remittances. All labor-sending countries in the region have benefited

FIGURE 8.2

Top 20 Developing-Country Recipients of Workers' Remittances, 2003

(billions of US$)

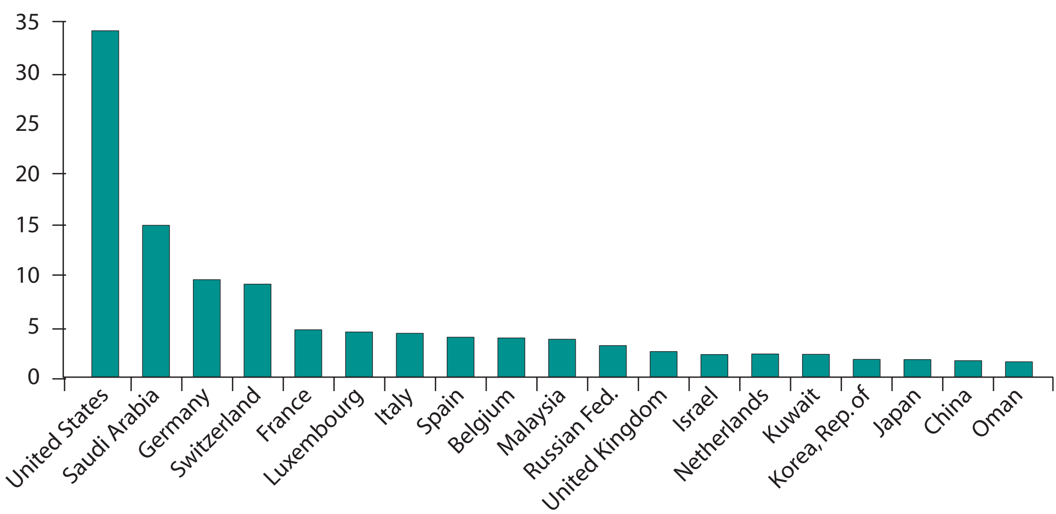


Source: Maimbo and Ratha (2005).

FIGURE 8.3

Top 20 Country Sources of Remittance Payments, 2003

(billions of US$)



Source: Maimbo and Ratha (2005).

from receiving substantial flows of remittances, as table 8.16 shows. MENA labor-exporting countries are among the highest recipients of remittances in the world. In addition, MENA countries have the highest per capita migrants' remittances, as shown in figure 8.4.

Remittances comprise a substantial proportion of labor-exporting countries' merchandise exports. Table 8.17 shows the significance of remittances as a percent of GDP in MENA. However, the overall figures mask the importance of remittances for particular countries; for example, in 2003, remittances amounted to 22 percent of Jordan's GDP and 14 percent of Lebanon's GDP (Maimbo and Ratha 2005). Also, Egypt ranked fifth among the developing countries that received the highest amount of remittances in 2001. During the 1990s there was a decline in the remittances trend to Egypt after peaking in 1992 at $6.1 billion. Recently, Egypt has been receiving around $3 billion remittances annually, representing 4 percent of its GDP. According to the Central Bank of Egypt, the largest amounts of remittances arrived from the United States and Saudi Arabia (34.5 percent and 22.1 percent respectively), followed by Western European countries (about 15 percent). Morocco has been catching up with Egypt. Morocco received $3.6 billion in 2001, an amount that represented over 11 percent of Morocco's GDP. In 2003, more than 90 percent of Morocco's remittances came from Western Europe (45 percent from France alone), but only 1.6 from Saudi Arabia (Hamdouch 2005).

TABLE 8.16

Workers' Remittances, 1990–2003

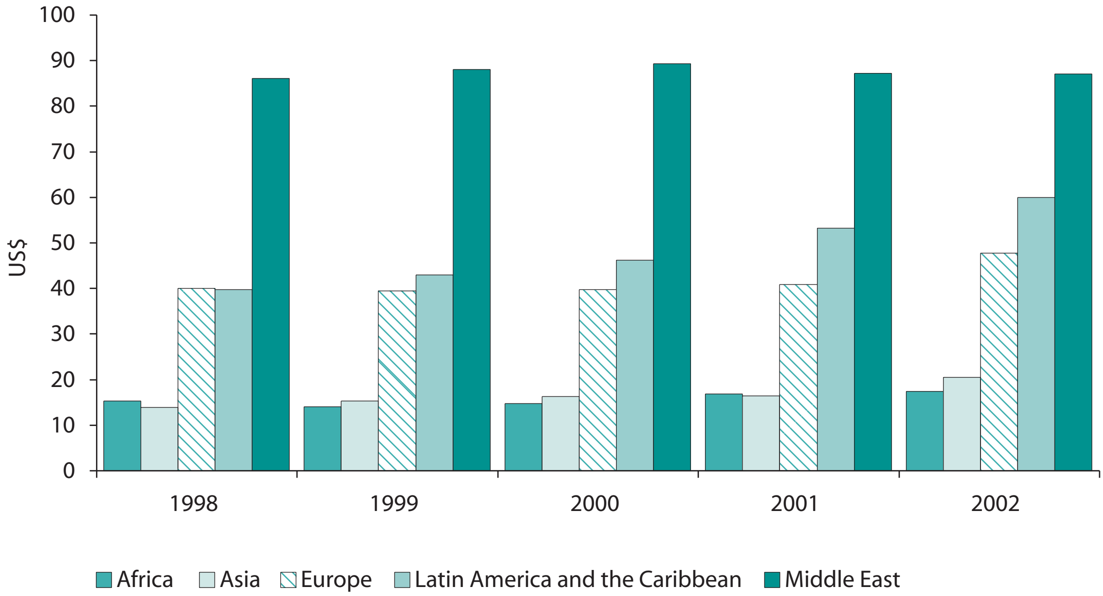
(billions of dollars)

Year	Egypt, Arab Rep. of	Jordan	Lebanon	Morocco	Tunisia	Yemen, Rep. of
1990	4.28	0.50	1.82	2.01	0.55	1.50
1991	4.05	0.45	1.90	1.99	0.52	1.00
1992	6.10	0.84	2.02	2.17	0.53	1.02
1993	5.66	1.04	2.05	1.96	0.45	1.04
1994	3.67	1.09	2.17	1.83	0.63	1.06
1995	3.23	1.24	0.84	1.97	0.68	1.08
1996	3.11	1.54	1.23	2.17	0.74	1.13
1997	3.70	1.66	0.96	1.89	0.68	1.17
1998	3.37	1.54	0.61	2.01	0.72	1.20
1999	3.24	1.50	0.43	1.94	0.76	1.22
2000	2.85	1.66	0.50	2.16	0.80	1.29
2001	2.91	1.81	0.56	3.26	0.93	1.29
2002	2.89	1.92	0.89	2.88	1.07	1.29
2003	2.96	1.98	1.00	3.61	1.25	1.27

Source: The World Bank, Global Development Finance and World Development Indicators Central (April 2005).

FIGURE 8.4

Per Capita Migrants' Remittances by Region, 1998–2002



Source: Straubhaar, Vădean (2005).

Note: "Remittances" refer to the sum of the "compensation of employees," "workers' remittances," and "other current transfers in other sectors"; "Official flows" include general government transfers both current and capital.

Although there has been a lot of debate on the uses of remittances and their impact, there is evidence to suggest that remittances have been used in investment and microenterprises in the home countries. In addition, return migrants are potent carriers of capital, technology, and entrepreneurship, i.e., of factors that can contribute to the economic development of the home country. As McCormick and Wahba (2001) and Wahba

TABLE 8.17

Workers' Remittances Received by Developing Countries by Region, 1999–2004

(percent of GDP)

	1999	2000	2001	2002	2003	2004 est
Total	1.20	1.10	1.20	1.60	1.70	1.80
East Asia and Pacific	0.70	0.70	0.60	0.90	1.00	1.00
Europe and Central Asia	0.90	0.90	0.90	1.00	0.90	0.90
Latin America and the Caribbean	1.00	1.00	1.20	1.60	2.20	2.20
Middle East and North Africa	2.20	1.90	2.30	2.30	2.40	2.40
South Asia	2.60	2.30	2.30	3.00	3.40	4.10
Sub-Saharan Africa	1.30	0.80	1.00	1.70	1.50	1.50

Source: Maimbo and Ratha (2005).

Note: est = estimate.

(2004) show, evidence from Egypt suggests that overseas employment opportunities have had significant effects on the probability of those returning migrants becoming entrepreneurs in the origin country. Overseas savings and the time spent abroad have had positive and highly significant effects on the migrants' likelihood of becoming entrepreneurs upon return. Almost 53 percent of the educated returnees have found the skills they acquired abroad to be beneficial to the job they held upon return, compared to 33 percent of the less educated and 22 percent of the illiterates. Hence, overseas work experience provides an opportunity for human capital enhancement, especially for the educated (McCormick and Wahba 2001). Further evidence from Egypt suggesting that return migrants benefit from their overseas work experience is the fact that the proportion of migrants moving into high-skilled occupations upon return is greater than the proportion doing so before migration (Wahba 2004).

Thus, the overall benefits from migration seem to outweigh the output loss and the cost of migrants' education. While the output loss is arguably modest because of unemployment, the size of remittances and the positive network effects on trade and investment are substantial. Labor-exporting MENA countries benefit from migration as it reduces tensions in the labor market, decreases unemployment, provides return migrants with skills and capital for investment, and increases monetary flows from labor remittances, which contribute to the balance of foreign finance. As it turns out, migration has been instrumental in redistributing oil revenues within the MENA region over the last few decades.

The Economic Impact on Host Countries

As for labor-receiving countries, they also benefited from immigration in a variety of ways. The most important is that immigration removes labor scarcity and leads to fuller utilization of abundant capital. Thus, it gives a boost to economic growth that would not have been possible in the absence of foreign labor. In the case of the Gulf States, migration enabled them to have a construction boom and build much-needed infrastructure. It also provided the skilled human capital necessary to provide social services and other public goods. Currently, foreign workers also contribute to the labor market by filling jobs that cannot be filled by locals.

In the case of EU countries, immigration provides similar benefits, but with a twist. Previously, Western Europe—France, for example—relied on imported workers from the Maghreb for almost three decades (until the mid-1970s) to help in postwar reconstruction work. More recently, foreign workers have filled jobs that locals do not want to do—in the service sector, for example—or jobs that suffer from seasonal shortages of labor, for example, in farming. In many other instances, the immigrants offer skills that are scarce in Western countries (those of doctors, for example) and that are essential for the growth and welfare of those economies.

Notwithstanding these benefits, there is a growing perception that immigration has a negative impact on the labor markets of the host countries. Some argue that immigration leads to lower wages among unskilled workers and higher unemployment rates. However, there is no strong empirical evidence to support either claim (see, for example, International Organization for Migration 2005). Also, immigrants are perceived to rely on public welfare and social services, but to pay relatively little in the form of welfare contributions and taxes. However, available evidence indicates that educated workers contribute more in taxes than they receive in benefits. The evidence concerning the uneducated is mixed, with migrants' reliance on welfare being higher than that of the local population in a number of countries (Austria, Belgium, France, and the Netherlands), but not in others (Germany, Spain, and the United Kingdom). Notwithstanding this result, the overall impact of immigration seems to be positive on a net basis for the receiving country.

What about the Brain Drain?

The "brain drain," which occurs when a labor-exporting developing country loses its educated workers to a more developed or richer country, has been hotly debated in the development literature for some time. Because migration is generally easier for university graduates than for the less educated, the argument, as Adiseshiah (1972) puts it, is that for many countries, "education is not the road to development but the road to migration." However, others, like Mountford (1997) and Stark et al. (1998), argue that the emigration of the highly educated may lead to "brain gain" if the return to education is higher overseas than at home, thus leading to higher returns to human capital, and thereby enhancing further investment in human capital. At any rate, from the point of view of the sending country, the extent of migration selectivity, the opportunity cost of losing an educated worker, and the temporary or permanent nature of the migration all make a difference to the impact of the migration on the home country.

For the MENA region, intraregional migration is different from migration to Europe and elsewhere. Thus, it is useful to discuss them separately. Starting with intraregional migration, disaggregated data on the educational composition of Arab emigrants in the GCC and other Arab countries are not available for ascertaining the extent of migration selectivity. However, Docquier and Marfouk (2004) estimate that 1.9 million or around 17.5 percent of adult immigrants in the GCC are tertiary educated (17 percent in Bahrain, 17.2 percent in Saudi Arabia, and 14 percent in Kuwait). These rates are not very high and, on the basis of scattered evidence for some MENA countries, intraregional migration is not considered highly selective. Furthermore, migration to the GCC and other Arab countries is temporary, and as such does not lead to the permanent loss of educated people. Finally, in light of the high unemployment in the exporting countries, the opportunity cost of keeping university graduates at home is low if not zero or even negative. Thus, the brain drain problem is not so in intraregional migration in MENA.

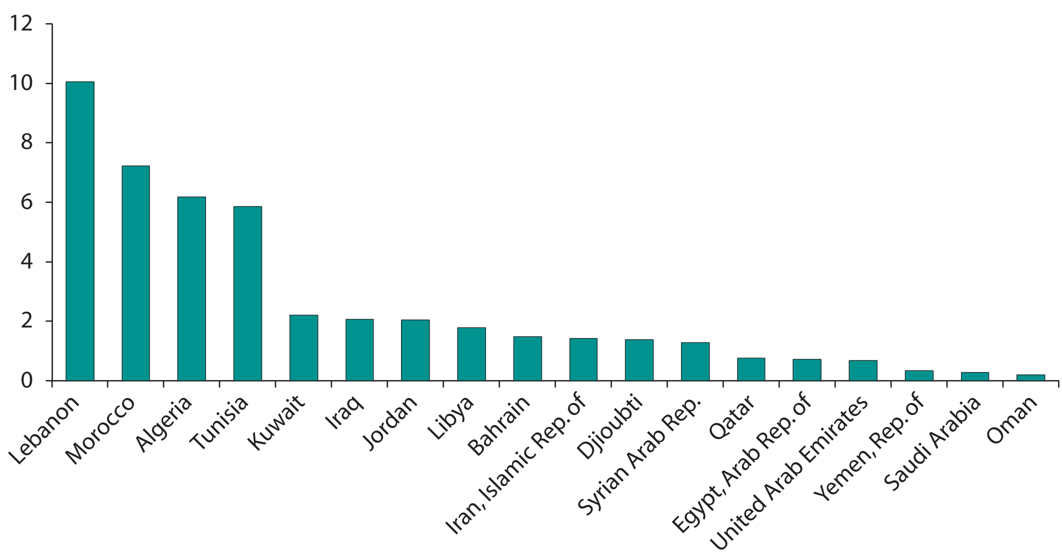
With respect to emigration from MENA to OECD countries, the picture is somewhat different. Migration to OECD tends to be permanent. Recent OECD data on the emigration rate to OECD countries[8] from MENA suggests that Lebanon and the Maghreb countries have higher emigration rates than the rest of the MENA countries. Thus, figure 8.5 shows that the expatriate rate is around 10 percent in Lebanon and between 6 and 8 percent for the Maghreb countries. The emigration rate from other MENA countries to OECD is under 2 percent.

Docquier and Marfouk (2004) have recently compiled an international data set of estimates of emigration stocks and rates to OECD

FIGURE 8.5

Expatriate Rate, 2005

(population 15+)



Source: OECD 2005, Database on immigrants and expatriates.

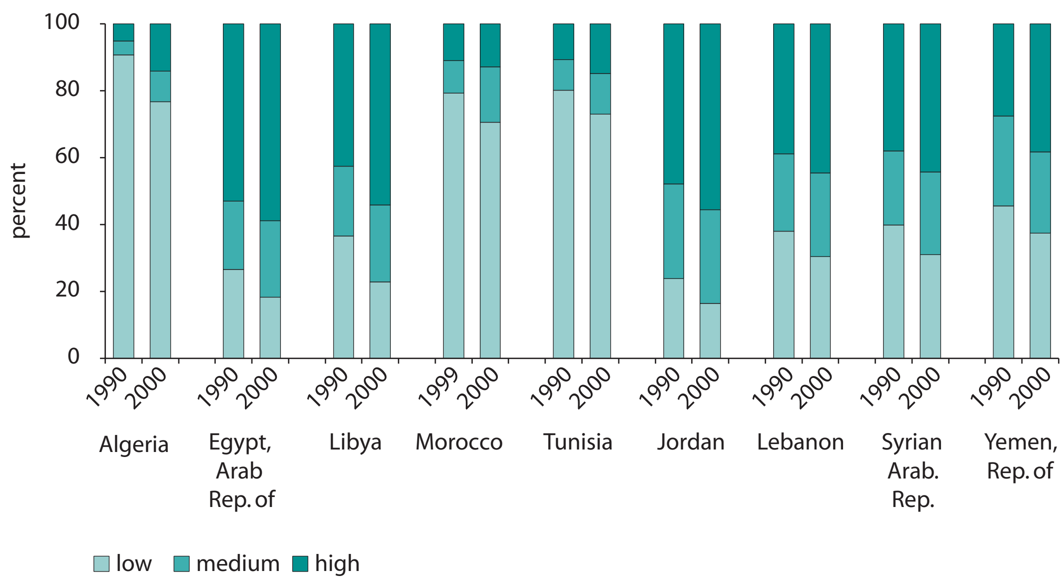
Note: The emigration rate from country *i* is calculated by dividing the population (15+) from country of origin *i* by the total native-born (15+) population of the same country (native-born(*i*)= expatriates(*i*) + resident native born(*i*)).

countries by educational attainment in 2000 and 1990. Figure 8.6 shows the educational distribution of the stock of emigrants in OECD countries from MENA. Egypt has the highest selection-rate, i.e., the highest proportion of skilled workers in total emigration in this figure. Among the 195 countries studied by Docquier and Marfouk (2004), Egypt and Jordan are among the top 30 countries with the highest selection, i.e., the proportion of skilled emigrants in the total emigration stock. Egypt is ranked 19 and Jordan 27, with a 59 percent selection rate in Egypt and 56 percent in Jordan. On the other hand, Tunisia and Morocco are among the 30 lowest selection rate countries, i.e., only 13 percent of Moroccan and 15 percent of Tunisian emigrants are high skilled. Based on the 1998 Egypt Labour Market Survey (ELMS) and the 1997 Morocco Living Standards Measurement Study (LSMS), it is clear that, given the high unemployment rates for the educated in Egypt (figure 8.7A), they are the most likely to emigrate; for Morocco, however, given that there is no relationship between educational level and unemployment (figure 8.7B), there is no evidence of a high selection rate. It is important to note, though, that the average educational level is higher in Egypt than it is in Morocco.

FIGURE 8.6

Stock of Emigrants from MENA to OECD by Educational Level, 1990 and 2000

(percent)



Source: Docquier and Marfouk (2004).

Note: Low education: primary education (or 0 to 8 years of schooling); medium education: secondary education (9 to 12 years of schooling); high education: tertiary education (13 years and above).

FIGURE 8.7A

Probability of Unemployment by Educational Level in Egypt, 1998

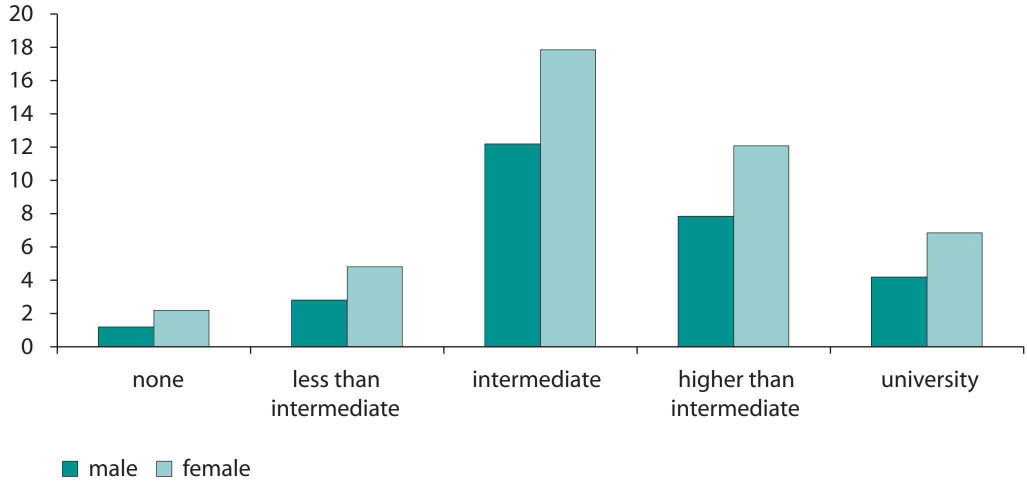
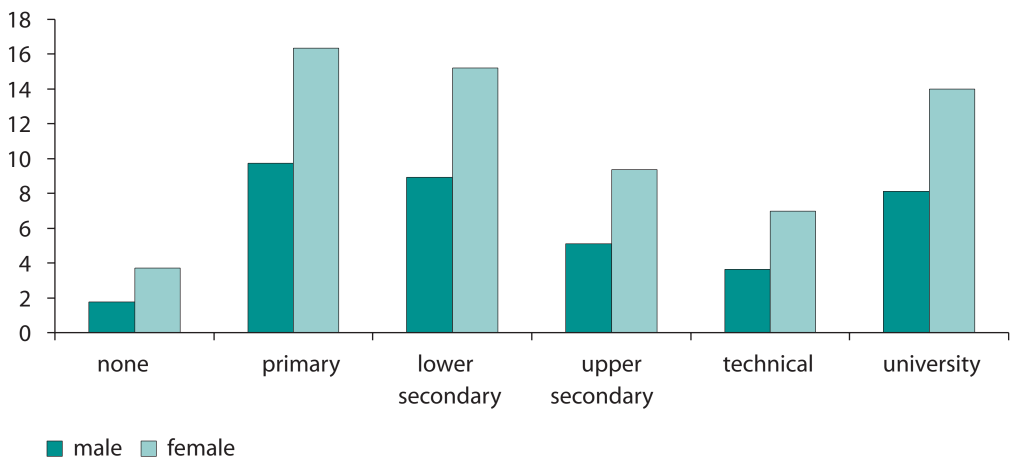


FIGURE 8.7B

Probability of Unemployment by Educational Level in Morocco, 1999



Source: Wahba 2005, p. 26.

Table 8.18 shows the emigration rates by three educational levels in 1990 and 2000 from selected MENA countries to OECD countries. Emigration rates by educational levels are obtained by comparing the emigration stocks to the total number of people born in the source country and belonging to the same educational category. Lebanon has the highest emigration rate of skilled workers in MENA and ranks 27 out of the

195 countries studied in 2000. Morocco and Tunisia both have high emigration rates of skilled workers, i.e., comparing the emigration stocks of the highly educated to the total number of highly educated people born in the source country. Although both countries have a low proportion of skilled emigrants in their total emigration stock, the proportion of highly educated emigrants to the total number of educated people back home is high. In other words, they are more vulnerable to brain drain.

Thus, based on Docquier and Marfouk (2004), overall, MENA countries are not experiencing worrying levels of brain drain as a region, as illustrated in table 8.19. However, Lebanon in particular, followed by Morocco and Tunisia, are losing a substantial proportion of their educated population. This is also consistent with Adams (2003), who finds that out of a sample of 24 countries, international migration takes more than 10 percent of those with a tertiary education from five countries: Jamaica, Morocco, Tunisia, Turkey, and Sri Lanka. Thus, the evidence suggests that there is a brain drain in Morocco and Tunisia, which would suggest

TABLE 8.18

Emigration Rates from MENA to OECD by Educational Level, 1999 and 2000

(percent)

Educational level	Year	Low	Medium	High	Total
Algeria	1990	5.30	2.00	7.10	5.10
	2000	4.60	2.10	9.40	4.50
Egypt, Arab Rep. of	1990	0.30	1.00	5.90	0.80
	2000	0.20	0.80	4.60	0.90
Libya	1990	0.60	1.00	2.30	0.90
	2000	0.50	0.60	2.40	0.90
Morocco	1990	6.40	6.20	21.60	7.00
	2000	6.80	8.10	17.00	7.60
Tunisia	1990	6.20	4.60	17.80	6.50
	2000	5.10	3.80	12.50	5.40
Jordan	1990	1.60	4.80	8.60	3.50
	2000	1.00	2.40	7.20	2.80
Lebanon	1990	10.90	16.10	43.90	17.20
	2000	9.40	11.10	38.60	15.00
Syrian Arab Rep.	1990	1.00	3.00	7.00	1.90
	2000	0.90	2.30	6.10	1.90
Yemen, Rep. of	1990	0.10	0.70	5.50	0.20
	2000	0.10	1.20	6.00	1.40
Average	1990	3.60	4.40	13.30	4.80
	2000	3.20	3.60	11.50	4.50

Source: Docquier and Marfouk (2004).

Note: Emigration rate is the emigration stock as a share of the total number of people born in the source country and belonging to the same educational category. Low education: primary education (or 0 to 8 years of schooling); medium education: secondary education (9 to 12 years of schooling); high education: tertiary education (13 years and above).

TABLE 8.19

Emigration Rates to OECD and Selectivity by Region, 2000

(percent)

	Share in OECD stock		Rate of emigration		Share of skilled workers	
	Total	Skilled	Total	Skilled	among residents	among migrants
By region/group						
MENA	6.50	6.00	2.80	8.90	9.40	32.00
Sub-Saharan Africa	3.80	4.70	0.90	12.9	2.80	42.60
Least developed countries	4.20	4.20	1.00	13.20	2.30	34.00
Economies in transition	12.30	10.80	2.70	4.80	17.10	30.30
EU 15	23.00	21.60	4.80	8.10	18.60	32.50
By income						
High-income countries	30.40	33.70	2.80	3.50	30.70	38.30
Upper middle-income countries	24.30	17.70	4.20	7.90	13.00	25.20
Lower middle-income countries	26.60	27.20	3.20	7.60	14.20	35.40
Low-income countries	15.10	19.80	0.50	6.10	3.50	45.10

Source: Docquier and Marfouk (2004), p.19.

that there is a need for these countries to adopt policies to deal with this loss of human capital.

Why Isn't More of a Good Thing Happening?

Although migration is potentially a win-win game for both sending and receiving countries, MENA countries have not been able to gain as much as they possibly could have from their investment in education through migration. The high unemployment of graduates in many of the labor-exporting countries and the persistent gap in human capital in capital-abundant countries suggest that more migration could have been to the benefit of both parties. The question is why this did not happen by virtue of the forces of supply and demand. It is argued below that suboptimal migration is fundamentally the result of large failures of labor markets across countries, which have not been adequately addressed by governments.

To be sure, labor markets can fail to allocate labor efficiently within a country, either because of problems of information asymmetry between the employer and the employee, weak intermediation, poor contract enforcement, or other labor market–distorting policies. However, these problems tend to be accentuated in the case of migration because of concern for national sovereignty, geographical distances, and language and cultural barriers. Thus, short of deliberate actions by governments to address these problems, the level of migration will be suboptimal. The migrant will not have reasonable information about job opportunities elsewhere, alternative intermediation possibilities to seek these jobs, fair enforcement of the contract once signed, and the means to transfer resources back home through the official channels without penalty. Similarly, the employer will not have access to credible information about the qualifications of alternative candidates, the means to screen them, and a reasonable recourse in case they do not perform well.

Against this background, the remainder of this section discusses a number of key migration policies in MENA, both in the host and home countries.

Migration Polices of Host Countries

Clearly, the prevailing migration policies and practices in the Gulf States have worked reasonably well, as evidenced by the number of immigrants they have received. However, not all features of these policies and practices are consistent with the best interests of the host and sending countries.

Currently, in most of the Gulf States, foreigners must be "sponsored" for admission; after arrival, the migrant deals with the government through the sponsor, not directly with any government agency. The only way for a foreigner to obtain residence and work visas is to respond to an advertisement placed by a Kuwaiti or Saudi citizen seeking workers. However, the reality is that recruitment agencies sometimes send workers for nonexistent jobs, some provide false information about jobs, and many charge migrants excessive fees for services. Some Gulf citizens require job-seeking foreign migrants to pay them "sponsor fees." Migrants often go into debt to pay these fees and some, after their arrival in the Gulf, learn that the sponsor has no job for them. Thus, migrants may arrive in debt and find themselves jobless, left with the choice of working illegally or returning home in debt. The sponsorship or *kafeel* system common in the Gulf States has also resulted in labor inflows not matched by actual employer demand, resulting in irregular status for migrants (ILO 2004).

In addition, imported workers in many cases are not protected in the host country. For example, MENA labor-importing countries use temporary contract employment but such employees, particularly unskilled laborers, are not covered under local labor laws. In other cases, foreign workers are exploited or discriminated against, with no legal protection in the host country (ILO 2004).

In Europe and North Africa, migrants face the standard problems they encounter in search for employment abroad, including information about jobs, reliable intermediates, etc. In addition, they are increasingly facing restrictive migration controls that have led to increased irregular and illegal migration from the region. According to the ILO, 10 to 15 percent of migrants are irregular. In the United States, there were an estimated 7 to 8 million irregular migrants in 2000. In Europe, irregular foreigners who had been regularized accounted for 4 percent of total migrants. That same year, there were 22 million foreign nationals resident in Western Europe. If the number of irregular migrants were equivalent to, say, 15 percent of the foreign population, the total number in irregular status would be 3.3 million—which is in the range commonly quoted.[9]

The extent of the flows of irregular workers is a strong indication that the demand for regular migrant workers is not being matched by the supply, with migrants serving as the buffers between political demands and economic realities. As Boeri and Brücker (2005) point out, although the EU has tightened border controls, this has not prevented migration but rather increased illegal migration. In fact, stricter migration policies have led to other distortions as well, such as modifying the skill composition of the migrants in favor of unskilled workers and inflating the ranks of the informal sector. Thus, minimizing the illegal flows of migrants to the EU from MENA would require less strict controls and a more managed approach to migration.

In addition, some migrants end up being underemployed relative to their human capital. A recent study by Mattoo et al. (2005) examines the differences in the occupational attainment of immigrants to the United States with similar educational backgrounds but from different countries. They estimate the probabilities for bachelor of arts and professional degree holders from a select group of countries, who arrived in the 1990s, of obtaining skilled jobs in the United States. They find that these probabilities vary significantly across countries. As shown in table 8.20, a 34-year-old Indian who arrived in 1994 and has a bachelor's degree has a 69 percent probability of obtaining a skilled job while the probability is only 31 percent for an Egyptian of identical age, experience, and education. For a holder of a master's degree, an Egyptian still has only a 49 percent probability of obtaining a skilled job, while the probability for an Indian is 80 percent. On the other hand, the probabilities of obtaining science, professional, and other skilled jobs for someone with a professional degree are much higher for Middle Easterners. However, French-speaking North African immigrants underperform compared to other MENA countries with the exception of Yemen.

Emigration Policies of Home Countries

Like the host countries, the home countries in MENA followed policies that at least did not prohibit migration. Otherwise, we would not have

TABLE 8.20

Probability of Obtaining Skilled Jobs: Different Cohorts and Education Levels for Selected Countries, 1970–1990

(percent)

Country	Cohort educational level 1990s Professional	Masters	Bachelor	1980s Bachelor	1970s Bachelor
Algeria	66.00	49.00	31.00	10.00	78.00
Egypt, Arab Rep. of	80.00	49.00	31.00	36.00	49.00
Iran, Islamic Rep. of	81.00	55.00	39.00	39.00	37.00
Iraq	83.00	47.00	31.00	32.00	44.00
Jordan	55.00	38.00	24.00	26.00	28.00
Kuwait	89.00	51.00	39.00	18.00	0.00
Lebanon	85.00	58.00	44.00	36.00	35.00
Morocco	35.00	48.00	30.00	31.00	40.00
Saudi Arabia	79.00	51.00	38.00	58.00	0.00
Syrian Arab Rep.	74.00	30.00	20.00	31.00	43.00
Yemen	26.00	39.00	24.00	0.00	42.00
MENA Mean	68.50	46.80	31.90	28.80	36.00
Other countries					
China					
India	77.00	68.00	55.00	42.00	38.00
Nigeria	87.00	80.00	69.00	40.00	45.00

Source: Mattoo, Neagu, and Özden (2005).

seen this large outflow of emigrants from the region. Yet home countries have not pursued active policies for overseas employment in the Gulf, other Arab countries, or elsewhere. On the contrary, they have sometimes adopted policies, such as overvalued exchange-rate regimes, that made migration less attractive for individuals. Nor have they pushed hard enough for regional labor-mobility agreements, notwithstanding the large benefits to their national economies. The focus, as noted already, has been on free-trade agreements.

Contrast the above with the successful experience of the Philippines. In this case, the Filipino government has played a supportive and regulatory role in promoting temporary migration. The process began with making temporary labor migration a foreign-policy priority in both bilateral and regional trade negotiations. This objective was pursued through a strategy that combines both the private and public sectors. On the private side, licenses were issued to Philippines-based agencies to recruit labor for employers in Saudi Arabia, Kuwait, and other destinations. On the public side, the government established an agency that would later become the Philippines Overseas Employment Administration (POEA) to provide contract labor directly to foreign employers and governments. Whether recruited privately or by the government agency, workers and recruiters enter into a contract that is enforceable under Philippine law and that provides protection to the workers. In addition, the Filipino government encouraged official migration by providing migrants with a number of subsidized benefits: premigration training on social and work conditions abroad, life insurance and pension plans; medical insurance and tuition assistance for the migrant 's family; and eligibility for predeparture and emergency loans. Registration for these benefits is compulsory and costs less than $200 per year. This is paid by the recruitment agency, presumably out of the worker's wages, or directly by the migrant. In addition, the government encouraged migrants to send money home. For example, the migrant was issued an identification card that is also used as a Visa card linked to dollar- or peso-denominated savings accounts in a consortium of banks. The card can be used to send remittances home at $3 or less per transaction (O'Neil 2004).

None of the labor-exporting MENA countries has followed a strategy similar to that of the Philippines to facilitate the flow of human capital abroad. A new migration policy along the above lines could encourage more migration and achieve greater returns to education. Whether through government agencies or regulated private sector actors, the new policy should aim at reducing the burden of the initial cost of migration, provide reliable information about job prospects, protect the workers against abuse or discrimination, and make the transfer of remittances back home an attractive and low-cost option. In parallel, MENA labor-exporting countries could attempt to extend existing (or new) free-trade agreements to include temporary labor mobility. Besides offering the benefits of migration to the home country, these agreements could well be to the advantage of the host countries as well, as they assure these countries of the temporary nature of the migration and reduce illegal migration.

Summing Up

The key point made in this chapter is that labor mobility in the MENA region has served both the hosting and exporting countries reasonably well in the past. Without labor mobility, unemployment in the region would have been higher and the returns to education would have been lower than those observed. Yet this positive outcome was possible despite an array of migration policies and practices that do not encourage migration. The hiring policies in the Gulf States and strict migration policies in the EU and North America have led to a suboptimal level of migration and a high level of illegal migration. The lack of explicit pro-migration policies in the exporting MENA countries left some migrants with no efficient mechanism for seeking a job abroad or assurances of agreeable working conditions in the host country. For both reasons, migration in MENA has not been as much of a win-win game for all as might have been. Supporting this view are the high unemployment rates in labor-abundant countries and the persistent human capital gaps in capital-rich countries.

Addressing these problems requires new migration policies in both the hosting as well as the home countries, separately or collectively. Cross-border labor markets fail because of severe problems of information asymmetry, weak intermediation, and poor contract enforcement, all of which are exacerbated by concern for national sovereignty, high transportation and transaction costs, and other social factors. These problems cannot be resolved by market forces alone, nor can they be fully addressed by the private sector without a regulatory framework to protect workers and employers.

To maximize the returns on their investment in education, labor-sending countries need to rethink their emigration policies. They could adopt transparent and predictable systems for licensing and supervising private recruitment agencies to combat recruitment malpractices. They could impose sanctions on fraud and safeguard against excessive placement fees. In addition, they could facilitate access to information about job opportunities and the rights and duties of migrants by establishing "one-stop" contract registration/processing centers. All of these actions may require the creation of a migration agency in charge of all migration issues: managing, coordinating, and supporting migrants.

As for labor-hosting countries, clearly, temporary migration is important to their ability to use their capital fully and efficiently. To ensure that they are getting the most qualified workers at the lowest price, they need to revise some aspects of their migration policies. In the GCC, these include the *kafeel* system, the legal treatment of foreigners, and the way recruiting agencies function. In Europe and North America, temporary migration could be a solution to the problems of illegal migration, the aging of the population, and the scarcity of certain skills. Thus, it may be worth revisiting restrictive migration policies, which do not seem to have worked in the past.

Collectively, both hosting and home countries could benefit from concluding bilateral or multilateral agreements on an orderly migration and return migration of workers. They could further coordinate their education systems to ensure that the graduates of the exporting countries have the skills most in demand in the host-country markets. Such agreements would by no means be easy, but they have the potential of being beneficial to both parties.

Endnotes

1. Members of the GCC are: Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates, and Oman.
2. As pointed out, for example, by Rodrik (2002).
3. In these two instances, the figures by origin, which would enable one to distinguish between the educational distribution of Arab and Asian workers, are not available.
4. Europe here is defined as the EU-25; Iceland, Liechtenstein, and Norway (European Economic Area) and Switzerland; see Holzmann and Münz (2004).
5. Population Statistics 2004.
6. ILO, Global Employment Trends 2005.
7. Saudi Arabia is the largest source of remittances on a per capita basis (*Global Development Finance* 2003).
8. This is based on the new database on immigrants and expatriates in OECD countries, the first internationally comparable data set with detailed information on the foreign-born population for almost all member countries of the OECD. The figures refer to emigration rates to OECD countries by country of origin of population aged 15 and over.
9. Europol estimates the annual inflow of undocumented workers to the European Union at around half a million. It is also estimated that the number of undocumented migrants crossing the Gibraltar Strait to Spain is around 14,000 to 21,000 persons yearly. In the late 1990s, the authorities in Spain caught about 7,000 emigrants yearly (the Arab League 2004).

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