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Philippe Fargues

***Temporary Migration:
Matching Demand in the EU
with Supply from the MENA***

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Analytic and Synthetic Notes – Demographic and Economic Module
CARIM – AS 2005/11

Philippe Fargues
CARIM, RSCAS, EUI

**Temporary Migration:
Matching Demand in the EU with Supply from the MENA***

*Contribution of the CARIM to the debate around the *Green Paper: on an EU Approach to Managing Economic Migration*

Introduction

The Green Paper reflects an increasing awareness that demographic change might soon turn into an obstacle to sustainable economic growth and social welfare in Europe. Several decades of low birth rates result in shrinking numbers of new entrants on labour markets, while low fertility combined with continuous progresses of the longevity result in increasing numbers of retired people. Resuming a policy of economic immigration is seen by many as part of a desirable response.

From where economic migration to Europe will come is partly dealt with by the Green Paper in Section 2.7 on “accompanying measures”. In addition to measures such as “integration, return and cooperation with third countries”, a preliminary question would be to examine the availability of the suitable migrants, i.e. the supply side of economic migration, and to address the implicit assumption that supply is potentially unlimited.

The above unsaid assumption seems to be supported by the fact that, contrasting with negative demographic trends in Europe, most developing regions in its southern neighbourhood and beyond are still experiencing relatively high rates of population growth, peaking at working ages. In these regions, labour emigration is widely viewed as a means for relaxing demographic pressures on labour markets, even though it is nowhere advocated as a substitute to the creation of the jobs needed for absorbing new entrants on the market. Managing flows of economic migration from Europe’s neighbourhood where labour is in surplus to Europe where shortages are expected in

the near future, is thus regarded as potentially beneficial to both countries of destination and of origin.

This paper will examine a selection of issues, directly or indirectly linked with demography and the need to match the demand (of economic immigrants in Europe) with a supply (of economic emigrants outside Europe), such as: Which type of migration best suits the objective of offsetting demographic imbalances and foreseeable labour shortages in the EU? Is Europe's neighbourhood an appropriate pool for labour emigration? Will economic migration bring benefits to all parties? Is the circulation of highly qualified persons detrimental to their country of origin?

1. The demand side: migration for maintaining levels of economic activity in the EU

European governments and public opinions are confronted with, on the one side the fear of population decline, and on the other side growing concerns about security and external threats. The former speaks in favour of increased openness to immigration and the latter in favour of more protection from the outside world. The security dimension will not be dealt with in this paper, which concentrates on demographic trends.

For the first time in history, a durable population decline which is not the result of wars or epidemics – but rather the aggregated outcome of individual free choice regarding family building – will happen in Europe if natural demography is not compensated by immigration. No one knows what levels of fertility will prevail in Europe tomorrow, thus what will be the size of generations still to be born. But one knows for certain the consequences of several decades of below replacement levels of fertility that are inscribed on current age pyramids. Numbers of population aged 20 years and above for the next 20 years, i.e. until 2025, depend upon two and only factors: the age pyramid in 2005, which is a given fact, and the level and structure of future migration, which is the only unknown factor.

If no migration were to take place between 2005 and 2025, the demographic change of the aggregated EU25 would be characterized by numbers of population decreasing below 40 years of age (young active), stagnating between 40 and 60 (old active) and increasing above 60 (retirement), as follows:

Young active (20-40)	: -17%
Old active (40-60)	: 0%
Retired (65+)	: +34%

If Turkey were to be admitted in the EU, the percentage of change over the next 20 years for the aggregated EU25 plus Turkey would be:

Young active (20-40)	: - 12%
Old active (40-60)	: + 6%
Retired (60 +)	: +37%

The admission of Turkey with its younger and faster growing population would slacken the decrease of young active population, but it would not curb ageing. On the other side, it would have no impact on the demography of individual member states, but only on the aggregated European Union.

Immigration is one of the few possible means to compensate for demographic trends on European labour markets in the next 20-15 years, together with elevating the age at retirement (see for example Jan Niessen and Yongmi Schibel 2003, *Demographic changes and the consequences for Europe's future - is immigration an option?* MPG Brussels www.migpolgroup.com). Whether immigration will be a permanent or a temporary one is expected to produce different outcomes.

2. Permanent v/s temporary migration

Permanent migration was the hypothesis made by the United Nations in a set of population perspectives entitled *Replacement migration: is it a solution to declining and ageing populations?* (UN, 2000). The study found that the number of immigrants needed to compensate for negative demographic trends in the EU15 varies according to the objective: between 79 million from 2000 until 2050 (i.e. 1½ million per year) if the goal is to maintain the size of the working-age population, and 674 million (i.e. 14 million per year, a number clearly beyond any reasonable limit) if the goal is to maintain the “potential support ratio” [population 15-64 / population 65+].

The last figure shows that permanent migration cannot durably curb ageing, for the reason that immigrants themselves are subject to the same process of ageing as natives: the more immigrants are called to compensate for natives getting retired, the more new immigrants are needed to compensate for former immigrants getting retired in their turn. However, permanent migration durably adds to manpower by two means: directly, because migrants are active at the time they migrate, and indirectly through demographic reproduction in their host country. Permanent migration addresses demographic trends themselves.

Temporary migration, by contrast, rather addresses the economic consequences of demographic trends. Indeed, if all temporary migrants were to return to their country of origin without contributing to birth rates in their country of destination, they would have no impact on the demography of the latter. Being temporary residents they would increase the size of the working-age population only for the duration of their stay, without producing any delayed effect, neither on future working-age population nor on retired population. Thus, temporary migration is a means to curb the declining trend of the potential support ratio.

For example, if the goal were to maintain over the coming 20 years the size of the population aged 20-60 at its level of 2005 in the aggregated EU25, the number of temporary migrants that would be required continuously increases, from just above 1 million in 2010, to more than 20 million in 2025, as follows:

Year	Projected Pop 20-60 (thousands)	Temporary migrants required to maintain Pop 20-60 at its size of 2005 (thousands)
2005	254,389	0
2010	253,237	1,152
2015	249,481	4,908
2020	242,550	11,839
2025	232,800	21,589

It has to be noted that half of the losses at working-age in the EU25 aggregated population will be at 20-29 years. In this age group, the decrease will reach more than 10 million over the coming 20 years, i.e. 16% of its size in 2005, if no migration takes place. Young adults will become a scarce resource, and consequently a demanded one.

3. The supply side: demographic change and unemployment in the MENA

The Middle East and North Africa (MENA) is the potential pool for economic migration closest to Europe. It is currently the first most important region of origin of immigrants in Europe, and reciprocally Europe is the first most important region of destination for MENA emigrants. What is the potential of MENA for future labour emigration?

The demography of the MENA has dramatically changed in the course of the last two decades. An unexpectedly sharp decline of the birth rates has occurred throughout the region starting from the 1980s, which will translate into relaxed demographic pressures on labour markets when generations of a significantly smaller size will reach working ages, i.e. starting from 2010-2015. As shown in the table below, the population aged 20-29 will increase by 4.2 million in the aggregated Mediterranean countries of the MENA during the coming five years, by only 0.9 million the five following years, and it will decrease by 0.8 million the five years after. The increase in young active population in the aggregated MENA will match only for a few years the decrease which is expected in the aggregated EU25.

Year	MENA countries* (1,000s)		EU25 (1,000s)	
	Pop (20-29)	Change (t,t+5)	Pop (20-29)	Change (t,t+5)
2005	48,762	4,187	59,491	-1,961
2010	52,959	916	57,530	-2,354
2015	53,875	-766	55,176	-3,109
2020	53,109	1,222	52,067	-2,620
2025	54,331		49,447	

(*) In this table: Mediterranean partner countries of the Barcelona Process, i.e. Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Territory, Syria, Tunisia, Turkey.

The decline of the birth rates has already produced another far-reaching change. Young adults have today the lightest ever demographic burden: low burden in children (current fertility is low) and low burden in old persons (recent fertility was high). This situation, which will last only one generation, is often regarded as a “demographic window of opportunity”, a moment favourable to economic rather than demographic investments, to investing in development rather than meeting the demand effect of population explosion. However, in order for young people to invest, they need to save money, i.e. to work and earn a sufficient income. This condition is not met for many young adults in the MENA, who are confronted with high unemployment and low returns to skills.

In Algeria for example, unemployment hits one out of three young adults in the active population (see table below). In absolute numbers unemployed persons between 18 and 35 years of age are 1,371,307, out of whom 180,663 have a university degree, and 348,084 a high school degree.

Age	Unemployment rate in Algeria (end of 2004)
20	30,3%
21	31,0%
22	30,4%
23	32,3%
24	31,0%
25	31,8%
26	28,9%
27	25,3%
28	24,9%
29	21,3%

Source: ONS, *Enquête sur l'emploi de septembre 2004*.

Comparable patterns are found in Morocco where unemployment is maximum among women (23,0% v/s 16,5% for men), urban areas (18,0% v/s 2,5% in rural areas), young people (33,3% at 15-24 years and 25,6% at 25-34 in urban areas), and highly skilled persons (23,5% of people with a diploma are unemployed, against 9,1% of those with no diploma). The most critical situation is that of young highly qualified women, with 75,3% of unemployed women having a university degree. A decline in unemployment among the youth has taken place between 1999 and 2004, but it was found to be entirely the result of a delayed entry into the labour market and not of job creation. Moreover, it was established that unemployment had declined for every category of workers except those with a university degree for whom it increases, and that the higher the diploma the higher the probability of being unemployed. Unemployment starts as soon as education ends, and the higher the education received the longer the duration of subsequent unemployment. Two out of three first job seekers with a university diploma are unemployed for more than one and up to three years (CERED, *Formes d'activités économiques, emploi et chômage des jeunes*, Rabat, 2005).

Morocco and Algeria are not exceptions. Throughout the MENA, unemployment has become particularly high among young generations, women, and people with a higher education.

4. An opportunity for skilled migration

In the light of overwhelming unemployment emerging among young people with higher education, one has to consider temporary migration of skills as a possible response. Migration of skills from developing to more advanced countries – the brain drain – is often discredited in countries of origin where it is viewed as depriving poor countries of a scarce resource produced at their expense, to the benefit of rich

countries. Four arguments can be advanced to mitigate the generally negative view of the migration of skills.

Firstly, the alarming rise of unemployment among young people with university degrees puts into question the notion that high skills remain a scarce resource. In the MENA, enormous efforts have been invested in all levels of education by families, and by governments, during the last decades. The overall deficit in knowledge which has been diagnosed in the Arab countries (UNDP, *Arab Human Development Report 2003, Building a Knowledge Society*) is not a deficit in the quantity of students among young generations as much as, *inter alia*, a low quality of curricula, mismatches between education and employment, lack of job opportunities for highly qualified professionals, and low tangible returns to education on local labour markets.

Secondly, due to international differentials in income, highly skilled migrant workers might earn abroad an income sufficient for them to send to their country of origin remittances of a much higher amount than the salary they would have earned in their home country.

Thirdly, it has been argued that images of success that highly skilled migrant workers convey to their community of origin are susceptible to enhance non-migrants' motivations for investing in education, and thus foster human capital building in the environment left behind. If this mechanism – the brain gain – were confirmed, then the emigration of skills, provided that it remains under a certain threshold to be calculated in each specific case, would eventually result in more abundant skills available in countries of origin.

Fourthly, as soon as migration is conceived on a temporary basis, it can be designed in such a way as to enhance migrants' skills thanks to the professional experience they acquire abroad. Migration could thus become part of a strategy for enhancing human capital in countries of origin. Nonetheless, the interrelationship between the duration of stay abroad and the prospect for acquiring vocational training abroad needs to be emphasised. In fact, the longer the duration of stay, the more willing European employers are to invest in the vocational training of the employed economic migrant.

One important but often unnoticed facet of current demographic changes in the MENA is in the condition of young adults. Due to the combination of delayed age at marriage, low current fertility and high recent fertility, young adults of today in the MENA are exceptionally free of family constraints. From this point of view, they enjoy an unprecedented freedom of movement, which make them available for a migratory experience.

The life cycle of young generations today is characterised by the particular length of two intervals: 1) between the end of university education and the first employment, a period of unemployment in search of a first job which last on average 2-3 years, and 2) between the first employment and marriage, a period of accumulation which can last 3-5 years on average.

These two intervals form together a moment of the life cycle, approximately between 25 and 30 years of age, which could be suitable for temporary migration schemes, in particular those intended to highly skilled persons. Targeting young adults who have just completed their university degree would be beneficial to all parties:

- To the country of destination, by bringing in up-to-date academic skills without increasing the demographic burden on social security systems;

- To the country of origin, by removing from the labour market first job seekers, then getting back enhanced human capital when the migrants return;
- To the migrant by allowing him/her to upgrade his/her skills by a professional experience abroad.

Conclusion

Migration is first and foremost a response to the lack of employment and insufficient levels of income at home. Employment, not migration, is the top issue on political agendas in the MENA. Emigration is dealt with as part of a larger response to imbalances on labour markets and to poverty.

All MENA governments have established institutions to deal with their expatriates, in order to maintain economic and cultural ties with them for a mutual benefit. Most have viewed the emigration of their nationals as part of a solution to their domestic economic imbalances. In the past, some of them have even pursued genuine policies of emigration, for example with a view to providing temporary manpower and expertise to the Gulf countries (Egypt, Jordan). In the same vein, before 1974, bilateral agreements between some countries of the Maghreb and some European countries were signed in order to provide unskilled manpower, on a temporary basis. In most MENA countries however, the emigration of highly skilled professionals is predominantly regarded as a loss of investment in human capital.

In-depth studies of the conditions under which temporary migration of highly skilled persons can be beneficial to their country of origin thus need to be conducted with a view to increasing public opinion and governments' awareness of the gains that could be expected from this kind of migration. There is no question that a successful policy of managing economic migration will depend on the extent to which it will be mutually beneficial to destination and origin countries. Consequently, further consultations with MENA third countries will be needed. Such consultations should not only be viewed as a way of securing the effectiveness of the joint management of economic migration, but also as a way of supporting the legitimacy and credibility of the EU migration policy itself.

As soon as there is acceptance that temporary migration – in particular of highly skilled persons – will benefit to all parties, detailed and technical studies of the supply side need to be conducted with a view to implementing temporary migration schemes.