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CIRCULAR MIGRATION AS AN EMPLOYMENT STRATEGY FOR MEDITERRANEAN COUNTRIES

Alessandra Venturini

CARIM Analytic and Synthetic Notes 2008/39

Circular Migration Series

Cooperation project on the social integration
of immigrants, migration, and the movement
of persons (CARIM)

Co-financed by the European University Institute
and the European Union (AENEAS Programme)



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Euro-Mediterranean Consortium
for Applied Research on International Migration

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CARIM-AS 2008/39

Circular Migration as an Employment Strategy for Mediterranean Countries

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This publication is part of a series of papers on Circular Migration written in the framework of the CARIM project, and presented at two meetings organised by CARIM in Florence: *The Role of Circular Migration in the Euro-Mediterranean Area* (17 - 19 October 2007), and *Circular Migration: Experiences, Opportunities and Constraints for Southern and Eastern Mediterranean Countries* (28 - 29 January 2008).

Please follow this link to access all papers on Circular Migration: www.carim.org/circularmigration

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[Full name of the author(s)], [title], CARIM AS [series number], Robert Schuman Centre for Advanced Studies, San Domenico di Fiesole (FI): European University Institute, [year of publication].

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CARIM

The Euro-Mediterranean Consortium for Applied Research on International Migration (CARIM) was created in February 2004 and has been financed by the European Commission. Until January 2007, it referred to part C - “*cooperation related to the social integration of immigrants issue, migration and free circulation of persons*” of the MEDA programme, i.e. the main financial instrument of the European Union to establish the Euro-Mediterranean Partnership. Since February 2007, CARIM has been funded as part of the AENEAS programme for technical and financial assistance to third countries in the areas of migration and asylum. The latter programme establishes a link between the external objectives of the European Union’s migration policy and its development policy. AENEAS aims at providing third countries with the assistance necessary to achieve, at different levels, a better management of migrant flows.

Within this framework, CARIM aims, in an academic perspective, to observe, analyse, and predict migration in the North African and the Eastern Mediterranean Region (hereafter Region).

CARIM is composed of a coordinating unit established at the Robert Schuman Centre for Advanced Studies (RSCAS) of the European University Institute (EUI, Florence), and a network of scientific correspondents based in the 12 countries observed by CARIM: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestine, Syria, Tunisia, Turkey and, since February 2007, also Libya and Mauritania. All are studied as origin, transit and immigration countries. External experts from the European Union and countries of the Region also contribute to CARIM activities.

The CARIM carries out the following activities:

- Mediterranean migration database;
- Research and publications;
- Meetings of academics;
- Meetings between experts and policy makers;
- Early warning system.

The activities of CARIM cover three aspects of international migration in the Region: economic and demographic, legal, and socio-political.

Results of the above activities are made available for public consultation through the website of the project: www.carim.org

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Abstract

The objective of this paper is to explore the concept of “circular migration”, its characteristics, its implications and its feasibility for sending and destination countries. So as to better understand the implications of circular migration, we first examine the economic context in which the concept belongs. The potential benefits of circular migration programmes for sending and destination countries will then be explored as well as the specific benefit for the migrant himself/herself.

Then, by using a flow model, we analyse whether circular migration can become the main employment strategy for solving labour market excess supply or whether it will be just one among many employment strategies to be implemented in MENA. Lastly, we conclude with some recommendations given with the hope of improving the results of circular migration programmes at both ends in a “flexicurity” framework.

Résumé

L'objectif de cette contribution est d'explorer le concept de « migration circulaire », ses caractéristiques, ses implications et sa faisabilité pour les pays d'origine et de destination. Afin de mieux comprendre les implications de la migration circulaire, nous allons examiner en premier lieu le contexte économique dans lequel elle s'inscrit. Nous explorerons ensuite les bénéfices potentiels des programmes de migration circulaire pour les pays d'origine et de destination ainsi que pour le migrant lui-même.

Ensuite, par le biais d'un modèle de flux, nous analyserons si la migration circulaire peut devenir la stratégie principale en matière d'emploi pour résoudre l'excès d'offre sur le marché du travail ou s'il s'agit juste d'une stratégie parmi d'autres à mettre en œuvre dans les pays MENA. Enfin, nous concluons avec quelques recommandations en vue d'améliorer les résultats des programmes de migration circulaire pour chacune des parties, ceci dans le cadre de la « flexicurité ».

1. Circular migration: definitions¹

Circular migration is a topical issue in the field of migration. The idea is not well defined, but it can be summed up as a proposal to favour regular temporary migration for the benefit of destination countries, which have always preferred labour to people, and for the benefit of sending countries, which still have an excess workforce, frequently moving with no protection.

The idea of circular migration belongs to the flexibility paradigm which prevails in the European debate. Technological changes have induced many revisions in the way of working, and the large Fordist type of production has been replaced with small companies which decentralise the phases of the production chain outside the establishment and frequently abroad and re-assemble final products or vice versa. The globalisation of the goods market has increased international competition, and firms have been revisiting their ways and methods of production more frequently than before. It is true that the number of white collar jobs is on the rise, but required competences change rapidly and continuous training has become a necessity. The number of workers with temporary positions has increased in the EU15, it was 13.3% in 2001 and it is now 15%, with above average scores in Spain, but average scores in Germany and France.

During the 90s, there was a consensus that Europe was growing at a lower pace than the USA and that unemployment rates were much higher, because the EU labour market was too rigid and more flexibility was needed. On the other hand, worries were widespread that the cost of the many flexible contracts should not be borne only by workers, thus a “flexicurity” paradigm was introduced in order to combine the flexibility needed by the new production processes with the security which facilitates the transition from job to job².

Hence, if native workers have and will have a fragmented working life, what about labour migrants? They should probably also have a fragmented stay abroad for work.

The idea of a circular migrant comprises small entrepreneurs who move from the sending to the destination country for a short period, or vice versa; seasonal migrants who repeat the same journey every year and work abroad for short periods of time (less than one year); and also contracted migrants who work abroad until the end of the project for which they have been hired.

The **length of** the stay abroad is a central and controversial issue. In general, temporary migration permits are shorter than one year in duration; though they can be extended or renewed, as for instance in Australia, for up to 4 years.³

A *restricted definition* hence considers circular migration as a phenomenon with repeated short stays and repeated returns.

A more *extended definition* of the concept, frequently adopted in the literature, considers circular migration as entailing the return of migrants in their working age after a relatively long stay.

This paper explores whether the restricted definition focusing on short and repeated migration patterns can offer a viable solution for the current migration pressure.

Another important component of the circularity proposal is that it should accommodate **supply and demand** desires. Thus it should not include the cases where the duration of the stay abroad is mainly in the hands of the demand side. Upon pondering the complexity of circular migration schemes, one is

¹ I would like to thank all the CARIM group in particular Brahim El Mouatamid for many helpful discussions.

² European Commission, 2007, Employment in Europe 2007, Ch.3 Working time, work organization and internal flexibility-flexicurity models in the EU.

³ See Graeme Hugo, 2003, Circular Migration: Keeping Development Rolling?, MPI.

compelled to take into consideration many facets of the problem. For instance, is Egyptian migration to Arab States circular? Is it the demand for labour which conditions the duration of permanence abroad? In many cases the answer is yes, but the institutional setting also plays a decisive role in conditioning the migrant's decisions regarding settlement abroad.

In migration literature, there is the very well-known dictum that “nothing is more permanent than temporary migration”. This dictum comes from the many interviews conducted during the 70s with migrants in Germany who had the intention of returning back home and who, instead, remained there for good. As is well-known, intentions are very different from actions. Nevertheless, in this specific case, it is noteworthy that the changed **institutional setting** - with the introduction of restrictive immigration policies during the second half of the 70s - obliged foreign migrants to revise their decisions: coming and going was no longer an option, and even if it were their preferred option, they adjusted their choice to the second-best option available. This also calls to mind the Malaysian⁴ case whereby a tolerated migration of Thais in the North favours a circular flow with very little settling, while the increase of restrictive policies in the South adopted versus Indonesian labour migrants ensure that the workers as soon as they find a job, even an illegal one, settle permanently. Thus a legal institutional setting which favours frequent coming and going, *ceteris paribus*, will incentivise short-duration stays.

In a globalised labour market, the very nature of labour migration is changing. It is no longer a question of the permanent movement of people, a movement that is commonly represented by demographers as a hydraulic model, where the excess population and excess workforce were directed to regions with less population pressure.

Migration has now to be perceived by the origin countries as a **temporary lending** and by the guest country as a **temporary borrowing** of labour for a given (short) period.

The very word “migrant” will thus have to be redefined; and so too will the traditional information-gathering instruments such as population censuses and labour-force surveys, which mainly cover settled foreigners. Also a profound rethinking of the theory of migration will be necessary, because the bulk of it focuses upon assimilation, competition in the labour market, and the use of the welfare system in host countries, aspects which are more relevant to settled foreigners than to temporary stayers.

2. Are there benefits for all?

2.1. Clear benefits for the destination country

The benefits for the host countries seem, in this context, easily defined.

In Europe, immigration “greases the wheels” of a very immobile and inflexible labour market where the labour supply does not move and adjusts to the excess demand for labour, preventing an increase of wages and prices and the relocation of production. In particular, in the case of Southern European countries which are still specialised in many “traditional” products, the presence of foreign labour discourages the relocation of production to Eastern Europe.⁵

Temporary migrants will thereby not be a burden for the welfare state, and will not challenge the already shaking European model of the integration of foreign labour; integration being the main challenge host countries have to face.

⁴ Cited by Greame H., MPI

⁵ Barba, Bertola and Sembenelli 2006.

The introduction of a system of circular-short-term migration will also discourage the illegal entrance or, at least, irregular employment of foreign workers, and will also improve crucial security issues.

Furthermore, not all European countries need temporary labour. Many of them, notably the Southern ones, are in need of permanent migrants to contribute to their pension deficits, and also additional population, given the rapid decline in their birth rates. But this is a separate problem, which does not reduce the enthusiasm of destination countries for temporary-migration projects.

2.2. Is there a benefit for sending countries?

If eventual benefits of circular migration schemes for sending countries were to be assessed, the first benefit would be social.

Temporary migration is less disruptive to the family and to the society out of which the migrants come. For instance, children will be less abandoned to the care of grandparents or single parents, and more investment might be made in childcare field. This will ensure a more balanced evolution of the society, and will, in turn, favour economic and social development.

The sending countries favouring temporary contracted or individual migration schemes could also

- reduce illegal migration or at least irregular work abroad;
- avoid “brain drain” or at least reduce it;
- promote the return of human capital or simply social capital conducive for development;
- favour the remittance inflows, which are in general higher in the case of temporary migrants because they avoid all the transaction costs involved in sending money home, and because circular migrants tend to invest less in the destination country than in their countries of origin.

However, it is crucial to evaluate whether the negative effect of remittances - namely the creation of a subsidised economy - is reduced with circular flows as no clear assessment of this issue exists. Yet, it is well known that the negative effect of brain drain or of remittances depends upon the level of socio-economic development in the area from which migrants originate. The same programme then may have a positive effect in rural areas and a negative effect in urban ones, or vice versa. Thus, the selection of the areas from which migrants originate, and the concentration of programmes or of spontaneous flows seem crucial to preventing a long-term slowdown of production and growth. Moreover, if circular migration were to include new subjects (for instance, in Morocco, women with children), very little is known about the effects induced by these changes in the labour market, but even less is known of the impact of these schemes on social life in the area of origin, which itself conditions the economic development of the entire area.

2.3. Benefit for the migrants?

Generally speaking, people prefer to stay at home. Sociological literature is full of heart-breaking stories concerning the suffering of an emigrant detached from his or her family and surroundings etc.

Economists usually rephrase this issue and say that people have a strong “home bias”. The financial literature is replete with articles showing that individuals prefer to buy national assets (Ahearne, Grier and Warnock, 2004). According to trade literature as well, people prefer to buy national goods: intra-state trade is always larger than trade between states. McCallun (1995) found that in Canada intra-provincial trade was 22 times larger than trade between provinces. Nitsch (2000) found that intra-national trade in Europe during the 1980s was 10 times higher than intra-community trade, which clearly shows that frontiers in Europe matter.

There are many reasons why natives prefer national products. Official and informal barriers probably exist, but costs are mixed with tastes. Different measures of distance have been implemented in order to consider the average size of the goods market, but an unexplained part always remains. Guiso, Sapienza and Zingales (2004) have investigated the causes of home bias more deeply by using a measure of cultural biases - namely trust⁶ in people of different nationality - which is significant in explaining trade, portfolio investments and foreign direct investment, even after taking into account different national characteristics, different information sets and historical and cultural variables.

Migration literature shows that the higher utility of consumption with relatives in the country of origin, named “home bias” by Faini and Venturini (1993) determines the return of emigrants (Djajic, 1989, Dustmann, 1994) and the reduction of emigration flows even in the presence of a high wage differential (Faini, Venturini, 1993).

There is large body of empirical evidence that people prefer to remain in their countries of origin. Even in Europe, scant internal mobility can of course be interpreted as resulting from language barriers, the cost of housing, and the risk of losing welfare rights, pension assets and tax benefits but only to a minor extent. Market rigidity stems largely from a strong preference for staying home. However, migrants are able to choose consumption with relatives at home only if they are wealthy enough to afford it. In an empirical test done by Faini and Venturini (2007), the average income per capita of 4000\$ is the threshold which has engendered the slowdown of emigration from Southern European countries. That means that quite rich countries are very close to the turning point at which the individual demand for higher income obtained by moving abroad is off-set by the disutility of consuming abroad. The citizen may be willing to take a temporary job abroad, but much less so permanent ones.

These results suggest that *circular migration* or *temporary migration* may be a project for affluent countries, where the trade off between more goods abroad and consumption at home works out in favour of the second: while for less affluent countries consumption with relatives at home is too costly in terms of quantity of goods to forgo.

There are many examples of migrant returns which also coincide with a phase close to the end of emigration: see for instance, Dustmann and Kirchkamp (2002), Constant and Zimmermann (2007) for Europe, as well as Lidgard and Gilson (2002) for New Zealand.

All this implies that a programme of temporary migration is well-suited to affluent countries which need only little income or training for their workers for a temporary period, because natives will very soon lose interest in moving to obtain more income. For many workers in the ECA countries, the temporary-migration policy may be the more appropriate solution, chosen in many cases by the worker him/herself, a choice that should not be opposed by institutions.

Notwithstanding these remarks, the more interesting and novel question in the field of circular migration is whether the circular-temporary migration approach could be adopted by the less rich countries with greater benefits for their development.

3. Is Circular Migration an employment strategy for sending countries?

3.1. ECA migrants

When the issue of circular migration arises, the first thought is for the many middle-aged Eastern European women working in European families taking care of old people, who have already legally or illegally adopted this type of arrangement. If they have small children and are very close to the job, they usually share the latter with a named “sister” or “cousin”, and their average length of stay is

⁶The measure of trust is derived from a set of surveys conducted by the Eurobarometer.

between two weeks and 6 months. The older the children are and the more distant these women are from their country of origin, the longer they tend to stay: but only to finance their children's university studies etc. In general, they do not plan to settle in the destination country.

This is really the type of job in which both demand and supply are temporary. Old people leave and migrants have other interests in the origin country. The illegality of entry and tighter control procedures force some emigrants to remain longer than they want, waiting for legalisation which will grant them the right to go back and forth in the future as they please.⁷

In the building sector, the demand for labour is more closely linked to specific projects, but foreigners with merely a tourist visa are usually illegally employed in these positions; and thus a circular migration scheme for a specific project suits these cases very well. Seasonal agricultural contracts are examples of repeated and short-duration migration. Another example is the recruitment of skilled circular migrants from Eastern Europe – known for their proficiency in foreign languages - for congresses and conferences.

Still, Eastern European countries are very close to what we called above “the turning point” where the level of income *per capita* discourages emigration. Fundamentally, if national governments do not directly address the emigration issue, emigration will disappear in the near future, above all, for two main reasons: declining fertility rates and growing production. The opportunities available to Eastern European workers at home will compensate for the lower income that they can earn at home with the utility of staying home.

Table 1: EU and ECA GDP, literacy, participation and fertility

Country 2006	GDP ppp in \$	Rank	Literacy all	Literacy female	Female Labour Particip.	Fertility rate	Population growth
<i>European Union</i>	29.9	34				1.5	0.16
<i>Italy</i>	30.2	32	98.40%	98%	33	1.29	0.01
<i>Portugal</i>	19.8	57	93.30%	91.30%	47.7	1.48	0.33
<i>Greece</i>	24	47	96%	94.20%	36.6	1.35	0.16
<i>Spain</i>	27.4	38	97.90%	97.20%	40.8	1.29	0.12
ECA							
Slovenia	23.4	48	99.70%	99.60%	47	1.28	-0.005
Slovakia	18.2	61	99.60%	99.60%	43.1	1.25	0.147
Hungary	17.5	63	99.40%	99.30%	47.4	1.28	-0.25
Poland	14.4	72	99.80%	99.70%	47.6	1.23	-0.046
Estonia	20.3	55	99.80%	99.80%	47.2	1.49	-0.06
Lithuania	15.3	66	99.60%	99.60%	43.3	1.26	-0.28
Latvia	16	64	99.70%	99.70%	45.6	1.29	-0.06
Czech Republic	22	51	99%	99%	43.6	1.24	-0.07
Romania	9.1	94	9.30%	96.30%	40.8	1.3	-0.127
Bulgaria	10.7	87	98.20%	97.70%	40.4	1.31	-0.8
Moldova	2	184	99.10%	98.60%	39.1	1.25	-0.11

Source: The Factbook, CIA.

⁷This is also true of the type of job for which this kind of circular migration contract should be designed, because the longer women stay in destination countries the less they are suited for such a demanding job. Thus they move to the house-keeping sector where they displace native workers, and create a demand for new entrants as nurses for old people who, in turn, move, after a while, to the house-keeping sector.

3.2. SEC past emigration

For Southern European countries, migration has been an employment necessity or it has been viewed in more cynical and economic terms as an employment strategy.

Broadly speaking, Southern European countries used to have an “internal” labour market of workers who were closely protected by trade unions, to the extent that it was difficult to dismiss them, and who earned relatively high wages, because they were usually the only regular breadwinners in large families.

In addition, there was (and still is) an extensive underground economy lacking any kind of legal protection.

If on the one hand the internal labour market, that includes workers in big factories and in public administration, encountered difficulties in managing the workforce according to the business cycle and in maximizing workers’ efficiency, on the other hand the informal economy provided income for the unemployed or for members of the family, while endowing the economic system with some flexibility.

Migration represented the third option available to the workers unable to find a reasonable job at home. It initially took the form of contracted migration whereby entrepreneurs, for instance, German employers, organised recruitment in the sending countries. This form of contracted migration seemed a temporary project, and if it became a permanent one, this was largely due to changes in the institutional setting after the 1971 recession.⁸ This made movement more difficult, and entry was transformed from a stop-and-go phenomenon into a stable one.

It is worthwhile noting here that the emigration of southern workers to North Europe was perceived as an employment strategy complementary to that of job-creation at home. This is all though now a question of history. Today, if migration is an employment strategy, it should be more actively and efficiently managed so as to favour income opportunities for permanent citizens resident for a short while, to protect their rights and promote their return with policies enhancing their active integration.

3.3. Is there a benefit for the Mediterranean countries?

MENA countries are further away from the turning point because their fertility rates are still high and their economies are growing very unevenly. Moreover, the political situations of these areas provoke a continuous climate of instability which reduces the chances of long-term economic reform.

⁸ See Venturini A., 2004, Postwar Migration in Southern Europe, 1950-2000, CUP.

Table 2 MENA GDP, literacy, participation and fertility

Country 2006	GDP ppp in \$	Rank	Literacy all	Literacy female	Female Labour Particip.	Fertility rate	Population growth
<i>European Union</i>	29.9	34				1.5	0.16
<i>Saudi Arabia</i>	13.8	73	78.80%	70.80%		3.94	2.06
<i>The United Arab Emirates</i>	49.7	5	77.90%	81.70%		2.43	3.99
<i>Qatar</i>	29.8	35	89%	88.60%		2.75	2.38
<i>Bahrain</i>	25.6	41	86.50%	83.60%		2.57	1.39
<i>Kuwait</i>	23.1	49	93.30%	91%		2.86	3.56
Algeria	7.6	110	69.90%	60.10%		2.38	1.2
Libya	12.3	81	82.60%	72%		2.72	2.26
Tunisia	8.9	95	74.30%	65.30%	24.4	1.93	0.98
Morocco	4.6	140	52.30%	39.60%	21.6	2.38	1.5
Mauritania	2.6	168	51.20%	43.40%		4.37	2.86
Egypt	4.2	144	71.40%	59.40%	14.5	2.89	1.7
Jordan	5.1	129	89.90%	84.70%		3.13	2.4
Lebanon	5.9	122	87.40%	82.20%		2.21	1.19
Syria	4.1	146	79.60%	73.60%	18.8	3.08	2.24
Turkey	9.1	93	87.40%	79.60%	25.2	2.14	1.04
Israel	26.8	39	97.1	95.9		2.38	1.15
The West Bank and the Gaza Strip	1.5	200	92.4	88		4.17	2.98

Source: The Factbook, CIA.

Migration flows in the Mediterranean countries are in this regard very complex.

To depict the major migration movements characterising this region, we note the following important outflows:

- Outflow to the North-OCDE⁹: EU and USA, Canada etc.
- Outflow to another type of North-non OCDE: Saudi Arabia, UAE, Qatar, Bahrain, Kuwait.
- And last but not least, many South-South flows where workers from Egypt and Syria go to Jordan and many other interactions among the MENA countries themselves and, to a large extent, with other Southern ones.

The majority of emigrants are male. For instance, in Algeria, female migrants are 1/3 of male migrants, in Egypt 1/2, in Morocco and Lebanon 60%, in Turkey 70%, but many of them are reunified family members who did not move alone (CARIM 2006-7). In general these migrants are young. Overall, more than 50% of these migrants are in the 20-39 age bracket. With many notable exceptions, they tend to lack high expertise.

⁹This distinction is taken from a paper of Ratha Shaw 2007 "South South migration".

Of course exceptions should be in this case highlighted. We mention for instance the skilled Egyptian migrants who go to the USA, the skilled Lebanese migrants emigrating to the Arab countries or Turkish professionals abroad (Güngör N.D., Tansel A., 2007) etc.

Table 3: MENA Migrants by group of countries of residence, according to statistics of origin countries

Country of origin	Country of residence			Total
	European Countries	Arab Countries	Other Countries	
Algeria 1995	92.5	6.2	1.3	1072246.0
Egypt 2000	15.9	69.9	14.2	2736729.0
Jordan 2004 (b)				29397.0
Lebanon 2001	25.9	20.4	53.7	606600.0
Morocco 2005	85.3	6.7	8.0	3185386.0
Palestinian Territory 2002 (c)	6.3	88.8	4.9	4707471.0
Tunisia 2005	83.4	13.8	2.8	933900.0
Turkey 2004	86.2	3.1	10.8	3520000.0

(a) Israel, Jordan and Syria do not provide statistics of their nationals abroad and are not included in this table
(b) For Jordan, detailed data by country of residence is not given
(c) Europe to read in the case of Palestinians abroad as all countries except the Arab countries and the US
(d) Total is partial (Israel, Jordan and Syria not included) and does not correspond to migrant population at any given moment of time (statistics relate to different dates)

Source: CARIM Annual report 2006-7.

Regularities in such a rich scenario are very difficult to specify. In any case the number of women in middle age who move either alone or as part of a family is limited (contrary to the ECA countries). The main reason for female migration is family reunification. The number of skilled migrants, say migrants with a degree, is smaller than the unskilled ones, though it is growing. Migrants with mere manual experience predominate.

These are, however, the characteristics of domestic labour markets where the unemployment rate is not a good measure of the supply of labour.

According to the ILO Global employment trends report in 2006 a world average female participation rate of 52% (in North Africa and Middle East only 29.9%). The share of women employed relative to the female population has a world average of 49%, while in North Africa and Middle East, it is 24%: not to forgetting that female unemployment is much higher than male unemployment in the NA-ME than in other cases.

The labour market works in a very similar way to that of the SEC. There is a large and very well protected internal labour market, and an even larger informal labour market with very marginal employment opportunities. In this scenario, emigration is an important employment strategy which generally affects 2-3% of the population. Circular migration could be very important in this regard, because it could be extended to more individuals and could encompass new subjects.

Many examples of circular migration already exist. Examples of projects include: coordination by the ANAPEC in Morocco; the bilateral agreement with the Italian Government in Tunisia; and many temporary migration schemes in Egypt with the Gulf countries, as well as in Syria, Lebanon, Jordan, Turkey... Many of these flows are the result of individual choice and are not coordinated as an employment strategy. This draws our attention to whether circular migration could become, at least in the short term, the main employment strategy of these sending countries.

3.4. Flow model of the labour market

We use the stock and flow analyses applied to the MENA and ECA labour markets to determine whether the excess supply of labour generated by the domestic labour market can be satisfied by circular migration projects. The flow model is particularly suited to this approach where migration can be both permanent and temporary; and it yields a better picture of the short-term movement in the labour market. The reference model is now briefly described (for more details see Bruni, Venturini, 1993).

We denote with FS the Labour Supply in terms of Flow (FS), namely first-time entries into the Labour Force, which are strongly related by participation rate to the Working Age Population.

It is our contention that the main determinants of this variable, given the institutional and behavioral rules existing in each country (IR), are the entries in the Working Age Population (WAPe) and the probability that new working-age entrants will find employment, namely the Labour Demand in Flow terms (FD).

Labour Demand in terms of Flow (FD), namely the number of first-time entries into employment results from Replacement Demand (RD), the number of definitive exits, i.e. the number of people who retire from employment and will never again be employed, and the Additional Demand (AD), the number of additional jobs created in that interval.

$$[1] \text{ FD} = \text{AD} + \text{RD}^{10}$$

The level of Additional Demand is determined by the rate of growth of production (PIL) and by the rate of technological progress (TP). Its value may therefore fluctuate rather strongly from one interval to another depending on the phase of the economic cycle, while the Replacement Demand (RD) is a much more stable component of Labour Demand and its value will change at a slow and easily forecastable pace. However, its determinants are numerous: changes in the retirement age and retirement laws and procedures; changes in the nature of diseases and medical discoveries; improving average life expectancy; natural and human events which alter the age structure of the working age population; variations in the birth rate which will modify, in due time, the size of the oldest age groups of the employed, etc.

In any given interval of time, a **closed labour market** will exhibit equilibrium in terms of flow, if the number of desired first-time entries into the labour force (FS*) is equal to the number of first-time entries into the employment area ¹¹.

$$[2] \text{ FS}^* = \text{FD}$$

Given the generational nature of the Replacement Demand and of Working Age Population entries, in a closed labour market the necessary condition for the promotion of a flow equilibrium¹² is the net creation of a number of additional jobs equal to the difference between first-time entries into the Labour Force and definite exits from Employment. We can therefore define equilibrium Additional Demand as:

¹⁰ Also a Temporary Balance (TB), the difference between temporary exits and reentries (Ex2-Ee2) should be added, and is an element whose value is very much affected by the duration of the time interval considered.

¹¹ Desired or equilibrium variables has *.

¹² A situation of flow equilibrium implies that the level of total unemployment remains constant, while allowing for changes in the composition of total unemployment between its components; moreover, if unemployment is positive, a labour market flow equilibrium does not ensure that all people entering the labour force will enter employment.

$$[3] AD^* = FS^* - RD$$

In any given interval, if the Flow Supply is larger than the Flow Demand there is an Internal Excess Supply – also called Migration Potential –x which is equal to the difference between the potential entrants into the labour force, i.e. the number of people who would like to enter the labour supply for the first time (FS*), and those who succeed in securing employment for the first time; therefore

$$[4] MP = FS^* - FD = FS^* - (AD+RD)$$

The Migration Potential in terms of flow can be positive or negative.

Therefore, if we introduce the concept of Migration Potential in terms of Stock (MPS) and we define it as the algebraic sum of past Migration Potentials in terms of flows, a positive MP will increase MPS, while a negative one will lower it.¹³

If we open the labour market and we consider the flow of emigrants (M) as well, we may reach a new equilibrium where foreign flow demand (M) plays a role, or where there is still an absolute excess supply AES.

$$[5] AES = FS^* - FD - M$$

In the table below, this approach is applied to some of the MENA countries, mainly those which have a large migratory potential. The most recent available information is used so that we have annual flows. What emerges from table 4 below is that the choice of circular migration cannot solve all internal labour market imbalances (IES); but nor can it satisfy the potential migrants who have not moved in the traditional way (AES). If, as suggested, we use the restricted definition of circular migration which implies many trips and short stays, the absolute excess supply (the number in the last column of table 4) thus provides an indication of the circular migrant contracts needed each year and which should be renewed the following year. But if, in the subsequent year, the economic dynamics are the same, to the initial flow a new one must be added, so that in 3 years the amount of the flows should be threefold, in four-years fourfold... Let us take, for instance, the case of Morocco: each year it needs 128,000 new contracts for circular migrants, plus 128,000 renewed contracts for previous circular migrants, and so on.

This simple exercise allows us to conclude that circular migration must be pursued by sending countries together with destination countries, but only as **one among the many employment strategies** implemented to increase demand, namely domestic job creation. And traditional “permanent” migration policies would also have to be supported.

¹³ The Migration Potential in terms of stock, as here defined, could in fact be used to give empirical content to the concept of migration pressure we discussed in the first section of our paper.

Table 4 Absolute excess supply

Annual Labour Market Flows								
	year	FS Flow Supply	RD	AD	FD Flow Demand	IES flow	M	AES
		Inflow	Exit flow	Additional demand	Total Flow Demand	Internal Excess Supply	Emig.flow	Absolute Excess Supply
Tunisia	2005	113,000	35,000	48,000	83,000	30,000	4113/9,000	26,000/21,000
Morocco	2006	310,000	92,000	30,000	122,000	188,000	60,000	128,000
Egypt	2006	938,000	150,000	624,000	774,000	164,000	92,811	72,000
Algeria	2005	357,000	37,000	12,000	49,000	308,000	42,000	266,000
Turkey	2006	837,000	240,000	130,000/430,000	370,000/670,000	597,000	51,590	400,000 or 100,000
Population data, Labour force data, Exit data: ILO statistics. Additional demand CARIM data Istanbul Conference Migration data CARIM Report 2006-7								

4. Concluding remarks: policies to be implemented in order to favour circular migration

In way of conclusion, we underline that even if circular migration is only implemented as one among the numerous employment strategies in both destination and sending countries, some instruments have to be promoted to favour its diffusion and its equity.

◆ *Dual citizenship for Entrepreneurs*

Circular migrants' cases and profiles are various and very different. The easiest one to approach is that of those entrepreneurs who reside in one country and, yet, work in other one. In order to favour additional contacts, granting dual citizenship may be a shortcut to promoting economic integration and complementing production in the two areas.

◆ *Specific Portability of Pension*

The portability of pension rights is another crucial element. Pensions are part of overall wage, and certain pension rules, such as minimum seniority requirements, may constitute a barrier or an implicit cost in cases of migration.

The primary duty of a pension system should be to insure against longevity risk, that is to grant a stream of income to individuals who have retired from labour market. Payroll taxes are, then, a form of mandatory saving that, at retirement, give entitlement to an annuity.

Many systems, however, require the worker to contribute, for at least a certain number of years, to the system in order to gain entitlement to a pension - i.e. imposition of minimum seniority requirements for access to pension benefits - transforming contributions into mere taxes for all workers who accrue only a few years of seniority - as for example, in the case of seasonal immigrant workers.

Let us imagine a worker facing two options for the next 5 years. The first one is to work at home 12 months a year earning a wage of 10 for each month, with a total wage bill per annum of 120 and an overall gross earning in 5 years of 600. The second option is to work each year in a seasonal job for 3 months in a foreign country that pays 40 each month. Following the empirical literature which suggests this equivalence, the second option grants the same yearly wage of 120 and total gross earnings of 600 in 5 years.

Suppose furthermore that the two countries have the same pension system with, for example, a payroll tax rate of 15 per cent of the gross wage and a minimum contributory requirement of 5 years. While earning the same gross wage, the worker is required to pay contributions of 18 each year in both cases.

However, given the minimum pension requirements, in the absence of particular bilateral agreements on pensions, the worker will never accrue a seniority sufficient for the pension in the host country, because he has worked only five times for 3 months, which adds up to less than one year and half, so that, in this way, he loses all the contributions that have been paid.

The literature on the portability of the pension rights is aware of this problem. As surveyed in the World Bank report coordinated by Holzmann R., Koettl J., Chernetsky T. (2005) various countries have in place bilateral agreements allowing workers to cumulate seniority accrued in different countries. But the more common case is of the foreign worker who has cumulated all the pension rights in a destination country and wants to cash it in the country of origin. Seasonal workers are, instead, often excluded from doing so because they have not reached the minimum contribution threshold.

Perfect portability requires true capitalisation of contributions. Thus, circular workers should be entitled **to some sort of personal pension account** in which they cumulate contributions paid in all the countries in which they have worked, i.e. a sort of mandatory saving deposit in a bank or in a fund. Only in this way would they be free from the above-mentioned implicit cost of migration. The two working options presented above - 12 months at home or 3 abroad - become comparable, and for the origin country circular migration represents an employment strategy which grants the same wage and the same pension.

Emigrants to the Gulf Region are frequently not obliged to pay social security contributions, so that no portability issues arise (Holzmann et al., 2005). However, if a country considers temporary migration as an important employment strategy, it should organise special voluntary contributions to the social security system in the origin country in order to avoid different social citizenships among its workers.

◆ *Leave of absence*

If a country really envisages the migration strategy as an employment strategy, it must include skilled migration as well, because migration is not only an alternative to maximise income but also a way to increase human and social capital. So it may be an opportunity for the unemployed, but it must also be a chance for the already employed to acquire more income and greater expertise, as a phase of training during his/her professional career.

Hence, not only is the portability of the pension system crucial but also the possibility for the employed workers to obtain a leave of absence.

The leave of absence should guarantee first re-employment upon return. But it should also have a pension incentive or a promotion incentive. An example of the former type of incentive is provided by Italian teachers, who not only receive a higher wage upon agreeing to teach abroad, but also obtain a pension premium, in that each year abroad counts as two for their pension calculation. Examples of the latter incentive must be bargained out with an employer and are more difficult to impose through law.

◆ *Efficient job placing and training agency*

Crucial for the success of the project is the structure of job-placing agencies. In principle, these should be public, but they may also be private. The reduction of bureaucracy is very important, but equally significant for the success of the project is the strict monitoring of the project's various phases – recruitment, travel, and stay abroad – in order to prevent the workers' exploitation and the mismanagement of projects etc., important factors which would eventually discourage and undermine the potential circular or temporary migrants' participation.

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