



SHAPING THE FUTURE: LONG-TERM PERSPECTIVES ON PEOPLE & JOB MOBILITY FOR MENA

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Introduction and Objectives: This Quick Note summarizes the similarly titled report released on February 17, 2009, which assesses global labor and job mobility- that is migration and outsourcing- with a focus on Europe and MENA. The report looks at long term global demographic and labor force developments to assess which parts of the world will experience aging populations and major declines in their labor force and which will see an expansion.

Two pillars underpin the analysis presented in this report. First, increasingly strong forces will be pulling for the migration of people and jobs across the world's regions in the future. Second, countries and regions can adopt a proactive approach to prepare for these global changes, to seize opportunities, and to address risks head on.

The role of globalization in shaping labor markets and job mobility: The globalization of labor markets involves both the age-old phenomenon of migration by people seeking better opportunities across borders, and the relatively recent phenomenon of job mobility through the outsourcing and off-shoring of jobs to other countries. Advances in telecommunication, management, and organization have made the relocation of activities both attractive and possible, allowing large and small firms alike to build relationships abroad to tap into technology upgrades and cost-savings. Firms look for the best-adapted workers for their money. Individuals look for an improved quality of life – even to the point of leaving their home

countries for work abroad. As a result, firms are increasingly tapping into the global market for services, talent, and sheer manpower, recruiting migrants and moving jobs around the world.

The Impact of globalization on industrial and developing countries: Both industrial and developing countries stand to benefit from better-organized mobility schemes, more opportunities for labor migration, and better matching between skill demand and skill supply. This is very much the case for the Middle East and North Africa (MENA) and Europe, where important migration links exist. Currently, migration is the main form of global integration for MENA countries, and is making an important contribution to household incomes and national economies in the region. Yet, the scope for improving migration outcomes is significant, and attracting outsourced jobs is becoming an important feature of employment creation in many MENA countries.

The global outlook for job mobility and migration: The dynamics vary significantly by region, with some regions, notably Europe, facing the prospects of a rapid decline in population and labor force. In the absence of migration, and assuming that participation rates remain unchanged, Central Asia, the high-income countries in East Asia as well as China, Europe, and North America would collectively lose 216 million workers between now and 2050. The European Union alone would experience a loss of 66 million workers; a decline of almost one-third, and by 2050, there will be about two retirees per every one active person.

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For various reasons, potential migrants are likely to be young workers - members of the labor force aged 15 to 39, and may represent 570 million additional workers by 2050. This group will be the largest in countries in Sub-Saharan Africa (SSA), followed by South Asia (SA), and MENA. In SSA, the labor force in the age group 15 to 39 is projected to increase by a total of 328 million by 2050. India and the other South Asian countries are projected to be the second-largest potential suppliers of migrant labor over this period with, respectively, an increase of 68 million and 89 million people in the labor force of those between the ages of 15 and 39. In the MENA Region, the increase in the labor force in the same age group is estimated to be on the order of 44 million people, compared with 29 million in Latin America and the Caribbean (LAC), and 12 million in East Asia and the Pacific (EAP).

The role migration can play to fill labor shortages over the next decades: If current migration policies and the other socioeconomic and political circumstances that drive migration stay unchanged, only one in 6 workers in labor deficit regions would be replaced by workers from regions with surplus labor. As this and other research shows, the magnitude of imbalances is such that migration and other forms of labor mobility such as outsourcing are likely to intensify in the future.

Migration and job mobility in MENA and beyond: Migration within and out of MENA has a long history. The more recent surge took place in the 1960s, as Western and Northern European countries actively recruited Maghreb workers for their expanding economies. This recruitment continued in the 1970s as the booming oil economies in the Gulf absorbed a large pool of skilled and low-skilled manpower. Over time, as formal job opportunities diminished, migration to Europe increasingly took the form of permanent migration for the purposes of family reunification and formation, as well as undocumented migration and has been directed to Southern European countries. In the Gulf countries, in particular, Middle

Eastern workers have faced increased competition from national and Asian workers.

MENA migrants and global labor markets: MENA migrants have brought important benefits to their home and host countries. Remittance income is a key source of foreign exchange in the MENA sending countries: formal remittances income accounts for between 5 and 20 percent of the gross national product (GNP) in some of the main MENA migration countries. Jobs abroad (in the member countries of the Organization for Economic Co-operation and Development [OECD] and the Gulf) are equivalent to 6 percent of total employment at home. The impact on technology flows, innovation, education, and investment of an active Diaspora and returning migrants is potentially significant. Estimates suggest that migrants have contributed considerably to economic growth in “new” receiving countries.

Yet outcomes are still disappointing relative to the potential. Irregular migration from the MENA Region currently is subjecting migrant workers to poor living and working conditions, substantial health and income risks, and social marginalization. Second-generation immigrants in Europe generally do much worse in labor markets than their national peers, and migrants are proportionally less likely to be employed in occupations corresponding to their level of education. Social and political tension around immigration and integration issues is rising in a number of countries. Last, compared with migrants from other regions, a large share of MENA’s educated workers leaves for foreign shores, potentially draining the sending country of its skilled workforce.

Globalization and MENA’s demographic challenge: MENA’s demographic bulge is now fully impacting its labor markets. To meet labor force growth and absorb the large pool of unemployed, the region needs to create nearly 4 million jobs per year. At the moment, job creation is barely keeping up with the growing labor force, and although unemployment rates are falling, they remain excessively high, especially among the young and educated.

Migration is not a panacea for sluggish job creation in MENA countries or for an aging European population, but it could form part of the policy approach to address these challenges. Outsourcing and off-shoring offer additional opportunities for tapping into the global jobs market. The international migration of jobs to China and India shows the important potential for job creation from the in-sourcing of jobs. Off-shoring to third parties is accelerating, and developing countries are increasing their stake.

In the right circumstances, MENA could achieve significant job creation, especially in business services, from abroad. The region's strengths include its geographic, cultural, and linguistic ties to Europe; its stable investment climate, despite weaknesses in the business environment; and its wage advantages in a few sectors. However, from a knowledge perspective—the education level and specialization of the workforce, private sector research and development (R&D), information and communication technology (ICT) skills—the region may, on average, have less to offer.

Is migration a solution to MENA's unemployment problems? Migration cannot solve MENA's unemployment problem. Based on the analysis, migration would need to take on unrealistic proportions to replace the demographic deficit in Europe and elsewhere. But many of the policy actions and institutional reforms that will be needed to stimulate global labor and job mobility—enhanced education, overall investment climate, financial system, public sector—are in tune with those needed to foster private sector job creation and labor productivity growth at home.

In fact, some of the features that block economic growth and domestic job creation as well as in-sourcing options may also hamper the potential for higher migration benefits in the sending countries. These features include, in particular, high illiteracy rates, as well as unreformed education systems favoring social sciences over physical sciences, technical and engineering skills, or business services.

Investments towards enhancing MENA's opportunities in a globalizing labor market:

The focus needs to be on education and women's inclusion. To seize the opportunities from global developments in terms of in-sourcing and address the risks that excessive skilled labor migration pose for MENA's own labor market needs in the long term, MENA countries need to make strong and concrete efforts to significantly increase their labor force participation rates and to improve educational achievements. For example, under the assumption that Europe wants to replenish its diminishing workforce in order to preserve the current age and skill structure, the demand for replacement workers in European countries will reach a peak in the 2020s and will primarily affect mid-level skills. Based on current educational outcomes, MENA countries will provide a poor match due to the fact that most of its potential migrants (those ages 15–39) will have at most completed primary education. However, if women's participation rates and overall educational levels significantly improve over time (to reach the current levels of the Southern European countries); MENA's matching prospects will be greatly enhanced.

Labor markets and an inclusive and sustainable globalization:

Both labor abundant and labor deficit countries need to adopt a proactive stand to meet the long-term challenges of sustainable job creation and growth. Migration carries benefits as well as costs for the countries of origin, the host countries, and the migrants themselves; and it has a wide-ranging impact on competitiveness, social welfare, and cultural identity. High levels of irregular migration, problems of integration, and the issue of "brain drain" mask migrants' contributions to economic growth, globalization, and cultural diversity.

Today, although migration has a prominent place on the international policy agenda, the focus remains mainly on high-skilled migration, integration policies, and security concerns. Effectively preparing for the future will require— additionally and especially— wide-ranging changes in education, social protection, labor markets and migration

policies in both labor deficit and labor abundant countries. Moreover, successfully addressing the challenges ahead will also require significant collaboration among a variety of actors including governments, the business community, donors, private foundations, and NGOs.

The urgency of starting global action now:

Skill development is a long process, and clearly the sooner steps are taken in this direction, the better. It takes 15 to 20 years or more to train a skilled worker from childhood to adulthood, making the supply of skilled workers inelastic in the short term. Today's children will make up the labor force of 2030, and the labor force of 2040 to 2050 will be born and educated in the next 10 to 20 years. Many of the labor abundant countries do not have the resources and/or the know-how to successfully address the tremendous challenge of full access to education and the quality of skills needed for global markets.

A collaborative approach to the challenges ahead is required and would bring important gains to both labor abundant and labor deficit countries. Similarly, non-collaboration would equally hurt both sides.

If the investment to expand, in both number and quality, the global pool of medium and high-skilled workers is not undertaken today, the large number of skilled workers migrating to higher-income areas will create skill shortages in sending countries. Furthermore, in the absence of a large pool of competences and expertise, competition between labor deficit countries would increase the remuneration of scarce labor without avoiding shortages in light of the inelastic character of the supply.

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