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The Impact of Migration on Labour Markets in Arab Mediterranean Countries

A Bibliographical Review

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University of Florence

Thematic Background Paper

November 2009

Labour Markets Performance and Migration Flows in
Arab Mediterranean Countries: Determinants and
Effects

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For more information on the Study

www.eui.eu/DepartmentsAndCentres/RobertSchumanCentre/Research/Migration/LabourMarketsMigration/Index.aspx

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Highlights

This paper provides an extensive theoretical overview of the rich array of effects that migration out of Arab Mediterranean Countries can produce on the labour markets of origin countries. Such a comprehensive overview is followed by a review of the – admittedly limited – existing empirical evidence, and a presentation of additional data that can be used to indirectly gauge the relevance of the various theoretical arguments. While there are still large knowledge gaps, the value of this paper is a broad analytical framework to systematize the findings for future research. We provide below a synthetic description of the main conclusions in the existing literature:

Migration softens the demographic pressure on the labour markets of AMCs

- The unemployment-reducing effect of migration is stronger for small-sized countries.
- This effect is strengthened by a medium-term indirect effect, with the influence of migration upon fertility choices, for the countries of the Maghreb.

Migration exerts little to no effect on the female participation rates in the labour market, which remain notably low in AMCs

- The positive income effect brought about by the receipt of remittances reduces the supply of labour.
- There is a strong cultural resistance to a more active female engagement in waged economic activities.
- The increase in female employment is mostly limited to family-run economic activities.

The *brain drain* does not represent a serious concern for most AMCs

- Local labour markets have still an inadequate capacity to absorb the existing supply of skilled labour.

The *brain gain* mechanism is unlikely to play a substantial role for most AMCs

- Returns to skill are limited in most destinations, and the *brain waste* phenomena should not be overlooked.

The demand stimulus determined by remittances has a limited job-creation effect.

- Remittances can fuel the import of foreign-produced goods, and job-creation is mostly limited to the non-traded sector.

Investments financed by remittances and by return migrants can have a more relevant and long-lasting effect on employment opportunities.

- Remittances help loosen financial constraints on investments.
- Returnees to AMCs have a higher propensity to opt for entrepreneurial activities.

Introduction

Migration can profoundly reshape the labour market of migrant sending countries, which is influenced through a variety of closely intertwined channels, such as direct impact on the unemployment rate, indirect effects on incentives to actively look for a job – that can be mediated by the transfer of both financial and social remittances, and the influence on the sectoral structure of the demand for labour that can be induced by the influence that migration exerts on the pattern of consumption and investment. Contrasting views about the impact of migration on the labour markets of migrant-sending countries are expressed, ranging all the way from the expectation of a positive – and much needed – contribution due to the reduction in the unemployment rate, to concerns about the loss of relevant skills that could hinder or retard economic development. Changing perceptions of the economic consequences of migration can most probably be traced back to the complexity of the effects that migration unleashes on the labour market, whose relevance differs across migrant sending countries. This paper focuses mostly on emigration, and more particularly return migration; immigration is not considered here, unless it can be envisaged as a direct consequence of the emigration of native workers, e.g. replacement migration.

The variety of relevant channels entails that a broad research question about the impact of migration “is more appropriate, given the complexity of relations involved [than] a narrower question about, say, the impact of remittances only”, as McKenzie and Sasin (2007) argue. The need for a holistic approach is further strengthened by the fact that in Arab Mediterranean countries the usual text-book distinction between the demand and the supply side of the labour market is somewhat fictitious, given the high incidence of self-employment.

Nevertheless, for the sake of analytical convenience, we pursue an indirect approach that aims at singling out the impact of migration on various facets of the labour market. This means that the impact of migration on main labour market outcomes, such as the level and the distribution of labour earnings, participation and unemployment rates, is not addressed directly, but rather we attempt to infer it from the influences that migration exerts on the demand and the supply side of the labour market. Admittedly, some of these intermediate effects produce contrasting influences on labour-market outcomes, so that our analytical approach might fall short of delivering an unambiguous conclusion. Still, given the limited empirical evidence that is available for these countries, we argue that our approach is valuable as it highlights the specific channels that deserve to be further investigated, and it warns against drawing conclusions from analyses that focus on one specific channel. As Sen (1989) famously put it, “in social investigation and measurement, it is undoubtedly more important to be vaguely right than to be precisely wrong”.

Table 1 below provides a synthetic snapshot of the structure of the analysis that will be pursued in this paper; the four rows identify the features of the labour market that can be expected to be influenced by the emigration of native workers. As far as the supply side of the labour market is concerned, we will assess the impact of emigration on a country’s endowment of labour, and how the behavior of the economically active population which does not leave the country is influenced by the process of migration. With respect to the demand side of the labour market, we will analyze how migration exerts an indirect influence due to the changes it induces on the prevailing pattern of household consumption, and through the investments and the choice of entrepreneurial models in the case of domestic firms. The columns of Table 1 conversely identify the various facets of emigration that can exert an influence on the labour market. We consider the effect due to the prospect of migration, by the actual migration of domestic workers and by their eventual return to their home countries. Furthermore, we analyze how remittances – intended both as the financial transfers made by migrants and as the transfer of ideas across countries – can influence the labour market. Indeed, though migrants’ remittances are the most evident economic counterpart of the international mobility of workers for migrant sending countries, the role of social remittances that Levitt (1998) defines as “the ideas, behaviours, identities and social capital that flow from receiving country to sending country communities” could be substantial as well.

Table 1 Analytical structure of the paper

		<i>Migration</i>			<i>Remittances</i>	
		Actual migration	Prospect to migrate	Return migration	Financial transfer	Social remittances
<i>Supply side of the labour market</i>	Endowments	√	√	√	√	√
	Behavior	√	√		√	√
<i>Demand side of the labour market</i>	Consumption patterns	√		√	√	√
	Investments, entrepreneurship			√	√	√

Needless to say, not all the multifaceted aspects of migration can reasonably be expected to influence the demand or the supply side of the labour market, and Table 1 sets out the ones that we deem as most relevant, and that will be analyzed in this paper.

The paper is structured in two parts. The first part gives a review of the theoretical arguments: section 1 and 2 focus on the impact of migration on the supply side of the labour market, analyzing respectively the impact of migration on labour-force skill-composition, and the influence that migration exerts on the behavior of workers in the labour market. Section 3 and 4 shift the focus to the demand side, analyzing how migration reshapes the sectoral composition of the economic system, and the incentives and capabilities to undertake productive investments. The second part of the paper focuses on the existing empirical evidence for the Arab Mediterranean countries. Section 5 provides an overview of the salient features of migration out of Arab Mediterranean countries that are likely to mediate its impact on the labour markets. Then, Section 6 to 9 explore the empirical relevance of the various theoretical arguments through the analysis of existing evidence and relevant secondary data for the Arab Mediterranean Countries. Section 10, finally, summarizes the main findings of the previous sections and it will also offer some conclusions.

Part I- Review of the theoretical arguments

Supply side of the labour market

1. Labour force - endowments

The direct impact of the migration process on a country's endowment of labour crucially depends on the prevailing pattern of migration. When migration occurs mostly on a temporary basis, then the potential for migration to bring relief to the labour market – or to deprive it of valuable human resources – is clearly limited. By the same token, the influence of the prospect to migrate on the incentives to invest in education fades away when migration is predominantly temporary, as the responsiveness of the key educational decisions to the characteristics of the foreign labour market is positively related to the planned duration of the migration episode. A predominantly temporary or circular pattern of migration conversely increases the relevance of the arguments around the influence of return migration upon the labour market, as returnees can bring back home relevant skills acquired in the countries of destination. The arguments around the effects of remittances upon the labour market are conversely less sensitive to the prevailing pattern of migration, though the size of financial transfers tends to vary through the various phases of an individual migration episode.

1.1 Actual migration

When the stock of a country's migrants represents a sizeable share of its total population, then migration can produce non-negligible effects on that country's labour-force endowment, possibly alleviating the pressure on the domestic labour market. Moreover, even though the size of migration flows may be small compared to demographic factors, actual migration – and past migration – can have a relevant influence on the endowment of specific kinds of labour – such as health-care workers: this is perhaps the most often voiced concern among the possible adverse effects of migration upon origin countries. It is important to recall that some niches of the labour market are gender-specific, so that migration can have an uneven impact on different sectors of the labour market, if it is not gender-balanced. This can, in turn, produce effects in terms of gender differences in labour earnings, as the more mobile factor gains in relation to the less mobile one.

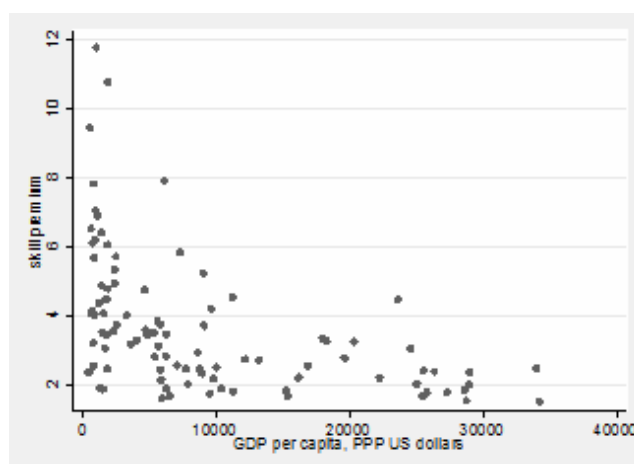
1.2 Prospect to migrate

Migration exerts a substantial influence on a country's labour endowment, and here we provide a brief review of the theoretical understanding of this influence. The traditional literature on the so-called brain drain (Bhagwati and Hamada, 1974) emphasized the adverse static effects of migration upon the endowment of skilled labour, with its ensuing negative developmental impact. Such a prediction has recently been challenged by a variety of papers which shift the focus onto the dynamic effects of migration upon skill formation. Stark *et al.* (1997) argue that “higher prospective returns to skills in a foreign country impinge on skill acquisition decisions at home”, and this influences the sending country as only a fraction of the would-be migrants who increased their private investments in education in response to the prospect of migration succeeded in turning that prospect into reality.

The effect of the prospect to migrate upon schooling investments is certainly positive if the dispersion of labour earnings, weighted for the probability of employment, across educational groups is higher at destination than it is in the migrant-sending country². Figure 1.1 depicts the relative skill premium – defined as the ratio between the labour earnings of tertiary-educated workers and the labour earnings of the workers employed in occupations that require little to no formal education or training – against the *per capita* income level. This figure reveals that the relative skill premium is declining with the level of *per capita* income, and – as Figure 1.1 is based on gross labour earnings – the negative relationship between the skill premium and the level of income would be even stronger if one were to consider the effects of income tax, which tend to have a larger redistributive role in higher-income countries. Moreover, Figure 1.1 could overestimate the actual skill premium that highly-educated migrants enjoy in destination countries, because of the tendency for migrant workers to take up positions for which they are overqualified. On the other hand, it is fair to say that Figure 1.1 could overestimate the relative skill premium in lower income countries if better educated workers are exposed to a higher risk of unemployment than lower educated workers³.

2 Although the empirical evidence shows that this is most often not the case, as skill premia are lower in higher-income countries (Freeman and Ostendorp, 2000; Grogger and Hanson, 2008), this need not cast doubts on the positive dynamic effects of migration upon human capital formation in the migrant-sending country, as educational decisions could be driven by skill-related wage differentials, rather than by skill premia.

3 Wahba (2005) shows that Egyptian workers with tertiary education face a higher risk of unemployment than workers with an upper secondary or technical education.

Figure 1.1. Relative skill premium and income level

Source: Bertoli and Brücker (2008)

The decision to invest in education is driven not by the actual return to education at destination, but by the *expected* return for the would-be migrant, and the two differ whenever the countries of destination pursue skill-selective immigration policies. These policies, which confer a higher probability of migration to better-educated individuals, increase the distribution of *expected* labour earnings at destination for potential migrants, inducing them to invest in education “in order to be eligible for emigration” (Mountford, 1997). As Stark and Wang (2002) provocatively suggest, the prospect of migration reduces the need to provide educational subsidies, as it increases the expected private return on schooling.⁴

Still, some recent theoretical and empirical contributions have introduced relevant *caveats* against the endorsement of excessive optimism. The expected income-schooling profile at destination, which drives the educational decision of would-be migrants, can be flattened by relevant confounding factors. Immigrants tend to be overqualified for the job positions that they take (Mattoo et al., 2008), and overrepresented in manual occupations.⁵ Furthermore, Docquier *et al.* (2008) have shown that the theoretical predictions of the literature about the so-called *beneficial brain drain* is based on an unwarranted hypothesis, as they regard the governments of migrant-sending countries as passive by-standers concerning the foreign demand for their talented workers. Governments can adjust their policies in response to the international mobility of highly-skilled workers, and Docquier *et al.* (2008) predict that governments will cut back public subsidies to education, as all this “implies far-reaching changes in the geographic incidence of the costs and benefits of publicly-funded higher education” (Justman and Thisse, 1997).⁶

Thus, the dynamic contribution of the prospect to migrate upon human capital formation in migrant-sending countries tends to fade away if migrants are poorly assimilated in the labour market at destination, when the country has a long-established migration history, and when the governments reduce educational subsidies to prevent an excessive leakage of fiscal resources with the migration of

⁴ One could also argue that the prospect to migrate might influence the distribution of students across various disciplines, as it creates an incentive to invest in those fields which are demanded in the destination countries.

⁵ Moreover, the income-schooling profile at destination tends to flatten over time, as the migration process gains momentum; such a change is due to the fact that an increase in the size of migration networks at destination has an uneven impact on migration costs across educational levels; low educated would-be migrants enjoy a greater reduction in migration costs than highly-educated individuals do (Munshi, 2003; McKenzie and Rapoport, forthcoming), and this flattens the net income-schooling profile.

⁶ Docquier *et al.* (2008) predict that the reduction in public subsidies more than offsets the increase in the expected return to schooling induced by the prospect to migrate, thus worsening rather than improving the skill composition of the domestic workforce.

the highly educated workers. If this is the case, then the static negative effect due to the drain of the “best and the brightest” is unlikely to be offset by a substantial positive dynamic contribution to human capital formation. Nevertheless, this need not represent an actual concern for migrant-sending countries: if the domestic economy is unable to productively employ talented then their migration would not represent a worrying brain drain but it would rather be the consequence of a substantial mismatch between the higher-education system and the domestic labour market.⁷ The migration of skilled workers would thus alleviate the pressure on the labour market, rather than represent a hindering factor in economic development.

1.3 Return migration

Return migration is currently depicted as one of the main channels through which migrant-sending countries can benefit from migration flows, as migrants can acquire higher education or relevant on-the-job experiences when abroad, and then employ them fruitfully upon their return. This statement (which applies mainly to scarce skills) should be mitigated, or even criticized: for example, the government of Egypt now fears that the current economic crisis in the Gulf will result in a massive return of migrants to Egypt, and an upsurge in unemployment. Return migration is advocated by EU member states as an implicit solution to their problem of integration and social cohesion, not to sending countries’ problem of development. The influence on the supply side of the labour market is direct if returnees complete their migration experience while they are still in their working lives. Such an effect is relevant if temporary – or circular – rather than the permanent migration representing the predominant pattern of international mobility of domestic workers.

1.4 Remittances

Remittances can influence the supply side of the labour market through a variety of channels. The receipt of remittances loosens the liquidity constraints that hinder investments in education (Cox Edwards and Ureta, 2003; Rapoport and Docquier, 2006). Note that this argument is closely related to the one that was depicted in section 1.1.1, as young members of recipient households have a higher probability of migrating than the rest of the population (van Dalen et al., 2005), due to already existing family networks in the country of destination. Thus, whether the positive income effects determined by the receipt of migrant remittances feeds up into a higher investment in education depends crucially on whether the prospect to migrate improves or worsens the incentives to undertake such an investment.⁸ Remittances reduce – in the short run – the size of the younger cohorts entering the labour market, either through a higher retention rate in the educational system, or through increased migration.

Remittances can also produce a detrimental impact on human-capital formation, if they open up opportunities to undertake productive investments in family-run activities, which represent the use of the remittances that are supposed to deliver the greatest developmental contribution for the recipient countries (see Taylor, 1999 for a critique of this position). Child workers are mostly employed in family-run economic activities – and all the more so in rural areas, and remittance-financed productive investments can lead to an increase in the household demand for child work. Child work and schooling are not mutually exclusive, but are, nevertheless, conflicting activities (Ravallion and Wodon, 2001), so that an increase in the household demand for child work could have a detrimental impact on school attendance.

⁷ Pritchett (2001) questions, on empirical grounds, the compelling theoretical argument that a larger endowment of human capital is conducive to a more robust rate of economic growth.

⁸ If the former is the case, then the receipt of remittances delays the entrance of young cohorts to the domestic labour market, as they raise the enrollment rates in higher-education institutions; in the medium run, this would improve the skill-composition of the labour force. If, on the other hand, the prospect to migrate reduces the incentives to invest in education, remittances could be used to finance the migration cost for an additional household member.

1.5 Social remittances

The transmission of ideas from migrant countries of destination can modify some behaviors – such as the female participation to the labour market, which is discussed in section 2.4 – which, in turn, have an impact on fertility choices (Fargues, 2007a; Fargues, 2007b; Beine et al., 2009). This transmission of demographic norms from the countries of destination to the countries of origin has a delayed impact on the labour market, as it influences the size of the cohorts which enter the labour market 20 years later. This entails that the past migration record of a country influences the current demographic pressure on the labour market.

2. Behavior in the labour market

Section 1 has analyzed the impact that migration exerts on a country's endowment of labour either directly or indirectly through the influence it can produce on the incentives to invest in education. Still, migration can also influence the behavior of working-age individuals on the domestic labour market. Migration influences both the ability to take up a job offer – through the reshaping of family structures that it induces, and the willingness to do so – through the income effect brought about by migration and remittances. Even social remittances can significantly influence behavior on the labour market, as destination countries often differ in features such as the rate of female participation.

2.1 Actual migration

The migration of a family member can have a relevant impact on family structures. If the member who migrates leaves some children behind, then this can lead to a significant reshaping of family structures. His – or, less likely, her – spouse can go back to their parents' house, in order to have someone who can help them in taking care of the children left behind. Bryant (2005) observes that “children of migrants are more likely to have relatives from outside the nuclear family living in the same household, especially if both parents are overseas”. This entails that migration could *per se* foster female participation in the labour market, as women can more easily rely on relatives to take care of their children.

2.3 Prospect to migrate

The prospect to migrate can have an impact on the participation rate or on the reserve wage of domestic workers (Fan and Stark, 2007a). The latter effect can be channeled through the cultural influence that destination countries exert, as people adjust their perception with respect to what represents a fair wage. Would-be migrants adopt a *wait and see* strategy, devoting their efforts to prepare their migration project, and turning down low-paid job offers. If the prospect to migrate induces some individuals to give up any attempt to actively look for a job – so that they are no longer recorded as being unemployed – then this could further reduce the unemployment rate, though it is doubtful, to say the least, that the country would gain from this further reduction.

2.3 Remittances

Remittances can reduce the work effort of the members of recipient households (see the recent empirical contribution by Cox Edwards and Rodriguez-Oreggia, 2009). This can come about with the positive income effect brought about by remittances, although one should be aware of not taking remittances at their face value. Remittances are not just added to other household income sources. Rather they have to replace the lost domestic income of the migrant, who is often the main *bread-*

winner in the household. As Acosta et al. (2006) observe, “migration also entails potential losses of income, associated with the migrants’ absence from their families”.⁹ This point means that the income effect of remittances differs from the face value of the transfer, but still it could lead to a reduction in the participation rates of members in recipient households, possibly through an increase in their reservation wages.

A more subtle argument refers to the *moral hazard* problem that remittances can give rise to (Chami et al., 2005): the transfer of remittances is – at least partly – motivated by altruistic reasons (see Rapoport and Docquier, 2006 and Bouhga-Hagbe, 2006 for evidence for selected Middle East countries) and this entails that the migrant tends to adjust the level of the transfer in the face of an adverse income shock that may hit their relatives in the home country. Recipients can then exploit this altruistic behavior: they can reduce the unobservable work effort that they exert, bringing about a decline in their labour earnings which will then be compensated for by the migrant through higher remittances.

Remittances can also influence the labour market participation of children and teenagers, as discussed in section 1.4.1, if they foster the development of family-run activities.

2.4 Social remittances

The transmission of ideas and social norms from migrant countries of destination can have a substantial impact on some deeply-rooted behavior, such as female participation in the labour market (see above). Clearly, such an effect is closely related to how migration reshapes the family structure in migrant-sending households, as discussed in Section 2.1.

Demand side of the labour market

3. Consumption patterns

Migration can profoundly reshape the consumption patterns that prevail in migrant-sending countries, and this influences the sectoral composition of labour demand. Migration stimulates the demand for services – such as communication and financial services – that are needed to keep strong ties with migrant communities abroad. The uneven sectoral impact of migration is reinforced by the likely inflationary effects of remittances that tend to channel resources and labour towards the non-traded sector. This includes the building sector, and a boom in real estate – not necessarily limited to migrant-sending areas – is a common experience of countries that undergo intense migration waves. Needless to say, consumption patterns are highly exposed to the cultural influence of the habits that prevail in destination countries, and the returnees can be a channel of transmission for such an influence.

3.1 Actual migration

Actual migration modifies the patterns of consumption in migrant households, as it increases the demand for non-traded services: financial services, communication facilities, and tourist facilities. In migrant-sending areas, where the share of households having at least one member abroad is higher, money transfer services, phone centers and internet services usually experience a boom, and this increases the demand for labour in these sectors. Clearly, the relevance of these effects depends on several confounding factors, such as the size of the migrant population and the strength of the ties with the diaspora.

⁹ Moreover, it must not be forgotten that migration is a risky venture that can also have a negative income effect for migrant households; this would occur if the migrants fail to find a job in the country of destination, or if they voluntarily decide to break up the family ties and not to send back remittances.

Bougha-Hagbe (2004) and Collyer (2004) argue that real-estate investments are the most common investments among migrants, and that they are not limited to areas of origin, but that they mostly occur in areas of the country that offer some attractions for the summer holidays. The relevance of migrant-led development in the tourism sector depends on several factors: the size of the migrant community, the legal status of the migrants, the geographical proximity of destination countries to the country of origin. When the cost of the travel is affordable and the majority of migrants are free to temporarily leave their host country as they have a legal residence permit, then the development of a tourism sector is more likely to occur.

Actual migration also increases the demand for the export of those goods – such as food – which are sold in so-called *ethnic shops* in destination countries. This occurs if the demand from the diaspora is large enough when compared to internal demand, thus this effect could be relevant for small countries with a large expatriate rate.

The effects of migration on the sectoral demand for labour are strictly interrelated to the effects that remittances produce on the consumption pattern of recipient households (see section 3.3).

3.2 Return migrants

Return migrants can be a relevant channel through which consumption patterns are modified, as they bring home consumption styles they have become familiar with in destination countries. They also bring home the financial resources to purchase the goods and services that they aspire to. This effect is relevant if there is a large number of migrants who return home in the early phases of their adulthood, as young individuals are more exposed to the influence of newly-imported consumption patterns. Imported goods are likely to be overrepresented in the consumption baskets of the returnees, thus reducing the domestic demand for labour.

3.3 Remittances

Remittances can exert an unbalanced effect on the demand for various goods and services, and some sectoral booms – such as in the building sector (Adams, 1991) – can emerge. The development of a particular sector and the ensuing creation of job opportunities can occur only if remittances increase the demand for domestic goods. Conversely, "if remittances increase the import of foreign goods, this will not stimulate the local economy and a very limited multiplier effect will take place [...] a typical example is remittances sent to rural areas where they will be mainly invested in farm production, but also manufacturing and services activities, therefore benefiting the whole economy" (Stalker, 2000).

When remittances leads to an appreciation in the real exchange rate (Amuedo-Dorantes and Pozo, 2004), this affects the sectoral composition of production, with resources being shifted from traded to non-traded sectors, a situation that resembles the so-called *Dutch disease*. While this strengthens the uneven sectoral impact of remittances, the appreciation of the real exchange rate that they brought about also increases the likelihood that their stimulus to private demand leaks out towards imported goods, dissipating the job creation effect.¹⁰

It is interesting to observe that the eventual job-creation effect determined by migrant remittances can be unevenly distributed across genders; Vargas-Lundius (2004) argues that the receipt of remittances in origin communities stimulates the creation of jobs – such as in the construction sector – where men represent a disproportionate share of the workers, so that they can contribute to reinforcing existing gender inequalities in labour-market outcomes such as wage and unemployment rates (see also section 1.1 on this).

¹⁰ Da Cruz (2004) argues that in the small countries, which are heavily reliant on remittances – such as in the Comoros, his own case study, remittances contribute to a boom in imports, thus worsening the trade balance.

3.4 Social remittances

Consumption patterns can be influenced directly by the transfer of norms and ideas from destination countries. Non migrants are often receptive to the consumption patterns and the behaviours that the migrants bring back home. The demand for particular kinds of goods and the ensuing development of particular sectors of the economy can be influenced by these inflows of ideas from abroad. Social remittance are particularly important “when migrants return to live or visit their communities of origin; when non-migrants visit those in the receiving country; or through exchanges of letters, videos, cassettes, e-mails, and telephone calls” (Levitt, 1998). Again, this effect is relevant in those countries (or regions) where the expatriate rate is high.

4. Investments and entrepreneurial models

The demand side of the labour market is not only exposed to effects that arise through changes in private consumption, but also to the influence that migration exerts on the choice of entrepreneurial models, and on the ability to finance ensuing investments. Remittances, the most apparent counterpart of labour migration, clearly represent the source of these funds, which have an outreach that goes far beyond recipient households. There are also high expectations for the migrants themselves, who are supposed to acquire additional skills in the countries of destination, and hence to have a higher likelihood for setting up a new enterprise upon their return. Once more, return migrants can be the vehicle for the introduction of entrepreneurial models from the countries of destination to the countries of origin, but social remittances can also be transferred through broader and less concrete channels.

4.1 Remittances

Remittances can stimulate productive investments (Orozco, 2000; Woodruff and Zenteno, 2007), ease the provision of credit and the development of financial and equity markets (Giuliano and Ruiz-Arranz, 2009; Billmeier and Massa, 2009), although these positive developmental contributions are not independent of the economic and institutional frameworks of recipient countries.¹¹

Remittances also exert an important insurance role for recipient households; the risk-differentiation brought about by migration at the micro level can offer the chance to undertake productive investments that are profitable but that would have otherwise been deemed as too risky (Rapoport and Docquier, 2006). Adams (1991) analyzes the expenditure patterns of returned migrant households, finding that they devote a large share of their remittance incomes to investment rather than to consumption, as they perceive remittances as being a temporary rather than a permanent source of income. Similar findings are reported in Adams (2006a), where the author shows that households receiving remittances spend less on consumption and more on investments, education and housing than non-receiving households. He also stresses the importance of the effects of remittances on wages and employment in areas where they are spent productively.

Giuliano and Ruiz-Arranz (2009) use data from approximately one hundred developing countries over the period 1975-2002 and they show that remittances provide an alternative way to finance investment in countries with poor financial systems. Remittances can help to overcome liquidity constraints in countries where credit markets are inefficient or non-existent. Aggarwal *et al.* (2006) use a sample of 99 countries and they argue that remittances promote stock market development, and Gupta *et al.* (2007) reach the same conclusion for Sub-Saharan Africa. Needless to say, these effects can give rise to a significant indirect impact on the labour market through the ensuing job-creation effect.

¹¹ Remittances also reduce the likelihood of a Balance of Payment crisis (Bugamelli and Paternó, 2006), which induces a major fluctuation in the business cycle, and hence in the level of investments and labour demand.

Remittances can also be channeled through migrant associations – the so-called *home town associations* – formed by migrants living in the same country, and coming from the same area, who put together their savings to invest them in projects to promote the economic and social development of their origin community. Collective remittances are usually used for the construction of hospital, schools and other social investments, and they can thus stimulate the demand for workers in the building sector, with positive ensuing spillover effects (Guarnizo and Smith, 1998).

4.2 Return migrants

Returnees can bring back home new skills they have acquired in destination countries. Moreover, thanks to the savings they have accumulated abroad, they can also afford to undertake costly investments. They may also be better placed to become entrepreneurs, and to adopt new models of entrepreneurial activities, which they have experienced in destination countries.

The hypothesis that return migration increases the probability of opting for entrepreneurial activity has been recently tested, comparing returnees with stayers. Kilic *et al.* (2007) find that returnees to Albania are, *ceteris paribus*, more likely than stayers to become entrepreneurs. Wahba and Zenou (2008) conversely find that Egyptian returnees have a lower propensity to set up an entrepreneurial activity, notwithstanding the experiences and the savings they have accumulated abroad, as migration also produces a loss of social capital that represents a key factor in establishing an enterprise which operates in an informal setting. Most existing empirical studies pool together self-employed and employers as being entrepreneurs, while the ensuing job creation effect is clearly different.

Returnees' skills and savings can bring a substantial contribution to the development of medium and small enterprises: MSEs in developing countries are extremely vulnerable, and the establishment of a new entrepreneurial activity may be of little significance if it does not last. Returnees may be better able to overcome the difficulties faced by MSEs, as they can draw on their foreign savings not only to finance the initial capital investment, but also to reduce the vulnerability of their enterprises in the face of adverse demand shocks. If this is the case, then the job creation effect due to return migration would induce a lasting increase in the demand for labour.

4.3 Social remittances

The transfer of new forms of entrepreneurial models is not limited to return migrants alone, but it can also occur through the increased tightness of communication with the countries of destination. Social remittances not only permit migrant households to improve their knowledge of available technologies and entrepreneurial models, but there is also a “multiplier” effect due to communication among non-migrant households. A specific kind of social remittances is represented by the technological transfer brought about by networks of skilled migrants (Docquier and Lodigiani, 2007).

Part II - Empirical evidence

After an introductory section on the salient features of migration out of the Arab Mediterranean Countries, the structure of this part of the paper mirrors the first part, where we presented the theoretical arguments about the impact of migration on labour market outcomes in origin countries. But its content does not, as the empirical evidence lags seriously behind the theory because of the remarkable analytical challenges that this evidence poses, and because of binding data limitations. Wherever possible, we nevertheless try to offer an – albeit limited and tentative – assessment of the relevance of the theoretical arguments for AMCs. It is important though to flag up an important *caveat* here. This paper does not provide new empirical evidence. Rather it systematizes the existing and dispersed evidence according to the structure laid out in the previous section. While important knowledge gaps remain, the systematization of the existing empirical evidence will hopefully reduce the number of the gaps that a reader might have initially feared.

5. Salient features of migration out of the Arab Mediterranean Countries

This section is meant to briefly outline the salient features of migration from Arab Mediterranean Countries that are relevant in shaping migration impact on domestic labour markets. Such an effort is riddled with substantial difficulties, as the most widely-quoted figures on emigrants are immigration-based (Dumont and Lemaitre, 2005; Docquier and Marfouk, 2005), i.e. obtained through the aggregation of data gathered in the destination countries. Such an approach can give rise to substantial discrepancies with emigration-based statistics,¹² which – in the case of Egypt - can even be 246 percent higher than data gathered in the countries of destination (Fargues, 2007c). This problem can also be traced back to the fact that one of the main destinations for migrants from AMCs – and specifically for those from the Mashreq – are the Gulf Countries, which provide only limited statistics on immigration. This entails that data gathered from the OECD countries alone provide only a partial representation of the migration out of AMCs. Moreover, intra-regional migration is also substantial – and not particularly selective in terms of migrant skills (World Bank, 2008a). Though this may fall outside the scope of this paper – as this need not be replacement migration¹³ – intra-regional migration represents a further important *caveat* against taking migration statistics about AMCs at face value.

Fargues (2007c) estimates the number of first generation migrants from the Arab Mediterranean Region at 12-15 million. Migration from the area is on the rise – particularly from Morocco, Lebanon, Egypt and Algeria – and it will continue in the next decades because of the persistence of both push and pull factors.¹⁴ Table 5.1 reports the figures about the stocks of emigrants from six AMCs based on data from origin countries, and provides information about the magnitude of cumulative flows, as well as about the geographical distribution of migrants.

¹² “The main reasons for the observed discrepancies can be summarized by artificially generated data, different sources of information in terms of year and the country that the migrants are counted at, the ambiguity of how refugees and transit migrants are dealt” (Isaoglu, 2007).

¹³ This can be traced back to the segmented nature of the labour markets in the AMCs; Corm (2009) shows that Jordan records substantial flows of highly educated migrants towards the Gulf Countries, and relevant inflows of low-skilled immigrants – mostly from Syria and Egypt – who tend to take up low-paid jobs in the Jordanian labour market. In Jordan, in the 1980s, a large number of workers from Egypt and Syria was attracted by the availability of jobs in the agriculture and construction sectors: although this was portrayed as replacement migration, it was actually an immigration which “responded to the upscale mobility of non expatriated Jordanians”. A segmented labour market was created: these sectors until that moment had always been dominated by foreign nationals, who receive very low wages and do not have legal protection (Chatelard, 2004; De Bel Air, 2008).

¹⁴ For a short review of the determinants of migration from AMCs and predictions for the next decades, see Mediterranean Report (2007).

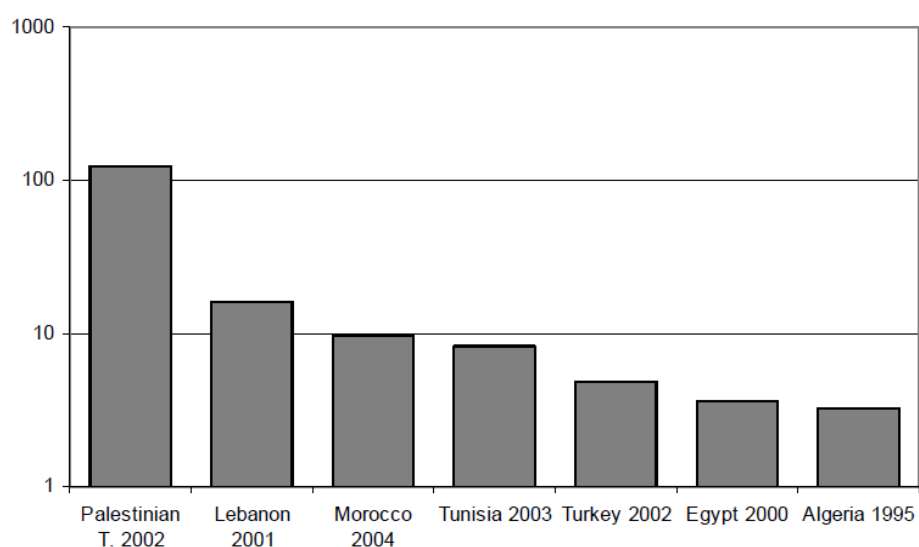
Table 5.1. Stock of emigrants from AMCs, last available years

<i>Country of origin</i>	<i>Year</i>	<i>Country of residence</i>			<i>Total</i>
		<i>European Countries</i>	<i>Arab Countries</i>	<i>Other Countries</i>	
<i>Algeria</i>	1995	991,796	66,398	14,052	1,072,246
<i>Egypt</i>	2000	436,000	1,912,729	388,000	2,736,729
<i>Jordan</i>	2004	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	29,397
<i>Lebanon</i>	2001	157,030	123,966	325,604	606,600
<i>Morocco</i>	2005	2,718,711	213,034	253,641	3,185,386
<i>Palestine</i>	2002	295,075	4,180,673	231,723	4,707,471
<i>Syria</i>	-	-	-	-	-
<i>Tunisia</i>	2005	779,200	128,900	25,800	3,520,000

Notes: Syria does not provide statistics for its nationals abroad; “Europe” to read in the case of Palestinians abroad as “all countries except the Arab countries and the US”.

Source: CARIM (2007)

Figure 5.1 builds on the previous table, and gives the share of migrants over resident population; though the incidence of emigration out of the Palestinian Territories is unmatched by any other AMCs. This is high even in other countries such as Lebanon, Morocco and Tunisia, where it is close to 10 percent of the resident population.

Figure 5.1. Share of emigrants from AMCs, last available years

Source: Fargues (2005)

Corm (2009) presents figures on aggregate migration from AMCs and other MENA countries for the first years of this century which are based on Dumont and Lemaître (2005) for OECD countries, and on Baldwin-Edwards (2005) for the Gulf countries, which are reported in Table 5.2.

Table 5.2. Migrants by region of destination as a percentage of resident population in the origin country, 2000-2002

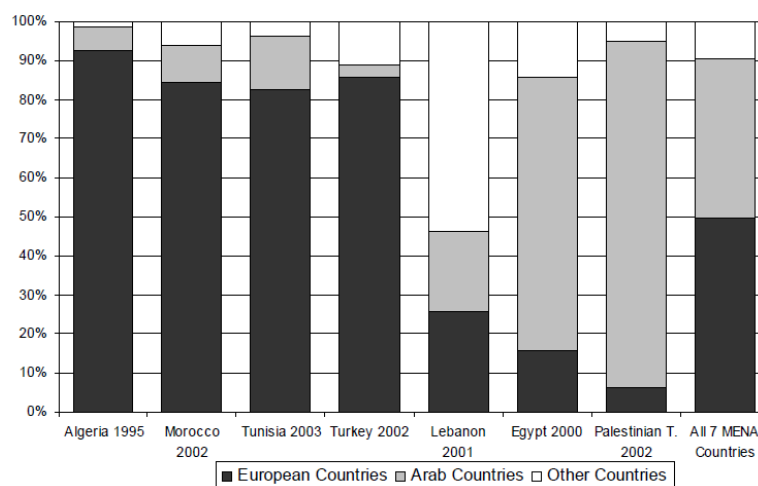
<i>Country of origin</i>	<i>Country of residence</i>			<i>Total</i>
	<i>North America and Australia</i>	<i>Main European Countries</i>	<i>Gulf and other Arab countries</i>	
<i>Algeria</i>	<i>0.11</i>	<i>4.32</i>	<i>0.22</i>	<i>4.64</i>
<i>Egypt</i>	<i>0.27</i>	<i>0.21</i>	<i>2.77</i>	<i>3.25</i>
<i>Jordan</i>	<i>1.11</i>	<i>0.25</i>	<i>9.26</i>	<i>10.62</i>
<i>Lebanon</i>	<i>7.10</i>	<i>2.80</i>	<i>3.50</i>	<i>13.40</i>
<i>Morocco</i>	<i>0.23</i>	<i>5.18</i>	<i>0.96</i>	<i>6.37</i>
<i>Palestine</i>	<i>0.24</i>	<i>0.21</i>	<i>-</i>	<i>0.45</i>
<i>Syria</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Tunisia</i>	<i>0.13</i>	<i>4.46</i>	<i>1.11</i>	<i>5.71</i>

Note: the figure for Jordanians in the Gulf and other Arab countries includes Palestinians.

Source: Corm (2009)

This table – which is based on destination-countries figures – demonstrates that the percentage of migrants over resident population in all Arab-Mediterranean countries, except for Palestine, is higher than the world average of 2.9 percent. At the same time, the levels of total migration out of these countries are low when compared to other regions in the developing world such as Latin America. Migrants from the Maghreb amount to 5.5 percent of the population, while migrants from the Mashreq are about 3.3 percent of the population. Egypt is the largest labour exporter among AMC's – in absolute terms, as World Bank (2008a) claims that 10 percent of the Egyptian labour force is employed in other AMC's and Arab countries alone.¹⁵

¹⁵ World Bank (2008) shows that skilled Egyptian migrants mostly go towards the Gulf Countries and Libya, while unskilled migrants tend to go to Iraq, Jordan, and Lebanon; CAPMAS (2004) estimates that 2.7 million Egyptians are abroad, 1.9 million in other Arab countries and 0.8 millions in OECD, in particular in the US, Canada and Australia.

Figure 5.2. Share of emigrants from AMCs by area of destination, last available years

Source: Fargues (2005)

Figure 5.2, which is reproduced from Fargues (2005), provides the break-down of migration figures according to migrant destination country, showing a sharp difference between Maghreb and the Mashreq countries. Both figure 5.2 and table 5.2 demonstrate that the distribution of migrants across areas of destination is changing. Migrants from the Maghreb move predominantly towards European OECD countries, while approximately two thirds of the migrants from the Mashreq reside in the Gulf and in other Arab countries.

Cross-country differences in terms of migrant distribution are also related to the predominant pattern of migration: while migrants towards the Gulf Countries tend to move on a temporary basis, migration towards the OECD is mostly on a permanent basis (World Bank, 2008a). Table 5.3 reports information on the length of individual migration episodes to selected OECD countries.

Table 5.3. Distribution of migrants to selected OECD countries by duration of stay

<i>Country of origin</i>	<i>Less than 1 year</i>	<i>1-3 years</i>	<i>3-5 years</i>	<i>5-10 years</i>	<i>10-20 years</i>	<i>More than 20 years</i>	<i>No answer</i>
<i>Algeria</i>	1.1	1.8	1.8	4.9	7.1	61.5	21.8
<i>Egypt</i>	3.9	6.5	6.7	13.0	22.2	39.6	8.1
<i>Jordan</i>	4.7	7.5	7.3	16.9	29.3	32.3	2.0
<i>Lebanon</i>	2.7	4.1	3.7	14.4	33.9	37.1	4.1
<i>Morocco</i>	3.4	7.2	5.8	11.4	19.9	39.4	12.8
<i>Palestine</i>	4.8	7.6	5.4	15.0	25.2	37.2	4.8
<i>Syria</i>	3.2	6.4	5.7	16.6	34.5	29.6	4.0
<i>Tunisia</i>	1.4	2.3	1.9	5.0	12.8	53.4	23.3

Note: data refer to: Australia, Canada, Italy, France, Spain, Sweden, United States.

Source: Dumont (2006)

These differences in geographical distribution and in the length of the individual migration episodes have far-reaching consequences for the labour market, as has been briefly argued in Section 1, for the characteristics of the labour markets at destination are a relevant mediating factor in shaping the impact of migration upon the countries of origin. This also means that the empirical relevance of the various potential channels of impact which have been highlighted in the previous sections are likely to differ across the Maghreb-Mashreq divide. Still, Fargues (2007c) argues that there are a number of exceptions to this “rule”: for example, there are more temporary Egyptian migrants in Italy,

and more permanent migrants in the Arab Peninsula. The main difference between the destinations is not in the length of stay, but in the legislation on citizenship issues, which is very restrictive in the Gulf countries. Table 5.4 shows that the majority of regular immigrants in OECD countries have acquired the citizenship of the host countries. Needless to say, this can have far-reaching consequences upon the labour markets of origin countries, as it influences the likelihood of a return, as well as remitting behaviour.

Table 5.4. Distribution of migrants to selected OECD countries by citizenship status (percentages)

Country of origin	National	Foreigner
<i>Algeria</i>	65.0	35.0
<i>Egypt</i>	66.9	33.1
<i>Jordan</i>	63.3	36.7
<i>Lebanon</i>	79.5	20.5
<i>Morocco</i>	37.9	62.1
<i>Palestine</i>	77.2	22.8
<i>Syria</i>	67.8	32.2
<i>Tunisia</i>	61.0	39.0

Note: data refer to: Australia, Canada, Italy, France, Spain, Sweden, United States.

Source: Dumont (2006)

Migrants from AMCs are predominantly male, although migration flows from Maghreb countries have recorded increasing numbers of women and children (Schramm, 2009), as the demand for jobs traditionally performed by women is on the rise in OECD countries, and because of family reunification provisions.¹⁶

Supply side of the labour market

6. Labour force - endowments

6.1 Actual migration and labour force

Actual migration can alleviate the pressure on the labour market provided that the rate of emigration is high enough compared to other demographic factors. This occurs in the small countries of the Mashreq: Jordan, Lebanon and Palestine, where the number of nationals abroad as a share of the origin country population is very high, a fact recalled in Section 5.

Jordan gives a telling case study in the labour market impact of migration flows, as – according to Chatelard (2004) – Jordanian economic development is closely intertwined with the prevailing dynamics of international labour mobility. This was particularly true in the 1980s, when an estimated 42 percent of the labour force was expatriated, and such a massive outflow led to a substantial decline in unemployment. When, in the early 1990s, a large number of Jordanians were repatriated because of

¹⁶ Evans and Papps (1999), quoted in Al Ali (2004), argue that about one third of Arab migrants abroad are living with their families, while this is certainly not the case for the majority of the migrants moving towards the Gulf, where permanent migration is not allowed, so there are limited provisions for the reunification of migrant families.

the Gulf War, the country experienced a 10 percent increase in its population, causing heavy pressure on infrastructure, public services and housing, and the unemployment rate climbed as high as 30 percent (De Bel Air, 2008).

By the same token, international migration has always been an essential route of escape for excess labour supply among Palestinians: restrictions on entry to the Israeli labour market after the beginning of the second *Intifada* created a sharp rise in unemployment, which increased from 13 to 29 percent between 1999 and 2006 (Hilal, 2007).

As far as the large countries of the Arab Mediterranean area are concerned, Ramamurthy (2003) finds that Egypt is the only one in his sample where emigration has had a significant effect on employment. Nassar (2005) argues that – notwithstanding data limitations and despite the fact that the best workers, and not the unemployed, are those who migrate – the direct impact of migration on the Egyptian labour market can be gauged from events during the Gulf crisis, when Iraq and Kuwait closed their borders, and many Egyptians were repatriated.¹⁷

The effects of migration on labour markets need not be confined to the areas of origin of the migrants, as international migration is strictly linked to the internal movement of peoples: it often induces the internal relocation of labour forces. For instance, de Haas (2007) shows how migrant sending areas in Morocco became destinations for many internal migrants from other villages or from poorer regions; Berriane (1996) and El Meskine (1993), quoted in de Haas (2007), observes that many construction and agricultural workers in the Rif area come from the Tafilalt and Draa valley in Southern Morocco.

The figures about the aggregate size of migration – both in terms of flows and stocks – out of AMCs needs to be handled with caution as the most widely-used datasets – such as Docquier and Marfouk (2005) – are based on immigration statistics that do not cover the Gulf countries, as recalled in Section 5. With this *caveat* in mind, Table 6.1 reveals that past and current migration patterns have an uneven impact on the main educational groups, as better-educated migrants are overrepresented in the migrant population. While the emigrant population of these eight countries is characterized by a varying skill profile,¹⁸ as the data columns on selection rates show, the rate of emigration from each of these countries is increasing in skill level. Lebanon, Morocco¹⁹ and – to a lesser extent – Tunisia are characterized by a rate of emigration among tertiary-educated individuals which might raise some concerns concerning a sizeable *brain drain*, that could push up the skill premium in the labour-earnings distribution (see also section 1.2 on this). Indeed, Adams (2003) argues that Morocco and Tunisia suffer from a drain of their talented workers, though it is fair to say that the *drain* of skilled workers does not rank high among the factors that hinder the economic development in the AMCs countries – particularly in the larger Maghreb countries – as it is limited in size when compared to other developing regions, such as Sub-Saharan Africa (Ozden, 2006).

¹⁷ Similarly, Nassar (2008) argues that there have been clear benefits from emigration in terms of unemployment reduction in the 1980s, when Gulf countries attracted a large part of the Egyptian excess labour supply.

¹⁸ The disproportionately high share of low-skilled individuals in the migrant population of the Maghreb countries – Algeria, Morocco and Tunisia – can be traced back to the existence of well-established migration networks with the countries of destination, which, as the recent paper by Beine et al. (2008a) shows, are associated with a reduction in the selection rate of the migrant population.

¹⁹ In Morocco – together with Egypt and Jordan – the rate of return to education remains low (World Bank, 2008), notwithstanding the reported migration rate of tertiary-educated workers which could have pushed up skilled wages.

Table 6.1 Rates of emigration and selection rates of migrants from AMCs, year 2000

	<i>Rate of emigration</i>				<i>Selection rate</i>			
	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Total</i>	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Total</i>
<i>Algeria</i>	4.6	2.1	9.4	4.5	76.7	9.2	14.1	100.0
<i>Egypt</i>	0.2	0.8	4.6	0.9	18.3	22.9	58.9	100.0
<i>Jordan</i>	1.0	2.4	7.2	2.8	16.4	28.0	55.6	100.0
<i>Lebanon</i>	9.4	11.1	38.6	15.0	30.4	25.1	44.5	100.0
<i>Morocco</i>	6.8	8.1	17.0	7.6	70.6	16.5	12.9	100.0
<i>Palestine</i>	1.0	2.5	7.2	2.9	15.8	29.1	55.0	100.0
<i>Syria</i>	0.9	2.3	6.1	1.9	31.0	24.7	44.3	100.0
<i>Tunisia</i>	5.1	3.8	12.5	5.4	73.0	12.1	14.9	100.0

Source: Docquier and Marfouk (2005)

Table 6.2 provides data on the rate of emigration for low- and highly-educated individuals from a recently released update of the dataset by Docquier and Marfouk (2005), which also gathers immigration statistics from the Gulf countries.²⁰ This table shows that the extent of skilled migration out of AMCs is easily underestimated if data sources are unduly restricted to OECD countries alone: including non-OECD destinations increases the emigration rate among the highly-skilled from 4.6 to 8.4 percent for Egypt, and from 7.2 to 19.0 percent for Palestine. This means that the arguments about the limited extent of the *brain drain* from AMCs which were based on Table 6.1 need to be somewhat mitigated.

Table 6.2 Rates of emigration from AMCs by educational level, year 2000

	<i>Rate of emigration</i>	
	<i>Low</i>	<i>High</i>
<i>Algeria</i>	4.7	9.9
<i>Egypt</i>	2.7	8.4
<i>Jordan</i>	8.4	11.4
<i>Lebanon</i>	11.2	45.5
<i>Morocco</i>	7.5	21.0
<i>Palestine</i>	7.7	19.4
<i>Syria</i>	2.5	8.0
<i>Tunisia</i>	5.7	14.3

Source: Docquier and Rapoport (2009)

Still, in order to gauge the relevance of the possible concerns around the *brain drain* that could arise from Table 6.2, those figures have to be compared with the high level of unemployment in better educated groups.²¹ World Bank (2008a) argued that the unemployment rate in the whole MENA region would have been higher in a hypothetical scenario without emigration, but unemployment rates remain high, and this has greatly softened the potential positive impact of migration on domestic wages. This suggests that the opportunity cost of the migration of university graduates is low; the majority of skilled migrants who decided to migrate were unemployed or employed in the public

²⁰ The current version of the paper does not disclose the information on the primary data sources that the authors rely on.

²¹ See Section 7.2 on the impact of the prospect to migrate on the unemployment level of higher-educated workers.

sector. This also means that skilled migration does not create a brain drain effect and, probably, that it reduces the public wage bill (World Bank, 2008a). Table 6.1 suggests that Egypt has the highest selection rate among AMCs, and this can be traced back to the high unemployment rate among educated working age individuals. A comparison between Egypt and Morocco shows that there is a positive relationship between education level and the chances of being unemployed in Egypt, while a similar relationship does not exist in Morocco (World Bank, 2008a). Still, Boudarbat (2004) shows that the unemployment rate of Moroccan university graduates was, in 2000, about four times the rate of individuals with less than six years of schooling. Indeed, Sorenson (2004) reports that the Moroccan government depicted migration as a solution to the problem of widespread underemployment and unemployment of the domestic workforce in official documents.

Other features of the migration process can produce more substantial impacts on the labour force, namely its uneven gender profile and the migration of workers out of specific sectors. As far as gender is concerned, migration can lead to a worsening wage gap – and a worsening too of other labour market outcomes, such as participation and unemployment rates – across genders,²² although such an effect – which is due to the uneven impact of migration on the endowments of male and female labour²³ – can be counteracted by the effects that migration exerts on the behavior on the labor market, possibly reducing female participation (see Section 7.1).

Does migration create relevant shortages of workers in some sectors in AMCs? World Bank (2008a) argues that migration does not create bottlenecks in the domestic market of Middle Eastern and North African countries. Nevertheless, such a general statement should not lead us to overlook specific instances of possible shortages. Doquier and Rapoport (2009) report data on researchers employed in the science and technology sector in the United States: the number of Tunisians working there is 0.17 times the number of researchers working in Tunisia, and the corresponding figure for Algeria is 0.25 times. Khelifaoui (2006), finds that engineers and scientists are the most common professional category of Algerians in the United States, though they may not be employed according to their qualifications.

It is also worthwhile paying a closer look at what happens to health workers. Docquier and Bhargawa (2007) collect data from 16 receiving OECD countries, and they define the total physician emigration rate of a country as the ratio between the stock of national physicians working abroad and the number of physicians trained in the home country, thus excluding those trained in the host country. The figures we present here represent an update of Docquier and Bhargawa (2007) presented by Doquier and Rapoport (2009), where the authors have added South Africa to the destination countries.

We observe in Table 6.3 that the percentage of physicians abroad – as far as a selected group of OECD countries is concerned – is very high only for Lebanon and Syria. Estimates from the Arab-American Medical Association show that there are 15,000 Arab physicians in the United States, and 6,000 of them come from Syria (Kawakibi, 2009). Nevertheless, we have to keep in mind the data limitations, as Achouri and Achour (2002), for example, point out that most Tunisian physicians who migrate go to Saudi Arabia.

²² UNDP (2006) observes that “in Jordan, for example, women university graduates earn 71 per cent of the amount earned by males in the same cohort; this drops to 50 per cent among those who have completed basic education only, while illiterate women earn less than 33 per cent of male wages (Moghadam, 2005)”.

²³ The existing gender gap in migration flows out of AMCs could be off set by the steady growth in demand for jobs, such as housework and the care of the elderly, which are usually taken by women in European countries (Al Ali, 2004).

Table 6.3 Emigration rates of physicians trained in their origin country

	<i>Rate of emigration</i>
<i>Algeria</i>	7.1
<i>Egypt</i>	5.6
<i>Jordan</i>	9.9
<i>Lebanon</i>	19.6
<i>Morocco</i>	6.6
<i>Palestine</i>	1.5
<i>Syria</i>	17.5
<i>Tunisia</i>	4.2

Source: Docquier and Rapoport (2009)

Moreover, if we take into account the physicians born in the AMCs but trained abroad – as Clemens and Patterson (2006) do – the numbers are more worrisome²⁴. Their estimates differ dramatically from the previous ones: 44 percent of Algerian physicians, 31 percent of the Moroccans and 33 percent of the Tunisians are practicing abroad by these criteria. Regarding nurses, the numbers are lower: respectively 9, 15 and 5 percent of them work abroad.²⁵ Notwithstanding these impressive figures, there are some factors that suggest that medical *brain drain* has so far imposed limited direct costs on the Maghrebian countries. Most foreign-employed doctors and nurses have been trained abroad, and their migration is more a symptom of the underlying difficulties of the domestic health-care systems than its cause²⁶. Therefore, it would be hard for foreign-employed health-care workers to enter their origin country's labour markets under the current conditions, as a significant increase in the demand for medical personnel seems highly unlikely. Moreover, it is uncertain whether these doctors and nurses would have studied medicine anyway in the absence of a prospect to migrate.

The same could be said about the thousands of students from AMCs who acquire their tertiary education abroad. Student migration from AMCs is an increasingly common phenomenon. It is an instrument OECD countries use to select highly-skilled workers, as students tend to be probationary migrants. About 7 percent of the foreign students in OECD currently come from the Arab countries, in particular from Morocco. Table 6.4 shows the number of foreign students enrolled in tertiary education by country of origin. According to Dumont (2006), it is difficult for the origin country to benefit from this kind of migration: to do so they should maintain links with the students and offer them incentives to return home to work.

²⁴ Not only the country where physicians have been trained, but also the definition of who is a migrant matters: in the countries of destination, such as France, where there are a lot of second- and third-generation migrants, and most of them have double citizenship, it is not easy to determine who is a migrant.

²⁵ They count all the doctors and nurses employed in the main nine destination countries: the UK, Spain, France, the US, Australia, Canada, Portugal, Belgium and South Africa.

²⁶ In Morocco, the health-care system suffers from underutilization of services: hospital beds capacity, for example, despite being low, has a 56 percent average occupancy rate (WHO, 2006b). Although the WHO claims that more than 200 facilities are closed due to a lack of human resources, the main problem appears to be the lack of efficient planning, as they signal the lack of specific categories of specialists. Even the Tunisian health-care system experiences a deficiency in some kind of specialists (Achouri and Achour, 2002). In Algeria, public services have suffered from the reduction of public funds devoted to the welfare system since the mid 1980s, due to the economic and political crisis and the ensuing structural adjustment (Chemingui, 2003).

Table 6.4 Number of students from AMCs enrolled in tertiary education in 2003 in 26 OECD countries

	<i>Rate of emigration</i>
<i>Algeria</i>	2,028
<i>Egypt</i>	5,875
<i>Jordan</i>	5,261
<i>Lebanon</i>	9,318
<i>Morocco</i>	53,631
<i>Palestine</i>	929
<i>Syria</i>	4,908
<i>Tunisia</i>	12,259

Source: Dumont (2006)

6.2 Prospect to migrate and labour force

While there is limited direct evidence with respect to the impact of the prospect to migrate on human capital formation in AMCs, some indirect evidence can be gained by observing the pattern of migration by skill levels. The theoretical arguments depicted in section 1.2. reveal that a necessary condition for the occurrence of a beneficial brain drain is represented by an increase in the expected return to education once migration prospects open up, and this means that better-educated individuals have either a higher incentive to migrate because of prevailing wage distribution at destination, or a better ability to do so, because of skill-selective immigration policies. Table 6.1 provided a first snapshot of emigration, broken down by skill levels, out of AMCs in the year 2000. This adverse static effect could be offset by the contribution that the prospect to migrate provides by way of human capital formation in these countries.²⁷

Still, what we observe in Table 6.1 need not be driven by a higher incentive or better ability to migrate – because of the pattern of out-selection determined by immigration policies – for better educated individuals, as the skill premium in wage distribution tends to fall with higher levels of income (see Figure 1.1). Mattoo et al. (2008) provide evidence of so-called brain waste in the US labour market from a survey which also provides data on Egyptian immigrants.²⁸ The possibility that the emigration rates across educational groups reported in Table 6.1 are influenced by the adoption of skill-selective immigration policies seems uncertain as well, as migrants to OECD countries from the Maghreb countries – such as Morocco and Tunisia – tend to move to Europe (see figures from Ratha and Shaw, 2007). Although things may change with the eventual introduction of the European Blue Card, EU member countries have not so far been the most active contenders in the global contest to attract “the best and the brightest”, where traditional immigration countries such as Australia, Canada, New Zealand and – to a lesser extent – the United States have prevailed, with the adoption of tight skill-selective immigration policies. Migration to Europe occurs mostly through family reunification provisions or through irregular routes, which do not induce a skill-selective pattern of migration. Clearly, this need not apply to the countries of the Mashreq – such as Egypt and Lebanon – whose migrants tend to move predominantly towards the Gulf countries and the United States, as these countries are characterized by higher wage dispersion across skill levels than as the case with most

²⁷ Fargues (2008b) states that migrants from AMCs “may also have an increasing propensity to invest in their own education and to accumulate human capital in addition to financial capital”.

²⁸ Mattoo et al. (2008) shows that workers from the MENA region are more likely to obtain a qualified job if they hold a professional degree; the probability of obtaining a qualified job with a master degree is only 49 percent for an Egyptian migrant, compared to 80 percent for an Indian.

OECD member countries. Egyptian and Lebanese would-be migrants can be induced to invest more in higher education by the prospect to migrate, and also to adjust the profile of their education to better match labour demand in the countries of destination.²⁹

Nassar (2005) observes that half of Egyptian temporary migrants reside in Saudi Arabia, while Libya, Jordan, Kuwait and Iraq host the rest of the temporary migrant population, which, according to OIM (2003), represents the prevailing pattern of Egyptian migration.³⁰ Temporary migrants are, on average, better educated than those who remain in the home country, and the composition of the migration flows has changed producing a larger share of scientists and technicians since 1985, who currently represent about 40 percent of the total. For instance, 69.1 percent of Egyptian migrants to Yemen are technicians or scientists, while the corresponding figure for the main destination, e.g. Saudi Arabia, stands at 40.5 percent (Nassar, 2005). As Section 5 demonstrated, the temporary character of migration from AMCs to the Gulf is due to the fact that destination countries do not grant citizenship to immigrants, whose length of stay at destination can actually be long enough to support the argument that individual educational decisions in the home country are sensitive to the prospect to migrate.

As far as Jordan is concerned, Chatelard (2004) observes that there is still much demand for highly-skilled workers in the Gulf, while adequate employment prospects at home are limited for young graduates, as De Bel Air (2008) argues. This means that we can safely assume that migration is a way to improve on these low expectations, and to drive up educational investments, which will otherwise be wasted because of the domestic labour market conditions. A similar argument can be advanced too in the case of Lebanon: the number of young, qualified individuals who wish to get a foreign job has increased, as – after the 2006 war with Israel – “insecurity pushes towards the brain drain” (Hourani and Sensening-Dabbous, 2007), and 35 percent of managerial positions in international enterprises located in the Gulf countries are taken up by Lebanese workers (Kasparian, 2008).³¹

These arguments suggest that the common pattern of emigration rates across educational groups that we observe for AMCs could be driven by different factors: while for Mashreq countries the higher emigration rate for higher-educated individuals may suggest that the conditions for a beneficial brain drain³² are in place, this is not the case for the Maghreb countries, where the pattern observed in Table 6.1 is likely to be due to the correlation between education and income. Individuals with a better level of education self-select themselves as migrants because they are better able to afford migration costs, but this does not lead to any beneficial brain drain dynamics. Still, even as far as Mashreq countries are concerned, we need to remind ourselves that the influence of the prospect to migrate on human-capital formation at home is directly related to the length of individual migration episodes.

We might also observe that both World Bank (2008a) and World Bank (2009) argue that MENA countries should adopt policies aimed at reducing the mismatch between the qualifications offered by their educational system and those demanded by destination countries. Such a policy prescription indirectly suggests that a *beneficial brain drain* is unlikely to occur at present, as it suggests that domestic human capital formation does not respond to the labour markets at destination.

²⁹ The Egyptian university system has undergone some changes which partly reflect its reaction to the foreign demand for domestic workers; specifically, to avoid the occurrence of substantial leakages of fiscal resources to the countries of destination, it has progressively, albeit indirectly, increased cost-sharing in higher education, though tuition fees still remain a political taboo (Vossensteyn, 2004).

³⁰ Although immigration-based statistics seem to suggest that OECD countries represent the largest cause of brain drain for Egypt (see Table 6.1 and 6.2), it is actually the Gulf countries and Libya which absorb most Egyptian skilled migrants, as IOM (2003) – quoted in Nassar (2005) – points out.

³¹ A different argument applies to Syrian migrants: the majority of temporary migrants to the Gulf are young professionals (health professionals, engineers, and other qualified workers) who plan to stay for at least five years because this is the time they need to be able to be entitled not to serve in the military, in exchange for a monetary payment out of the savings they accumulated abroad (Kawakibi, 2008).

³² Note that this term refers simply to an increase in the human-capital endowment of the migrant-sending country as a result of the prospect to migrate, but it does not per se mean that this is welfare-improving for the country, as discussed in section 3.2.

6.3 Return migration and labour force

Return migration is often depicted – as section 1.3 recalled – as one of the main channels through which migration can benefit origin countries. The project on *Return Migration to the Maghreb*, MIREM, conducted at the Robert Schuman Centre showed that almost two thirds of the surveyed return migrants went back to the Maghreb before the age of 50, and 43.2 percent of them before the age of 40, with the prospect of spending a sizeable portion of their working-age life back in the countries of origin. Similarly, the data from the two waves of the Egyptian Labour Force Survey conducted in 1998 and 2006 suggest that even for Egypt a sizeable share of the returnees went back home well before retirement age³³. This entails that the direct impact of return migration on the labour markets of AMCs can be sizeable, and all the more so if the European Union – which represents the major destination for migrants from the Maghreb countries – decides to push on in its attempt to make most migration out of these countries circular (see Fargues, 2008a and Venturini, 2008).

The impact of return migration can be expected to be positive once migrants deliberately decide to return to their source countries, after having accumulated valuable skills and resources at destination.³⁴ For instance, in Jordan public and private universities try to actively recruit returnees for academic positions, as their foreign experience gives them skills which attract students. Still, a sizeable part of return migration flows to AMCs are – to use the terminology adopted by the MIREM project – undecided. Major business cycle fluctuations – or political events – in the countries of destination can induce migrants to return back home, and Fergany (2001) recalls the labour-market problems experienced by Egypt and Palestine during the First Gulf War in the early 1990s, when migrants were forced to leave the major host countries – namely Iraq, Jordan, Kuwait and Saudi Arabia. Similarly, Sayre and Olmstead (1999) analyze the negative impact on the Palestinian labour markets of the return of migrants from Iraq and Israel when war broke out in 1991. When return migration is – to say the least – undecided, then the labour markets of the countries of origin face the problem of absorbing this unexpected wave of returnees. The opposite occurs when return migration is deliberately promoted, as in the case of the so called *reverse brain drain* to Palestine which took place after the signature of the Oslo Accords, when an estimated 40,000 to 100,000 Palestinians returned home, mostly from Tunisia and the United States (Sayre and Olmsted, 1999). These returnees brought back an enriched set of skills – along with the resources to finance productive investments, see Section 9.2 – and took up positions in the public administration; this in turn gave rise to a latent conflict with other natives, whose chances of employment worsened.

The political relationships among the Arab countries do not represent the unique factor which can give rise to undesirable flows of returnees to the AMCs; these countries are increasingly attracting migrants from Asian countries – most notably, India – which are replacing migrants from AMCs in several sectors (see Girgis, 2002 and Al Ali, 2004). Worsening labour market conditions at destination represent a powerful push factor for return migration, which could lessen the role of migration in alleviating labour-market pressure in AMCs, and this push factor is most likely to become stronger if the current global economic crisis keeps the international price of oil at a low level.

The case of Syria represents a telling example of how the labour-market effects of return migration depend upon the countries of migrant destination. While Syrian migrants to the Gulf are young professionals (see Section 6.2), most migrants to Lebanon are very low-skilled and cross the border in search of a higher wage which they are able to find only in occupations that Lebanese workers are no longer willing to accept, so that – as Kawakibi (2008) argues – a massive return of Syrians from Lebanon could produce extremely negative effects in the Syrian labour market.

³³ In 2006, 70 percent of Egyptian return migrants were younger than 50 years of age (ELMPS, 2006). See section 8.2.

³⁴ Still, it is crucial to observe that returnees self-select themselves among the migrant population, and Hourani and Sensening-Dabbous (2007) argues that this suggests the downplaying of overtly optimistic expectations about the impact of return migration to Lebanon, as “the best and the brightest” among Lebanese migrants decide to remain abroad. This entails that having a predominantly skilled-migrant population is a necessary but not sufficient condition for the countries of origin to benefit from return.

6.4 Remittances and labour force

Migrants' remittances represent one of the most important revenue items in the Balance of Payments of AMC's, so they can produce far-reaching direct effects on the recipient households, and produce relevant macroeconomic effects.³⁵ Middle East and North Africa is the region which received the highest level of remittances *per capita* over the 1998-2002 period (Straubhaar and Vadean, 2005), while it is the second region – behind South Asia – as far as the share of remittances over GDP is concerned (Maimbo and Ratha, 2005). Remittances amount to 22 percent of GDP in Jordan, 14 percent in Lebanon, 8 percent in Morocco and 5 percent in Egypt (Crom, 2009). Furthermore, Adams (2006b) evidences that remittances to the Middle East and North African countries grew steadily over the 1990-2004 period, and the well-known problems with the reliability of Balance of Payments figures on remittances are unlikely to explain the observed trend.³⁶

Although the educational systems in most AMC's impose limited direct costs upon students and their families (Akkari, 2004; Vosseynestein, 2004), indirect costs can be substantial, and the positive income effect due to remittances can help households afford them, thus raising the educational achievement of young members in recipient households. Tables 6.1 and 6.2 show that – as far as the Maghreb countries are concerned – the vast majority of current migrants have a low levels of education, so – as low levels of education tend to be transferred across generations (Galor and Zeira, 1993) – remittances can give an opportunity to break this poverty trap, raising the level of education of young family members over and above the levels of the migrants. Indeed, Table 8.1 below reveals that school fees represent the second or third most relevant use of remittances in recipient households in all the seven AMC's surveyed by EIB (2006). There are a number of studies – such as Berriane (1996), Bencherifa (1996) and de Haas (2003), quoted in de Haas (2007) – which argue that remittances to Morocco contribute to an increase in expenditures in education which benefits young pupils of both sexes.

As van Dalen *et al.* (2005) show, the transfer of migrants' remittances increases the propensity to migrate among Egyptian recipients, and this increases the sensitivity of their educational decisions to foreign rather than to domestic labour-market factors. Still, as the arguments presented in section 1.1 suggests, this need not improve the incentives to invest in education. Remittances can be used to directly finance the migration cost of a young family member rather than to provide him or her with a better education. Such an adverse effect on human capital formation can be increased by observing that parental absence due to migration increases the chances that a child is engaged in an economic activity in Egypt (Assad *et al.*, 2007), thus reducing the probability that this child is fruitfully attending school.³⁷

6.5 Social remittances and labour force

The contribution by Fargues (2007b) demonstrates that the transfer of ideas that occurs because of migration can substantially influence the labour markets of AMC's through its effect on demographic choices; Fargues' (2007b) idea is that the level of fertility in destination countries influences the level that prevails origin countries. Such an argument means that this effect is uneven across AMC countries because – as section 5 showed – these countries greatly differ in the geographical distribution of their migrants. Migrants from the Maghreb predominantly move towards countries with a low level of

³⁵ The macro-economic role of remittances as a critical source of foreign currency holdings in the Mediterranean countries is emphasized by Escribano (2002). For Morocco, Al Ali (2003) argues that “remittances have become more and more crucial to the equilibrium of the national trade balance. The crucial economic role played by migrants' remittances renders the permanence of Moroccans abroad essential not only for the survival of individual households but also for the viability of the national economy”.

³⁶ The current global economic crisis is expected to reverse this trend, with remittances to Middle East and North African countries predicted to fall by a cumulative 6 percent over 2009 and 2010 (Ratha and Mohapatra, 2009).

³⁷ ILO (2002) shows how the incidence of child work in Middle East and Northern African countries stands at 15 percent, a level that is lower than most other developing regions, but that nevertheless suggests that child work is far from being absent there.

fertility – and higher rates of female participation on labour markets, see section 7.4 – while migrants from the Mashreq move towards countries with higher levels of fertility, and more conservative social structures. Thus, while past migration flows are indirectly contributing to alleviate the current pressure on labour markets in Maghreb countries via a reduction in the size of younger cohorts in the population, the opposite occurs in the Mashreq countries. This means that social remittances can either reinforce or dampen the effect of actual migration, as described in section 6.1.

As far as the impact of migration on skill acquisition is concerned, Fargues (2008b) observes that “a shift from a remittances-driven to a human-capital-driven pattern of migration is underway” for AMCs, meaning that the decision to migrate is no longer solely driven by the willingness to send remittances back home, but also by the desire to make an adequate use of would-be migrants’ human capital. Fargues (2008b) also adds that “today the links MENA states establish with their Diasporas are aimed at maximizing remittances and economic investments in the home country. Tomorrow, states will have to channel the diaspora’s knowledge and skills. For that purpose, they will have to [create an environment] favourable to flows of ideas and knowledge”, emphasizing the key role of social remittances in shaping the impact of migration upon AMCs (see section 9.3).

7. Behaviour on the labour market

7.1 Actual migration and behaviour

Migration can exert a direct impact on the labour-market participation of stayers when migrants come from households which earn their livelihood from family-run economic activities, such as small-scale agricultural concerns. As we have seen in section 2.1, the migrant is often the main breadwinner within the household, and this gives rise to the need to replace him or her in family-run activities in order to avoid a reduction in incomes. The book by Ennaji and Sadiqi (2008) analyzes the impact of the – predominantly male – migration from Morocco on the women left behind, and it finds that these women tend to assume roles in production activities that were formerly covered by male migrants. Nevertheless, as Ennaji and Sadiqi (2008) argue, “most migrant husbands would refuse to allow their wives to work outside the home because this work jeopardizes their social role and the image as household bread-winners”. Ennaji and Sadiqi (2008) also provide evidence that migration is associated with a change in family structures, as 26.2 percent of the sampled women go back to live with their parents, who can help them in taking care of the children.³⁸ Such a change in family structure is clearly connected to the need for a greater female engagement in the labour market, and it suggests that migration *per se* can increase female participation rates in the labour market (see section 7.3 on the contrasting effect of remittances). Nevertheless, such an effect need not materialize: even in Palestine, when the husband migrates, women tend to live with their husbands’ families, but this does not consolidate an active role for them in the labour market (Hilal, 2007). This happens because of the lack of opportunities, and because of the control that relatives exert upon the women left behind, who remain dependent upon remittances.

Thus, it is important to stress that such an increase in female participation is probably mostly confined to self-employment activities – such as family-run agricultural concerns or a retail trade – than to wage-earning employment, given the persistent and high levels of male unemployment even in migrant-sending areas. Hijab’s argument then (1988) that those women left behind increased their participation in the labour market in Egypt as there was a need at the country level to mobilize women to replace migrant men, seems hard to defend and generalize upon.³⁹

³⁸ This is so because AMCs are often characterized by “weak transportation and child care infrastructure [that] discourage women from going out to work, as does the lack of social support for children or the aged, the burden of whose care falls on women” (UNDP, 2006), and the women left behind do not seek employment because of “their inability to combine their work outside with duties as mothers and housewives” (Ennaji and Sadiqi, 2008).

³⁹ Hijab (1988) claims that in the 1980s women gained access to skilled occupations, and some highly-skilled women (such

The direct impact of male migration on female participation in the labour market thus counteracts the divergence in labour-market outcomes across genders – specifically unemployment rates and labour earnings – that is induced by a reduction in the supply of male workers due to migration itself. While the latter, as argued in section 1.1, tends to widen the gap, the former helps in narrowing it down.

7.2 Prospect to migrate and behavior

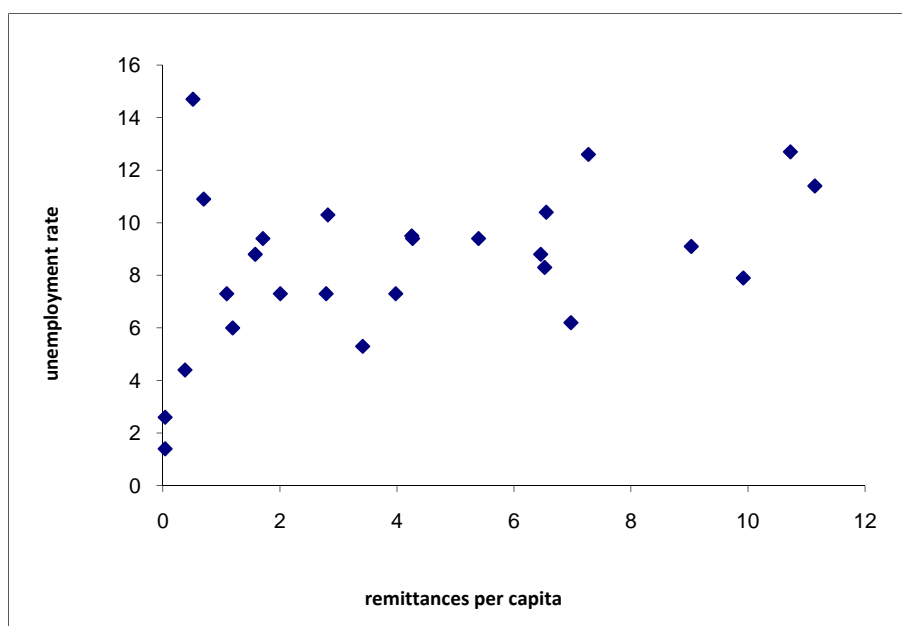
Section 6.1 briefly recalled that there is some evidence that the level of unemployment among highly-educated individuals in AMC's is higher than among individuals with a low level of education, while Section 5 showed that emigration rates increase with the level of education. To what extent could the latter factor be driving the former? There is, to the best of our knowledge, no paper which has provided solid, empirical evidence in this respect, but it is, nevertheless, fair to say that the chances for the unemployment to increase substantially due to the high prospect to migrate are low. To see why this is the case, one can recall the basic mechanism described in Fan and Stark (2007b): the authors argue that the unemployment rate may rise provided that (i) wages for highly-educated individuals are stagnant, and (ii) the prospect to migrate induces more individuals to invest in higher education. While it is certainly the case that wages in AMC's countries are not market-clearing, the second condition required by Fan and Stark (2007b) seems – at best – unlikely to hold for most AMC's, in light of what we have discussed in Section 6.1. Hence, the mechanism offered by Fan and Stark (2007b) seems unlikely to work, perhaps with the limited exception of small countries, such as Lebanon.

A more subtle argument is depicted in the job-search model presented in Fan and Stark (2007a), where the effect on unemployment is determined by the effort that would-be migrants have to devote to try to migrate. De Haas (2007) highlights what he labels as the “social consequences of migration”: migrant households in Morocco are now regarded as the new *elites*, which were previously determined on the basis of kinship and land holdings. Such a change in relative social positions has induced the members of old elite groups to aspire to migrate (McMurray, 2001), and this is likely to have reduced their incentives to actively participate in the domestic labour market, which reduces the necessary resources to climb up the social ladder. If migrants are perceived to be *success stories*, then this can significantly alter the labour-market behavior of natives, which wish to emulate them.

7.3 Remittances and behavior

Remittances can exert an influence on recipients' behaviour in the labour market through two main channels, namely the income effect that modifies the willingness to work in exchange for a wage, or through the impact on the demand for labour in family-run activities which is determined by the use of remittances to finance small-scale productive investments (see Section 9.1 on this second channel). To date, no economic study has been undertaken to gauge the relevance of either of these two channels in AMC's, as the endogeneity of remittances with respect to labour-market conditions in the migrant-sending areas prevent us from drawing any conclusion on the causal relationship between remittances and prevailing wages and level of unemployment from the analysis of bivariate relationships.

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as teachers and health care workers) were also tied movers to the Gulf countries.

Figure 7.1. Remittances and unemployment rates in the Egyptian governorates

Source: authors' elaboration on UNDP (1998) and Fargues

Figure 7.1 has been obtained using data on the remittances or savings of return migrants from Kuwait and Iraq to Egypt after the Gulf War in 1991, combined with local data on the unemployment levels from the UNDP (1998) Report on Egypt.⁴⁰ The figure suggests that the unemployment rate is higher in the Egyptian governorates that receive more remittances per capita.

One could reasonably assume that an external and stable source of income, such as remittances, is likely to discourage participation in the labour market in a context where there is a very high unemployment level, as in the AMCs. Thus, a high unemployment rate could drive migration, and the ensuing flow of remittances, so that one should not regard Figure 7.1 as providing evidence of the adverse effect of remittances on labour market participation, given that a causal relationship could run in both directions.

7.4 Social remittances and behaviour

The impact of migration on prevailing behaviour in the labour market is mediated by its impact on cultural attitudes, as the work by Hilal (2007) on the effects of male migration in the labour market participation of women in Palestine demonstrated (see Section 7.1). Male migration out of Palestine seems to have reinforced the diffusion of a conservative role for women in Palestinian society, which is backed up by old religious interpretations, which also manifests itself through changes in the forms of women's dresses (Hilal, 2007). Clearly, social remittances can differ widely depending on the destination countries of migrants, and Hoodfar (1996) addresses the question of whether Egyptian male migration represents a "Feminization of Egyptian families' or a reaffirmation of traditional gender roles", as migration to the Gulf countries could lead to cultural changes along the lines described by Hilal (2007) for Palestine.⁴¹

⁴⁰ We are fully aware that we should have related remittances to participation rather than to the unemployment rate; still, we maintain that even the relationship depicted in Figure 7.1 is informative: if we account for the possible negative impact of remittances on the participation rate, then the positive relationship that we depict in the figure would have been even stronger.

⁴¹ The transfer of cultural norms does not run just in one direction: the paper by Antecol (2000) analyzes the gender gaps in

De Haas (2006) argues that, at the Todgha oasis in Morocco, the change in social structures and the emancipation of subordinated groups through migration have led to the neglect of some traditional activities, which were regarded as having a low social status.

Demand side of the labour market

8. Consumption patterns

8.1 Actual migration and consumption patterns

The evidence of the impact of migration on consumption patterns in AMCs is regrettably limited, though this could be substantial and not limited to the impact on private demand that arises because of remittance transfers. Labaki (2006) focuses on the demand for consumption goods by Lebanese migrants, which allow domestic producers to broaden the basket of goods that they export, with an ensuing job-creation effect in the sectors that produce so-called *ethnic goods*, and in the trade sector. Similarly, Khelfaoui (2005) demonstrates that the exports of Algerian products towards Canada has increased because of local demand on the part of the Algerian Diaspora there, which has also contributed to the development of communication facilities, and the increasing use of Internet due to the frequent contacts between emigrants and their families.

Conversely, de Haas (2007) emphasizes the impact on the demand for labour in the tourism sector in Morocco, as migrants who have a legal residence permit in the country of destination return home for their holidays. Along the same lines, Labdelaoui (2005) argues that tourism has developed in Algeria as a result of the visits of emigrants during their holidays, and that this is becoming a matter of interest for the Algerian authorities.

8.2 Return migrants and consumption patterns.

No empirical evidence has been gathered to see whether return migrants represent a relevant channel of transmission of consumption models from the countries of destination to AMCs.

However, we can advance a hypothesis based on the age of returnees: in section 3.2 we presumed that the transmission of consumption models through return migrants is more important the lower their age. Data from the MIREM project indicate that returnees in Maghreb countries are quite young: their average age is between 36 and 45 years. This is confirmed – for Tunisia – by the results of a survey on population and employment carried out in 2006, according to which the average age of return migrants is between 30 and 44 years (Fourati, 2008). Finally, ELMPS (2006) data shows that 35 percent of returnees in Egypt are less than 40 years old, and 35 percent are between 40 and 50 years old.

8.3 Remittances and consumption patterns

As we argued in section 2.1, the stimulus that migration – via remittances – brings to private demand produces substantial effects on the labour market only inasmuch as it is directed towards domestically produced goods and services. Regrettably, as Gallina (2006b) observes, there is limited information on

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labour force participation rates across different migrant groups in the United States, and she finds that half of the variation in fertility behavior across first-generation immigrants is explained by the gender gap which prevails in the home country, while cultural assimilation is greater for the second- and third-generation of immigrants. This suggests that limited effects upon the labour market of migrant-sending countries can be expected in the early phases of a migration episode, while these effects clearly build up over time.

the pattern of remittance used in AMC countries. Some information – albeit coming from a survey with a limited coverage – are provided by EIB (2006), which analyzed the distribution of remittances across alternative budget items in all AMCs but Palestine. Table 8.1 reports the main findings from this survey, which demonstrates that everyday expenses absorb most of the income arising from remittances, while limited resources are devoted to investments. Schramm (2009) provides evidence – for Tunisia, Morocco and Egypt – that suggests that basic consumption needs (food, heat and clothing), absorb most remittances.

Table 8.1. Use of remittances in AMCs

	Daily expenses	Payment of school fees	Building a house	Setting up a company	Investments	Other	Number of interviewees
<i>Algeria</i>	45	13	23	3	5	11	64
<i>Egypt</i>	43	12	18	-	15	12	31
<i>Jordan</i>	74	16	4	-	6	-	40
<i>Lebanon</i>	56	24	5	5	5	5	41
<i>Morocco</i>	46	31	16	-	5	2	40
<i>Tunisia</i>	-	23	34	2	16	25	40
<i>Syria</i>	61	11	8	-	-	20	49

Source: EIB (2006)

Still, the argument that most recipient households report that daily consumption needs absorb the greatest share of their remittance incomes does not suffice to dismiss the concern that remittances may fuel the demand for imported products.⁴² An interesting – although admittedly extreme – case is represented by Algeria, where most of the remittances are transferred in kind rather than in cash, as migrants distrust the local financial system. Khachani (2004) argued that the value of goods imported by Algerian migrants who temporarily returned home on holidays was estimated at \$2.5 billion per year; needless to say, such a huge amount of resources fails to generate any job-creation effect, as they cannot be directly used for productive investments, being mostly in the form of consumption goods. By the same token, Nassar (2005) argues that Egyptian recipient households devote a sizeable part of remittances to accumulating hoards of valuable items, such as gold and precious stones, and this dampens the ensuing stimulus on the demand for workers.⁴³

Real estate can also represent a sizeable store of value for recipient households: Fletcher (1999) demonstrates that in Tunisia emigration areas have experienced a remittance-induced sharp raise in real-estate prices, something that Vermeren (2001), quoted in Gallina (2006b), finds for the migrant-sending town of Nador in the North of Morocco, where the land prices increased more than in the surrounding areas. Labaki (2006) shows that a large part of the remittances sent to Lebanon in the 1980s was used for real-estate investments, buying land or houses. Nyberg-Sørensen (2005) observes a boom in the construction sector in the Rif region in Morocco, where 71 percent of migrant households buy land, or a house or repair old houses. Clearly, professions and wages related to the construction sectors benefited from this boom. According to de Haas (2007), the investments that migrant households make in real estate have several positive consequences in Morocco, where construction is one of the pillars of the economy and there is a persistent scarcity in the urban housing market⁴⁴.

⁴² Note that respondents to these kinds of surveys always report that remittances are earmarked for basic consumption expenditures, although this does not suffice to rule out – given the inherent fungibility of incomes – the possibility that they actually lead to a significant reshaping of expenditure patterns.

⁴³ Note that such behaviour can be linked to the temporary character of remittance incomes, and to the probability that such a flow might come to an unexpected end, because of the major fluctuations in the demand for immigrant workers in the Gulf countries.

⁴⁴ De Haas (2003) finds that 71.1 percent of migrant's remittances are used in the real estate sector, 11.3 percent in the

De Haas (2007), although admitting that the information available on the use of remittances in Morocco is limited, tries to formulate a hypothesis based on his detailed literature review⁴⁵. According to the author, the uses for remittances change across the life cycle: at the beginning of the migration experience, migrants and their households spend for their basic necessities and for the housing (real investments have a peak 5-14 years after leaving); then they start to make investments in the agricultural sector; 25 years from the beginning of the migration experience, they use the savings to invest in a non-farming business. If this theory is right, we would expect that the older the migrant, the more likely he will be to invest in an economic activity (see section 9.1 for the links between remittances and investments).

The possibility that the demand stimulus brought about by remittances to AMC's could leak out to imports is strengthened by the limited industrial base of these countries, which went through a long period of import substitution industrialization. According to the World Bank (2008b), the share of the manufacturing sector in the GDP of AMC's ranges from 11.4 percent in Lebanon to 19.2 percent in Jordan, so that – especially as far as consumer durables are concerned – the demand is likely to be directed towards imported goods. Such an effect is strengthened once remittances lead to inflationary pressures, and to the ensuing appreciation of the exchange rate which makes foreign goods cheaper. This suggests that there might be a vicious circle operating here: migration is induced by the limited capacity of domestic labour market to absorb the domestic supply of labour, which is connected to the small size of the domestic industrial base, which in turn prevents the demand stimulus brought about by migrants' remittances from being directed to domestically produced goods, and thus lead to a sizeable job-creation effect.

In Palestine, as Hilal (2007) observes, “the daily work of commuting in and out of Israel and its settlements by a large percentage of the Palestinian labour force created and maintained a sizeable working class, but without creating its own bourgeoisie or business class”. A middle-class pattern of consumption has been created but without any accompanying impact on the Palestinian economy, which remained dependent on imported Israeli commodities. Palestinian workers, especially the ones living in the villages and in the camps, benefited from the jobs offered in Israel, but Palestinian industry, agriculture and basic infrastructure has been marginalized due to this dependence.

As far as remittances to Jordan are concerned, these have been representing an important income source since the 1980s: consumption levels of households with a migrant abroad have been high thanks to the remittances received. The residential activities and the import sector benefited the most from this inflow, but also the agricultural technology improved, determining an ensuing job-creation in this sector, together with the building and the service sector. The Jordanian government relied on remittances to sustain the Balance of Payments, and this revenue item has contributed to the creation of jobs in the public sector. The flip side of this coin was that, when remittances declined due to the political instability of the area, Jordanian public debt increased substantially, and this – via the ensuing reduction in the size of the public wage bill – led to a significant impoverishment of the middle class (Chatelard, 2004). Nevertheless, remittances from Jordanian migrants are still very important in sustaining the consumption level of recipient households, as remittances have steadily increased between 1994 and 2006 (Arouri, 2008).

(Contd.)

agricultural sector and 17.5 percent in non-agricultural enterprises. Kachani (2005) observes that in the INSEA survey on Moroccans living abroad, published in 2000, investments in real estate undertaken by migrants in the home countries amounts to 83.7 percent of all investments, while 7.5 percent is devoted to agriculture and 4.9 to the retail trade sector. Fadlollah et al. (2000) observe that the investments in the real estate have been so numerous that several villages have been transformed into towns.

⁴⁵ In this paper the author tries to review all the literature that is not translated into English and that is not in the academic debate. This effort is extremely important and it permits us to have more information on the impact of migration on Morocco above all. Among his main references: Khachani (1998, 2002), Hamdouch (2000), de Haas (1998, 2001, 2003), Fadlollah et al (2000), Dhorde et al (2000), Bonnet and Bossard (1973), Bencherifa (1991, 1993), Popp (1999), Bencherifa and Popp (1990, 2000), Berriane (1996, 1997), and Refass (1999).

8.4 Social remittances and consumption pattern

Though it is - to say the least – uncontroversial that the transfer of ideas exerts a powerful influence on the pattern of consumption in the areas of origin of the migrants, as social remittances have been found to influence much more deeply-rooted phenomena such as fertility choices in AMCs (see section 6.5), only limited systematic research has been conducted on this topic. As migration flows often follow previous colonial ties – as in the case of migration from the Maghreb countries to France – it is hard to assess to what extent the old colonial power would have exerted cultural influence even without the later migration flows.

9. Investments and entrepreneurial models

9.1 Remittances and investments

It is well-known that it is not possible to disentangle the analysis of the economic effects of remittances upon recipient countries from a proper understanding of the determinants of the underlying migration process (Taylor, 1999), as the same factors which induce people to migrate can prevent remittances from producing their full development potential. For instance, the use of remittances for productive investments crucially impinges upon the economic and institutional context in the migrant-sending areas, and a telling – albeit admittedly extreme example – of such a relationship has been presented in section 8.3, where we showed that remittances to Algeria are mostly transferred in kind rather than in cash.⁴⁶ This reflects the distrust of the migrants in the domestic financial system, and clearly hinders a direct productive use of remittances. Though remittances still allow recipient households to employ resources from other income sources for productive investments, such an outcome is unlikely when the basic preconditions for investments are not in place, a conclusion that has been advanced for AMCs by Lazaar (1996), Abdel-Fadil (2003) and Gallina (2006a).

The amount of remittances used for productive investments in some countries is not negligible: 30 percent of foreign capital that is invested in Syria comes from emigrants living in the Gulf (Kawakibi, 2009), in Morocco on average current and return international migrants invest respectively four and five times more than non migrants (de Haas, 2003), in Palestine migrants have invested a lot in their home countries after the Oslo accord (see below), and in Jordan remittances have always been considered extremely important for starting up a business (Chatelard, 2004)

Gallina (2006b) argues that – assuming that in the Mediterranean region between 5 and 7 percent of remittances are spent for productive investment in micro and small enterprises – between \$1.5 and \$2.1 billion is invested annually thanks to remittances. This low level of investments can – according to Gallina (2006b) – be traced back to the lack of economic incentives for productively employing these earnings, which are mostly devoted to financing basic consumption needs, thus increasing recipient households' welfare. The limited evidence of a direct productive use of remittances goes against the fact that remittances can be just a temporary source of income, which economic theory predicts should not have a large effect on current consumption levels. The temporary character of remittance income is also compounded by its possible volatility, as migrants' ability to transfer resources back home is influenced by the ups and downs of the business cycle in the destination countries, which tend to be more pronounced for migrants to the Gulf, which are exposed to the major fluctuations in the world price of oil (Glytsos, 2001), and to a lesser extent for Western Europe. Still, as seen in section 8.3, households react to the temporary and possible volatile character of remittances by using them to buy up stores of valuables, rather than ensuring a longer lasting source of income through risky productive investments.

⁴⁶ The only sector where Algerian emigrants invest their capital accumulated abroad is real estate (Khelfaoui, 2006).

This rather pessimistic view of the impact of remittances on investments based on the micro evidence on the behavior of recipient households has been recently challenged in a paper by Billmeier and Massa (2009), who focus, instead, on the indirect effects of remittances on investments. Billmeier and Massa (2009) analyzes a panel of 17 countries in the Middle East and Central Asia, which includes Egypt, Jordan, Lebanon, Morocco and Tunisia, to test whether remittances contribute to the deepening of capital markets in these countries. The authors find that migrants' remittances have a strong impact on the level of capitalization of the stock markets in non-oil exporting countries, as they represent a source of private savings and they increase the liquidity that circulates in the economic system⁴⁷. Such a conclusion suggests that the macro rather than the micro impact of remittances on investments can be relevant, and it also entails that the labour market effects of migration due to remittance-financed investments are not confined to migrant-areas.

The above argument is also corroborated by de Haas (2006), who shows that the use of remittances for investments in Southern Morocco has contributed to the diversification of the economic system, and the urbanization of the population. This specific example suggests that a country – not to mention the whole AMCs area – probably represents a unit of analysis that is unfit to gauge the actual impact of remittances on the labour market via productive investments, as there is also relevant heterogeneity within countries in the factors that mediate how the demand stimulus brought about by migrant transfers is matched by a supply side response.

Saad (2005) emphasizes the investments by Egyptian migrants based in France in the agriculture sector in the area of Beheira, and in the real estate sector in the Northern Coast or in Cairo. Fletcher (1999) also finds an increase in the concentration of land tenure in the hands of few households connected to migration, which has in turn led to an increase in unemployment in rural areas, a finding that is in line with what Saad (2005) observes in the Mid Bad Halawa village in Egypt.

Schramm (2009) observes that remittances to Maghreb countries give only a limited contribution to the development of entrepreneurial activities, which are mostly concentrated in the non-traded service sector, or in agriculture. Poor recipient households undertake small productive investments in cattle, in setting up a small retail shop, or in buying a car to be used as a taxi, while better off households opt for a restaurant or for a hotel. Provided that these activities are on a small scale, then the direct job-creation effects that they induce are mostly exhausted within the recipient household itself, which is likely to provide most of the required labour supply: still, Schramm (2009) argues that remittance-induced investments contributed as much as 2 percent of the total number of new jobs created in Tunisia over the 1997-2001 period. The bias of remittance-financed investments towards the non-traded sector was also found by Labaki (2006) for Lebanon, where the part of remittances which was not directed to the real-estate sector was used to invest in the retail trade or in a transportation activity.

This – admittedly incomplete – evidence suggests that the job-creation effects due to remittance-financed investments tend to be limited, and it could be fostered by the adoption of complementary public policies aimed at removing the institutional and economic disincentives to invest. Such an effort can hardly be expected to be undertaken by the migrants, as there is limited evidence of cooperative actions led by migrant associations (Gallina, 2006b). The collective mobilization of resource for investments in Morocco is scarce, and confined to a few cases, like the association of Moroccan migrants in Catalonia - which invests in agriculture development in Northern Morocco, and some social investments from Moroccan migrants to Southern France.

Hillal (2007) describes how investments by Palestinian emigrants were extremely important after the establishment of the Palestinian Authority. Banks and insurance companies opened in West Bank and Gaza, and a law to encourage foreign investments was passed and several activities – which were previously not allowed under the Israeli occupation – were created. In this phase. The role of

⁴⁷ Kachani (2005) argues that migrants show an increasing interest in investing in the Moroccan stock market, a finding that is in line with the more general conclusion reached by Billmeier and Massa (2009).

expatriate Palestinian businessmen who had made their capital in the Gulf became very important for the country. But, starting with the military occupation of the West Bank in 2002, the uncertainty of investments in Palestine has again become a concern and this discourages the investments of migrants, providing a telling example of how the job-creation effect due to migration is highly dependent on the prevailing economic and institutional environment.

Zekri (2009) provides data on the number and typology of associations of Tunisian emigrants, showing that most of them explicitly pursue some sort of social objectives. The Tunisian government acknowledges the importance of these associations abroad to attract the capital of emigrants towards social investments in the country. Zekri (2009) also reports data on Tunisian investors residing abroad from the Agency of Industry Promotion: from 1988 to 2007, 43,912 jobs have been created thanks to investors from abroad, and around \$385 million have been invested in more than 10,000 projects, in particular in the service sectors: data comes from the Agency of Industry Promotion. The Tunisian government is aware of the potential benefits for the country from the investments of its emigrants. This is why it offers several advantages (also fiscal advantages) to the migrants who want to invest in Tunisia.

9.2 Return migrants and investments

As we observed in the introduction, when migration occurs predominantly on a temporary basis, then we need to focus on returnees in order to fully understand its impact on the labour market; one of the main regularities that is observed for return migrants – and AMC's make no exception in this respect, is that they tend to opt out of salaried jobs. A disproportionate share of return migrants opt for a self-employed occupations and the MIREM project shows that 27.7 percent of the sampled returnees to Algeria, Tunisia and Morocco became employers or independent workers, while 33.2 percent opted for a salaried occupation. McCormick and Wahba (2001) provide evidence that the duration of the migration experience and foreign savings increase the probability of becoming an entrepreneur upon return to Egypt, though a recent contribution by Wahba and Zenou (2008) has cast some doubts on this conclusion, as the loss of social capital that migration entails makes it harder for Egyptian migrants to set up a successful enterprise. Preliminary analysis of the data from the ELMPS 2006 reveals that a significantly larger share of returnees is engaged in an entrepreneurial activity, and – more interestingly – that the survival rate of the MSEs run by return migrants between 1998 and 2006 exceeded by 14 percentage points the corresponding figure for stayers.

Table 8.1. Return migration and entrepreneurial activities

	returnees	stayers	t-test	obs.
Entrepreneurs in 1998, percent	20.73	5.18	11.88**	17,361
Entrepreneurs in 2006, percent	27.37	8.38	11.68**	17,361
Survival rate of entrepreneurial activities, percent	84.04	69.93	2.36*	923
College graduates among entrepreneurs, percent	12.51	8.12	0.97	923
Enterprises established after 1980, percent	86.89	64.66	4.23**	923

Notes: entrepreneurs defined as individuals reporting to be either self-employed or employers, following McCormick and Wahba (2001); ** and * denotes statistical significance at the 1 and 5 percent confidence level respectively.

Source: authors' elaboration on data from ELMPS (2006)

As the data from the MIREM project shows, the relationship from return migration and the occupational choice upon return depends on the employment status experienced in the countries of destination: the number of migrants from Morocco, Algeria and Tunisia who were self-employed in

Italy was higher than the corresponding figure for migrants to France, who were less likely to opt for an entrepreneurial activity upon return, a choice that is also influenced by the on-the-job training received abroad. Also levels of integration in the host country matter: the more integrated are generally the ones who benefit more from the migration experience in terms of savings, but – as evidenced by Hammouda (2008) for Algeria – they are less likely to come back to the origin countries.

Clearly, also the economic and institutional environment which prevails at home matter, and the share of returnees who carry out some productive investments upon return is substantially lower in Algeria (17 percent) than in Morocco or Tunisia, where the corresponding share is above 40 percent, in line with the arguments described in Section 9.1. They mainly invest in small enterprises with less than 10 employees – with an ensuing limited job-creation effect. In line with the arguments by Wahba and Zenou (2008), social capital plays a key role: about 80 percent of investors report having received help from family or friends in the origin country. The sectors which attract most investments by returnees are: the wholesale and retail trade (36.0 percent), hotels and restaurants (17.9 percent), agriculture (17.5 percent), manufacturing (11.9 percent) and construction (16.3 percent). Trade is also the sector that attracts the majority of returnees from the Gulf in Syria (Kawakibi, 2008).

Sayre and Olmstead (1999) argue that returnees in Palestine after the Oslo accords invested mostly in the service and construction sector, but also, to a lesser extent, in the infrastructures and in the light manufacturing sector; the authors also observe that a large number of skilled migrants have been employed in the public administration sector and this led to an increase in inequality between families with migration experience and the families without such an experience.

9.3 Social remittances and investments

As far as investments are concerned, the single most relevant cultural effect of migration is probably the development of a banking culture (Schramm, 2009), as a larger share of the population in migrant-sending countries becomes familiar with financial services through remittance transfers. This, in turn, can create new opportunities to undertake productive investments.

A powerful channel of the transfer of cultural norms which can influence the choice of entrepreneurial models is represented by migrant associations, whose role in Syria, Morocco and Lebanon is discussed by respectively Dumont (2008), de Haas (2007) and Labaki (2006). The Lebanese government supports two public programs (TOKTEN, *Transfer Of Knowledge Through Expatriate Nationals*, and IDAL, *Investment Development Authority of Lebanon*) to favor the transfer of social remittances to migrant destination countries.

According to Khelfanoui (2006), the contribution of the North American Diaspora to the development of Algeria in terms of technological transfer is much more important than the financial one. There are a number of initiatives, both in the cultural sector and in the scientific sector with the aim of creating a partnership between intellectuals living abroad and those who remained in the origin country. ALASCO is an association for scientific cooperation that was born with this specific goal to arrange periodical visits of Algerian scientists working in US to meet Algerian colleagues. Moreover, partnerships have been created by the Government with the US Embassy, and with a University in Quebec, while in the fields of Information Technology, Human Resources and hydrocarbons have already produced cases of beneficial cooperation.

The Tunisian Government also shows an interest in the development of contacts with its *brains* abroad in order to expand the beneficial effects of skilled migration for the country: scientific conferences to establish relationships between the competences abroad and Tunisian Universities have been organized, and a Coordination Unit has been established in order to create a national strategy to use the knowledge of emigrants (Zekri, 2009).

10. Conclusions

Migration produces deep and far-reaching effects on the labour markets of Arab Mediterranean Countries, through an array of different - but closely intertwined - channels, which have been analyzed in this paper both from a theoretical and an empirical perspective. The complexity of the effects induced by migration, and the limited empirical evidence which has so far been gathered with respect to AMCs, entails that putting together the pieces of the puzzle that have been separately described in the previous section is a challenging task, which should not be expected to provide a neat and consistent picture. Some knowledge gaps – notably on the impact of migration on the level and the distribution of labour earnings – remain, and no conclusions can be drawn about them, but this paper has contributed to filling other gaps, collecting relevant arguments which have been put forward in different scientific disciplines.

There is no doubt that migration reduces the pressure on the labour market, thanks to demographic factors, and this is particularly true in small-sized AMCs. Moreover, migration can also exert an influence on these factors themselves, through the transfer of cultural norms from the countries of destination which reshape fertility decisions (Fargues, 2007b). This indirect – and admittedly medium-term – indirect effect can either strengthen or dampen the initial direct effect, depending on the cultural values that prevails in destination countries. This means that the countries of the Mashreq stand to benefit less than the countries of the Maghreb, whose migrants move predominantly towards the low-fertility European countries, and indeed – as the case of Morocco shows – the unemployment-reducing effect of migration can also induce a substantial internal mobility towards migrant-sending areas.

The influence of migration is uneven across skill groups, as the data – which also include non-OECD destinations – consistently show that the emigration rates from AMCs are higher for highly educated individuals. A review of, regrettably indirect, elements suggest that the prospect to migrate is unlikely to induce substantial increases in the private investments in education in AMCs – with the exception of Lebanon, Jordan and, to a lesser extent, Egypt – that would aggravate the problem of graduate unemployment. This suggests that the *brain drain* should not rank high among the concerns of AMCs, which face notable difficulties in providing adequate employment opportunities to their most talented workers.

The reduction in unemployment is not just mechanically due to the reduction in the labour supply, but also to the influence that migration exerts on the behavior of the working-age population. Young individuals from AMCs who have access to migration networks have a higher propensity to migrate than the rest of the population, and this reduces their incentives to actively seek a low-paid domestic occupation. They devote their efforts, instead, to arranging their own migration project. The theoretical and empirical arguments revised in this paper cast serious doubts on the idea that migration can positively influence female participation in the labour market, which is notably low in AMCs. Migration, which is predominantly male, directly increases the demand for female labour in households with family-run economic activities, as this kind of job encounters a weaker cultural resistance – which can also be reinforced through the transfer of social remittances from destination countries – than waged female employment (Ennaji and Sadiqi, 2008). The demand for female employment within family-run economic activities can also be increased if migrant remittances are used to finance small-scale productive investments, while the effect of remittances on the incentives to seek out waged employment are reduced by the positive income effect they bring about. Furthermore, the opportunities to work outside the household is also constrained by the need to take care of the children left behind with the wife of the migrant. Though a woman may get some support for the care of the children from her relatives, this choice could further reduce her search for a job which is perceived as being detrimental to the social status of the family. This means that migration out of AMCs has, in the short-run, a limited positive – and possibly even negative – effect on female participation on the labour market, which is mostly produced within family-run economic activities. Things *may* change in the medium to long term, provided that social remittances contribute to reduce social resistance towards active female engagement in the labour market.

The labour markets of AMCs also respond to the effects that migration produces on their demand side, and the available evidence on the influence of migration on the patterns of consumption suggests that a non-negligible part of the demand stimulus brought about by migrant remittances leaks out towards foreign-produced goods – especially for the smaller countries with a limited manufacturing sector, while the domestic job-creation effect is predominantly limited to low-skilled occupations. The demand for real-estate investments systematically experiences a boom in migrant-sending areas, and this gives rise to a boom in the construction sector, where new job opportunities emerge. Though this partial effect is positive, it should also be considered as revealing of the lack of opportunities for migration-financed productive investments, which could produce a greater and longer-lasting effect in term of demand for labour. The evidence on the effects of migration – mostly via remittances – on investments is limited and mostly anecdotal, while evidence on the effect of return migration on investments in AMCs, which appeared to be one of the most beneficial effects of migration upon the origin countries, is still limited, and controversial. Moreover, return migration to the region – and most notably to the Mashreq countries – has often been induced by political instability in the countries of destination, so that it has represented a destabilizing factor for the labour market in the origin countries.

There are some promising signals that remittances to AMCs are stimulating the deepening of the credit and equity markets. This could ease the set-up of new enterprises, which is threatened by an unfavorable institutional and economic environment, one of the root causes of migration. When economic migration is determined by the scarcity of investment opportunities, rather than by the lack of financial resources to undertake them, then migration *per se* can hardly be expected to generate these missing opportunities.

Though we have been able to advance some tentative conclusions, there are various labour-market outcomes that need to be further analyzed before the puzzle of the impact of migration on AMCs can be better understood. This paper has laid out a possible analytical framework that could guide future research on the effects of migration on the labour market of Arab Mediterranean Countries, which should not be restricted to the economic domain, as any economic effects are profoundly shaped by migration-induced social and cultural transformations.

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