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## The Financial Crisis and International Migration in the Arab Region: Challenges and Opportunities.

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# Introduction



- The Arab region in general suffers from a **weakness**: the fact that economic growth is not fueled by productive activities, but mainly depends on oil revenues, real estate investments, returns from the tourism sector, as well as foreign aid.
- Real GDP growth is expected to shrink to 4% in 2009, compared with 6% in 2007. This is expected to impact on remittances and unemployment.
- However, the region has a **strength**: the surplus of oil revenues in Gulf countries.



The crisis has led to a visible decline in financial markets in some countries, but its impact on the economy itself is still relatively limited.

- The impacts of the economic crisis on international migration in the Arab region are not fully clear yet, as there is a lack of reliable timely accurate statistics on the issue.
- Available reports mainly focus on the **sizeable flows of return migration, the rise in unemployment rates, the decline in remittances, etc...**

# FIRST- CHALLENGES POSED BY THE CRISIS.



## 1- Exacerbating unemployment.

- The **unemployment rate is currently 14% in the Arab region** (the highest among world regions). In fact, the number of unemployed population is 17 million.
- As a result of the crisis, ALO estimates that:
  - During the year 2009, the **employment opportunities in Arab countries would fall by 19%** (particularly in the banking and investment sectors)
  - During the year 2009, **the demand for Arab labour in Gulf countries would decline by 30%** (in addition to a general decline in the demand for Arab labour in other regions of the world, mainly Europe and North America).

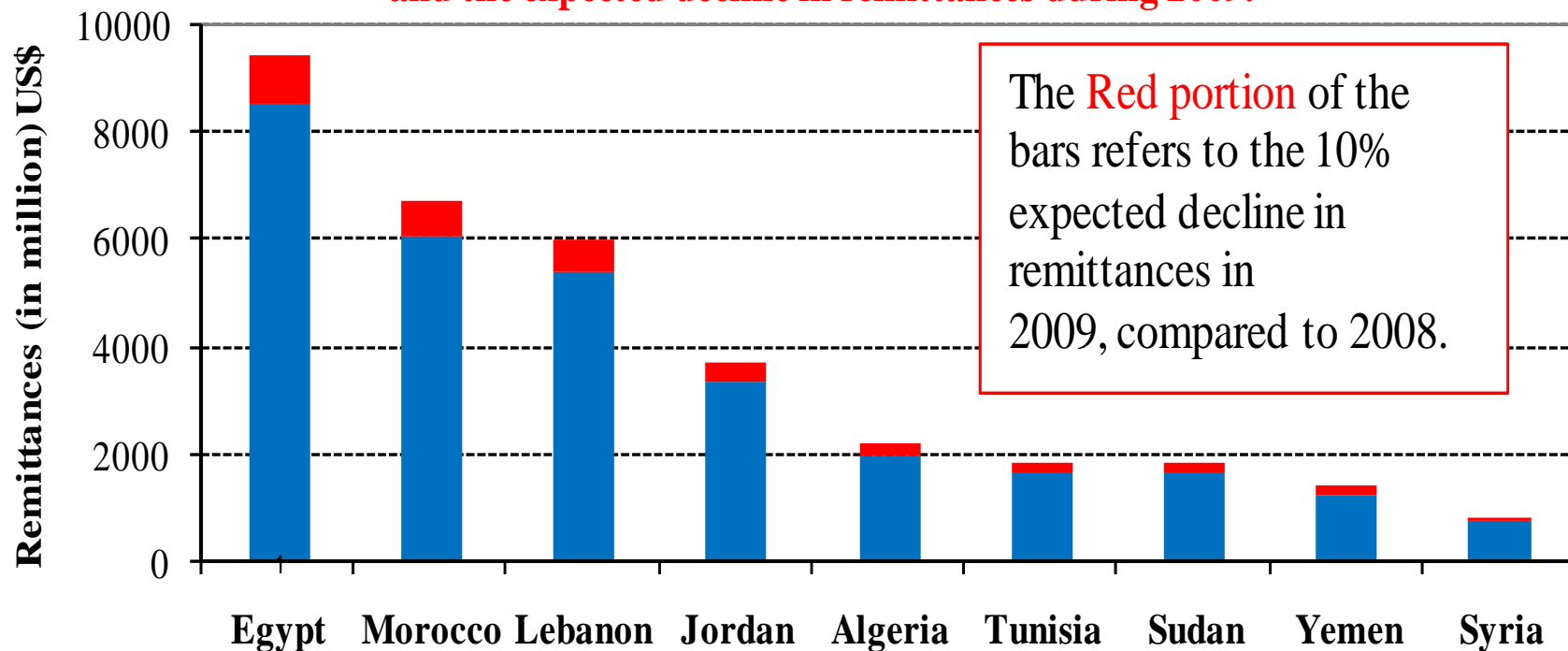
## 2- Squeezing remittances.

- At the world level, the Arab region stands out as the **greatest source of remittances and one of the greatest receivers.**
- In 2004, Gulf countries were the source of remittances amounting to US\$ 26 billion.
- In 2003, the Arab region received US\$ 21.6 billion in the form of formal registered remittances.
- **Egypt, Morocco and Lebanon are the greatest receivers** of remittances in the region, having respectively received 9.5, 6.7 and 6.0 billion US\$ in 2008. Egypt in particular is among the top 10 receivers of remittances at world level.

- **The World Bank estimates that the financial crisis will result in a 10% decline in remittances during 2009 as compared with 2008.**

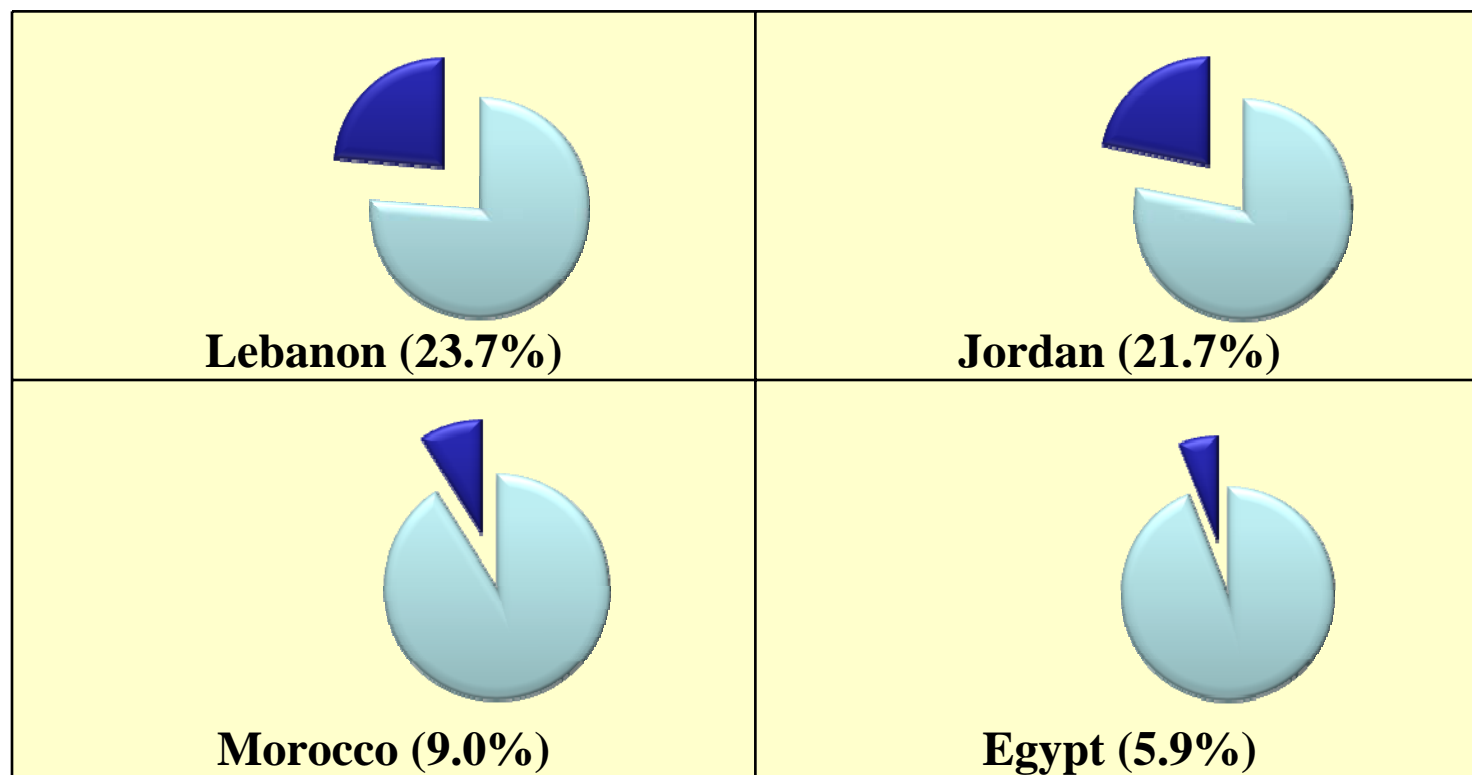
**Figure 1**

**Greatest receivers of remittances in the Arab region in 2008 (in million US\$) and the expected decline in remittances during 2009.**



- The decline in remittances would have a considerable **impact on the living conditions of families** that depend on these remittances, as well as on the **economies of several Arab countries**, since remittances constitute large portions of their GDP (23.7% for Lebanon, 21.7% for Jordan, 9.0% for Morocco and 5.9% in Egypt).

**Figure 2: Remittances as a percentage of GDP in some Arab countries, 2007.**



### **3- Threatening human rights of migrants.**

- The crisis will **threaten the job security of several labour migrants** who would either lose their job or be obliged to accept employment at lower wages and conditions. This is particularly expected in the case of Gulf countries that rely heavily on foreign labour.
- The economic crisis is expected to **exacerbate the already prevailing concerns related to the human rights of female immigrants to GCC countries** to work in domestic help, childcare and personal services (for example females originating from Sri Lanka, the Philippines and Bangladesh...).

N.B: Only Egypt, Libya and Morocco have ratified the UN 1990 ‘Convention on the Protection of the Rights of All Migrant Workers and Members of their Families’.



# SECOND- OPPORTUNITIES OFFERED BY THE CRISIS.



## 1- Fostering brain circulation.

- Skilled migrants have better chances of finding another job if they lose their current one.
  - This **brain circulation can be considered as a ‘triple-win solution’** because it offers opportunities of gains for host countries, home countries and migrants themselves:
    - (1)**Host countries** can fill their labour market needs without facing the full challenges of immigrant integration,
    - (2)**Home countries** can tap into the skills and resources of returning migrants,
    - (3)**Migrants themselves** would benefit from the higher wages in host countries and enrich their work experience and skills.
- Thus, in circular migration, the emigration of highly-educated and skilled workers from Arab countries to work outside (phenomenon known as ‘brain drain’) can ultimately become beneficial for these countries of origin when emigrants return.

## **2- Restoring balance to the population pyramid.**

In the Arab region, age and sex-selective migration has caused two types of population pyramid imbalances:

- **In GCC countries**, the population pyramid portrays a noticeable bulge for males in working ages. This is due to the fact that most immigrants to these countries are males seeking employment. In this context, **the crisis is expected to result in the departure of some foreign workers from GCC countries, thereby restoring some balance to the population pyramid.**
- **In some other Arab countries (such as Lebanon)**, the population pyramid reveals an opposite phenomenon: a subtle ‘bust’ for males in the working ages. This is due to the fact that most emigrants out of these countries are males seeking employment. In this context, the crisis is expected to result in the return of these emigrating males to their home country after losing their jobs in the destination country, thereby restoring some balance to the pyramid.

### **3- Boosting national economic growth in the first stages of the crisis?**

- **It seems that the crisis is providing an opportunity to boost national economic growth for some Arab countries.** This opportunity is available in the first stages of the crisis and for a very limited period, before the onset of the negative impacts.
- **For example, Lebanon** has witnessed an increase of around 21% in deposits in its local banks during the year 2008. It also recorded a 6% GDP growth rate during 2009.
- This can be explained by the financial transfers to national banks effectuated by emigrating Lebanese in an attempt to avert the risks faced in foreign banks.
- Thus, **Lebanon should benefit from this limited period of opportunity and invest in productive sectors before the negative impacts of the crisis begin to prevail** in terms of squeezed remittances and exacerbated high unemployment rates.

## **4- Opportunities for enhanced regional cooperation.**

- The crisis presents an opportunity for enhanced cooperation and collaboration among Arab Countries. A **regional dialogue** can be established to negotiate reciprocal interests and to discuss the possibility of streamlining labor migration in the region.
- There is an urgent need for concerted policy actions at both regional and country levels – a need for countries to work together to create an **economic alliance or network** based on cooperation, flexibility, adaptation, risk and cost reduction, shared interest and objectives.
- Regional integration is no longer an option, but has become a necessity for Arab countries. **A well-planned and integrated Arab labour market should be seriously sought at this stage of the crisis.**

## ⇒ Gender dimension ⇐

- The financial crisis has a differential impact according to gender. IOM asserts that the **crisis is “gendered”**.
- **Female migrants are affected in multiple ways by the crises: as women + as migrants.**
- Women are particularly vulnerable to: reduction of wages, harassment, poor working conditions, increased health risks, as well as various forms of abuse such as trafficking into forced labour and situations of captivity.
- In the Arab region, migrant men are more affected than women in terms of job losses. This is because these losses mainly occur in the construction, manufacturing and finance sectors where migrant men are likely to work, rather than in the healthcare and domestic work sectors where migrant women are likely to be employed as nurses, maids, nannies, etc...

# Conclusion



- The Arab region is **progressively developing negative symptoms related to the economic crisis**, as its ‘immunity’ in face of this crisis is beginning to weaken.
- The region’s surplus of oil revenues had enabled it to resist and delay the onset of negative symptoms, but these symptoms are now progressively emerging in both labour sending and receiving countries, in the form of **exacerbated unemployment, squeezed remittances and threatened human rights of migrants**.
- In its efforts to resist these challenges, the region could benefit from the **limited opportunities offered by the crisis** in terms of fostered brain circulation, restored balance to the population pyramid and, in the case of some countries, a limited period of boosted national economic growth in the first stages of the crisis.

**The impact of the financial crisis on migration should be examined from the perspective of 3 players.**

## Sending countries

- Return migration / unemployment.
- Reduced economic performance.
- Reduced remittances.
- Social repercussions.
- ....etc...

## Receiving countries

- Reduced investment programs.
- Lower GDP growth.
- Low employment opportunities.
- Restored balance of population pyramid.
- ... etc...

## Migrants themselves

- Threatening of human rights.
- Lower Living conditions.
- Job insecurity.
- Boosting circular migration.
- ... etc ...

## **Recommended measures**

- **Organizing a regional conference on the impact of the financial crisis on international migration in the Arab Region.** The Conference aims at: (a) Highlighting the impact of the current crisis on international migration at regional level; (b) Evaluating responses and actions that would improve the situation in the region; (c) stock-taking of lessons learned and best practices from other regions; (d) Defining a regional policy framework that would enable the countries to capture the benefits while coping with the challenges.
- **Assigning a Secretariat to initiate and host a Consultative Process.** ESCWA, as a regional commission, has the comparative advantage at regional level to ensure sustainability and follow-up on cooperation and meetings.



**Thank you**