Are we Facing the Greatest Migration Challenge of all time ?

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A Potential for the Greatest Migration Challenge of all time

- Demographic and economic forces are creating the greatest migration challenge ever which may be playing out over the next few decades, involving Sub-Saharan Africa and Europe.
- What has been happening across the Mediterranean could be just the beginning of a much bigger challenge to come ?
- But politics is pulling in another direction leading to much trouble ahead !

Presentation of three major forces working towards greater international migration between SSA and Europe

Three major forces create push and pull factors working in the same direction towards greater international migration :

1. **Unprecedented demographics in SSA (and Europe)**

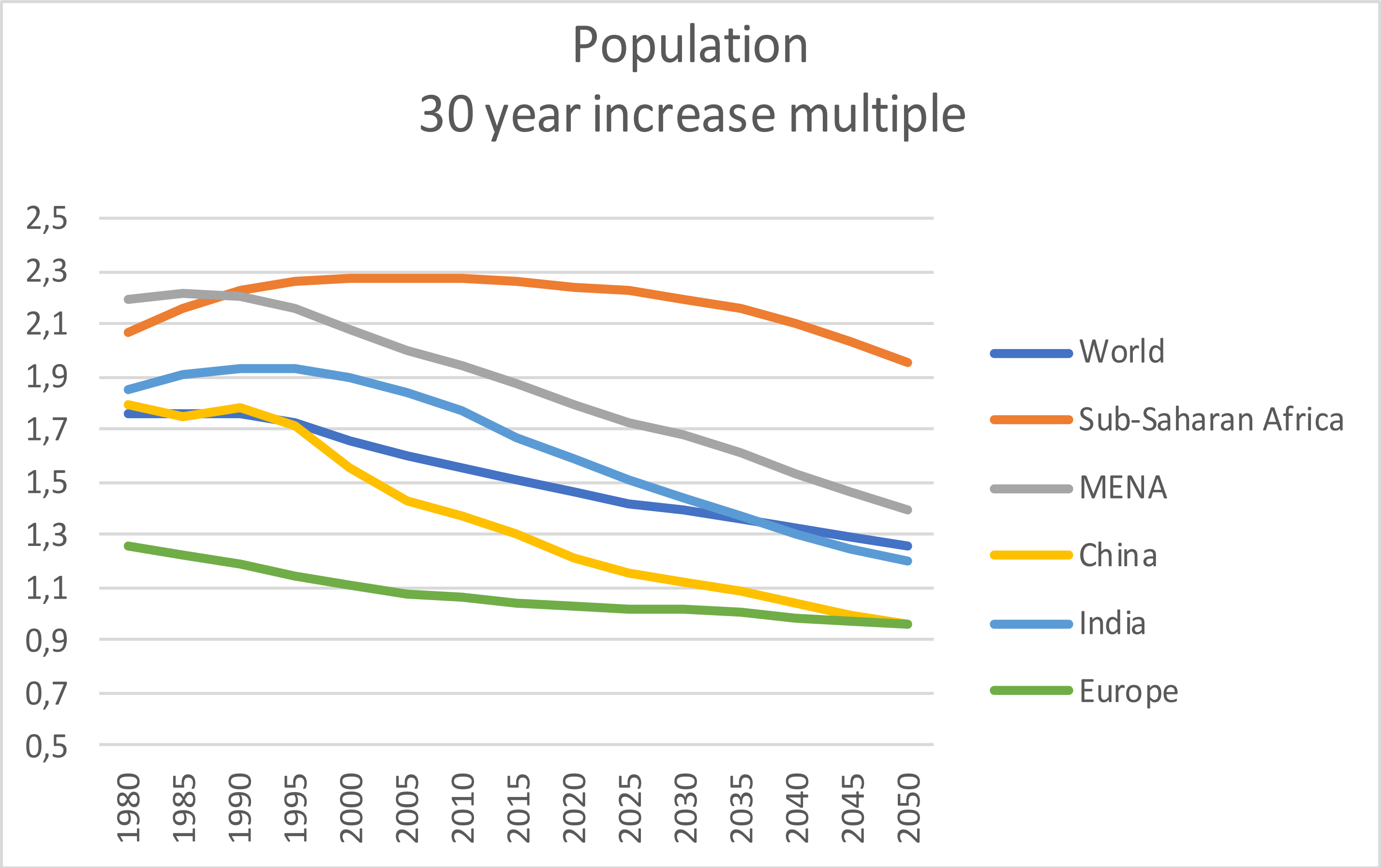
2. **Huge Income differentials between Europe and SSA**

3. **Mismatch between supply (education) and demand (structural transformation) for skills in SSA.**

Unprecedented Demographics in SSA

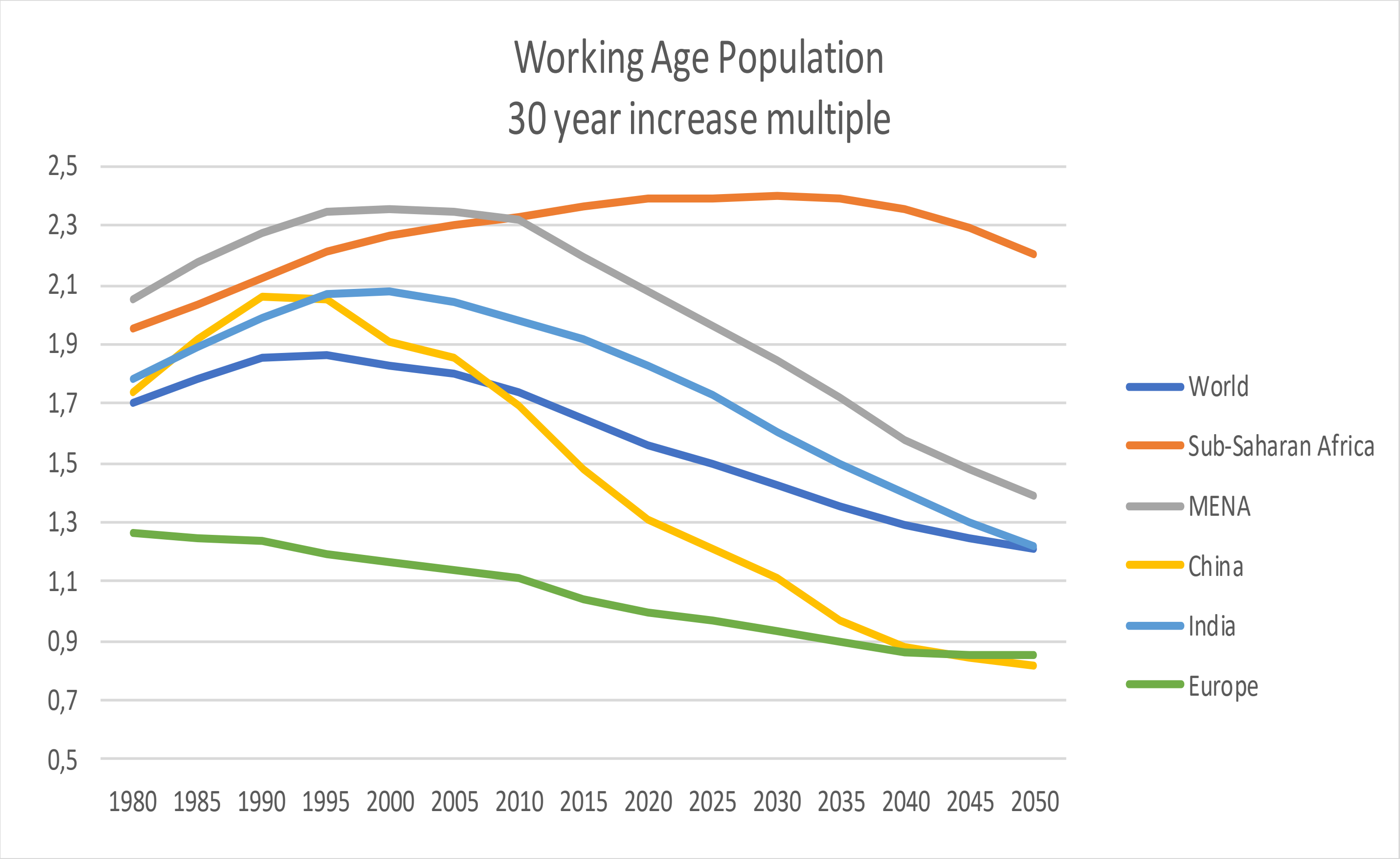
- Assuming unchanged economic conditions and considering just demographic changes: huge migration pressures are to be expected
- Push and pull factors acting in the same direction in SSA and Europe towards more migration from SSA to Europe.
- In the following illustrations : Use data from UN population projections 2017.

Unprecedented Demographics in SSA: Population



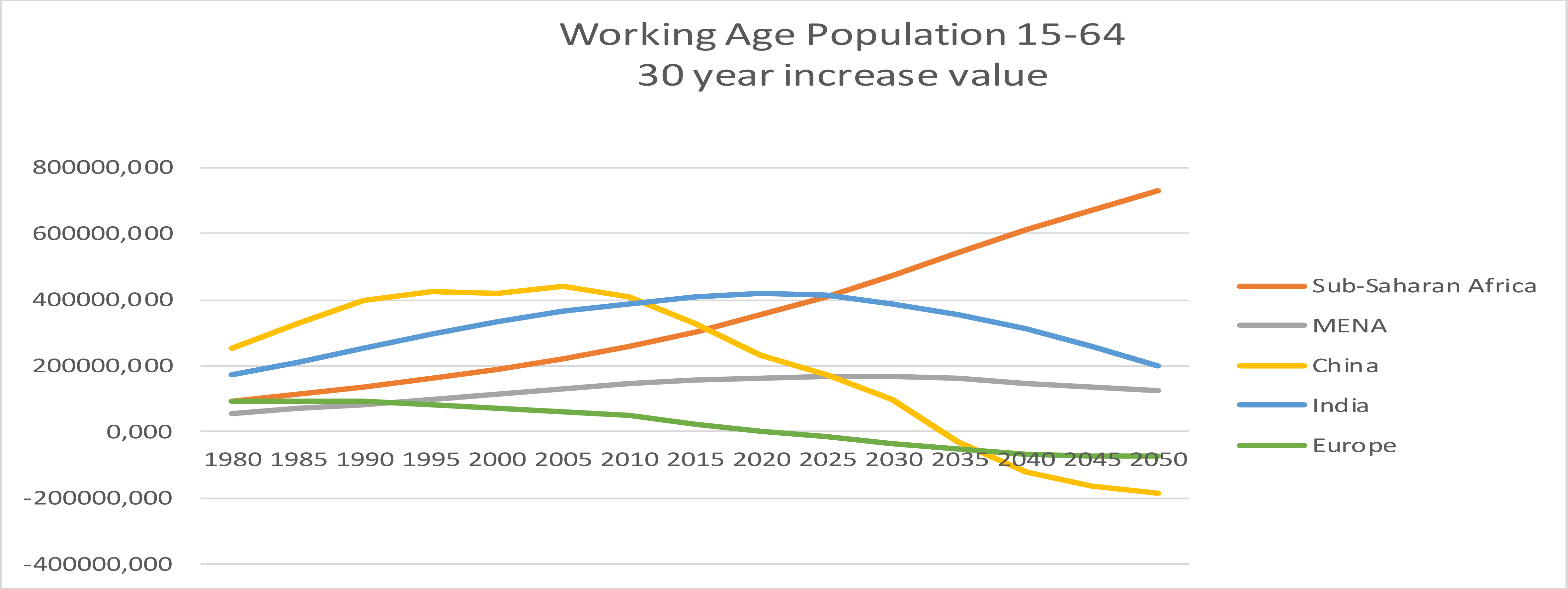
- (overlapping) 30 year increases are more telling than yearly rates of growth. Overlapping rates of change.
- SSA population doubled every 25 years over the last 50 years
- Highest rate of increase since 1965 of + 127% every 30 years until around 2010.
- Population will continue to increase by more than 120% every 30 years until 2030.
- The closest experience : MENA until the 1990s but for much shorter period of time.
- Increase over 30 years in absolute numbers continues to rise : 540 million from 1985-2015 to 1061 million from 2020-2050
- Bigger absolute change over 30 years than China or India ever experienced : 517 million in China from 1965-1995 and 534 million in India from 1980-2010.

Unprecedented Demographics : Working Age Population

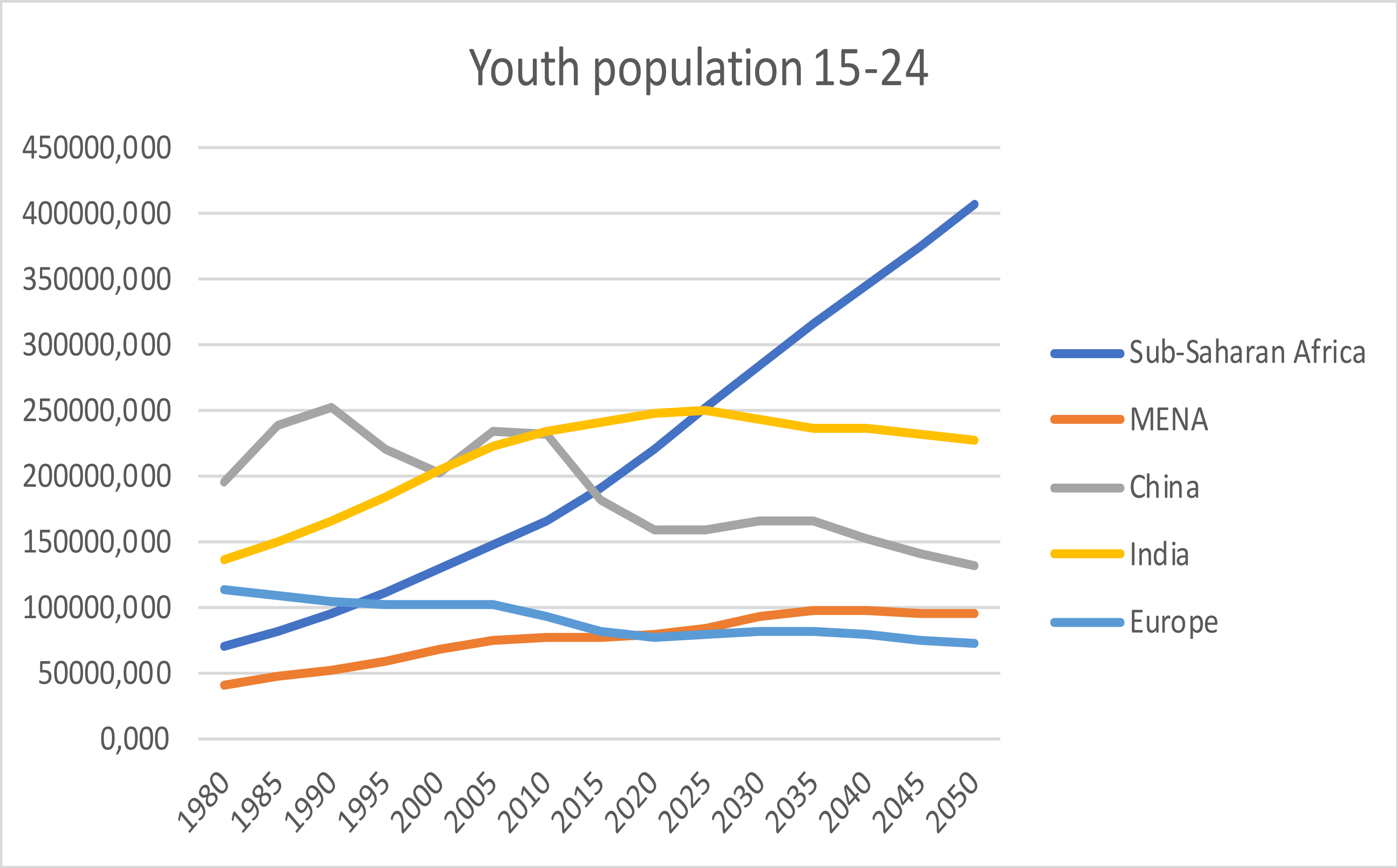


- 30 year rate of increase has been accelerating from 100 % every 30 years in the 1970s to 140% since the 1990s. Slowdown starting now
- But increase in absolute numbers is skyrocketing: from 300 million during 1985-2015 to 730 million during 2020-2050
- This increase will be larger than in any region in history: largest increase over 30 years in China 440 million from 1975-2005 and 418 million in India during 1990-2020.
- Note declining working age population in Europe since 2005-2010. Going forward decline of 10-15% over 30 years.

Unprecedented Demographics in SSA: Working Age Population 2

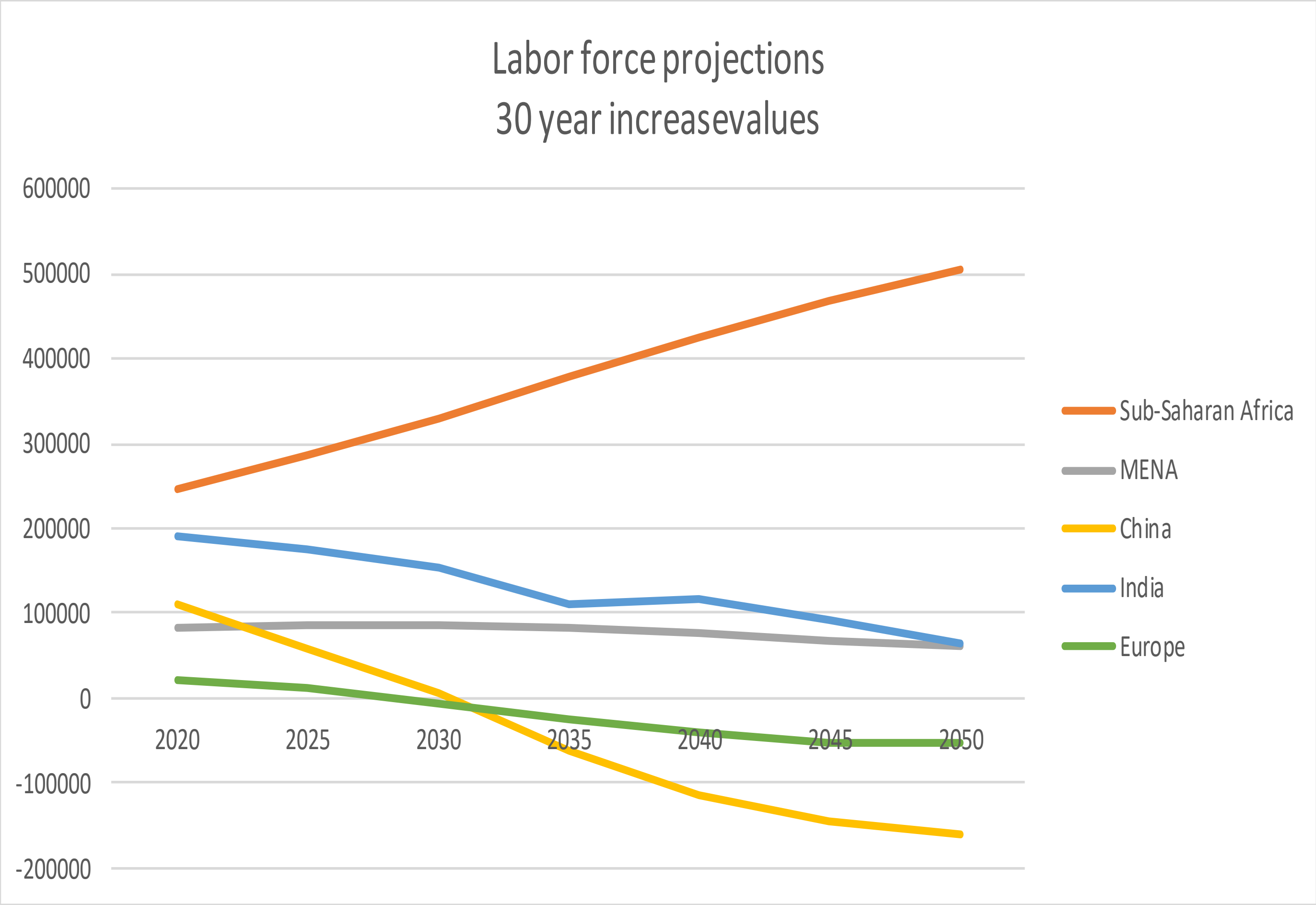


Unprecedented Demographics in SSA: Youth Bulge



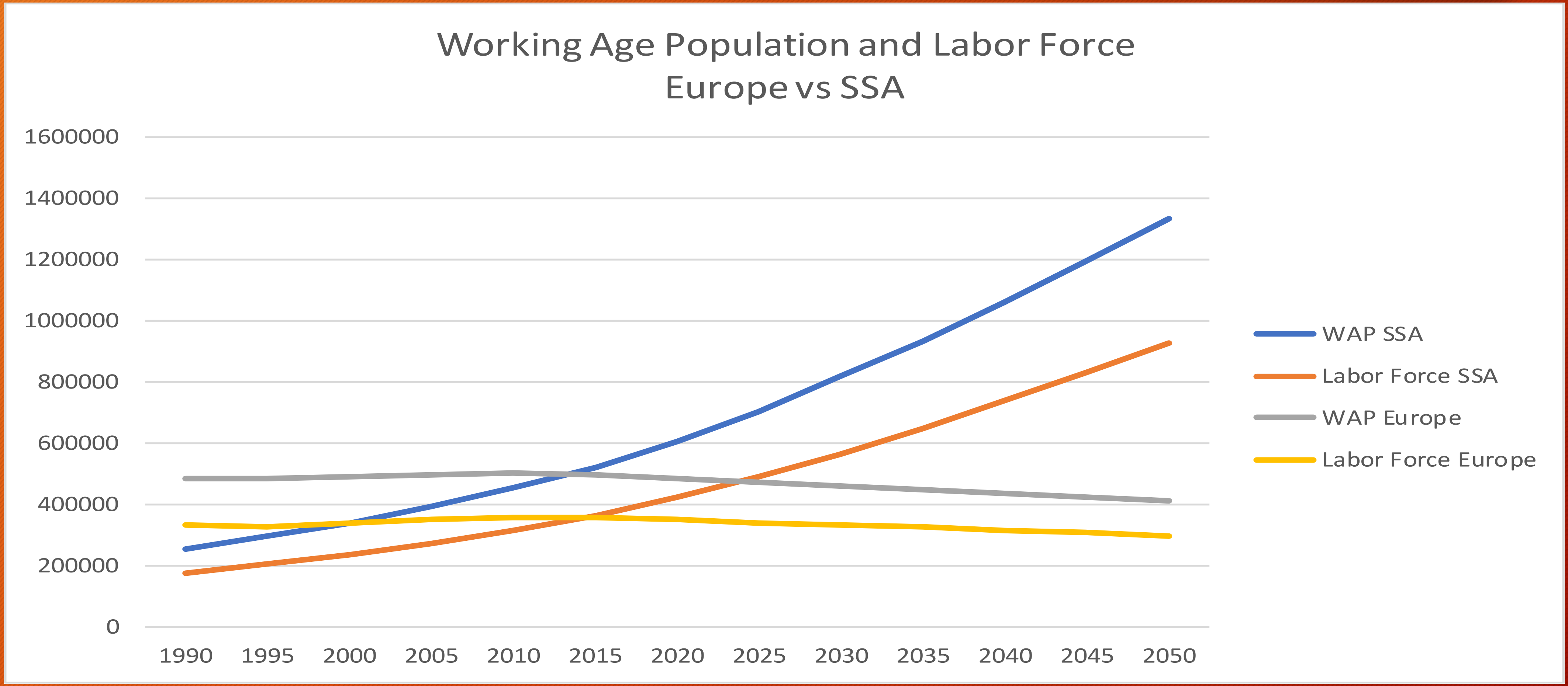
- Number of youth (15-24 years) more than doubles in SSA between 2015 and 2050.
- The number of youth in SSA (190 million) about the same in China (182 million) in 2015, but the umber in SSA (407 million) will be more than 3 times that of China (132 million) by 2050.
- Increase much more dramatic than what happened in MENA

Unprecedented Demographics in SSA: Labor Force



- Illustrative projections making simple assumptions about future LFP
- A 30-year increase of 245 million in SSA currently to +500 million by 2050
- The number of additional entrants to the labor force of 10 million a year (2010-2015) jumps to 20 million/year in 2045-2050.
- Highest increase ever for any region
- All other regions have stable or decreasing rates of increase
- China (Est Asia) is already on declining trend, becoming negative by 2030
- European labor force level already starting to decline.

In summary: demographic divergence between Europe and SSA



Prospects of Huge Income Differentials between Europe and SSA

- Potential for a huge demographic dividend in SSA which could reduce migration pressures through reduction in income differentials?

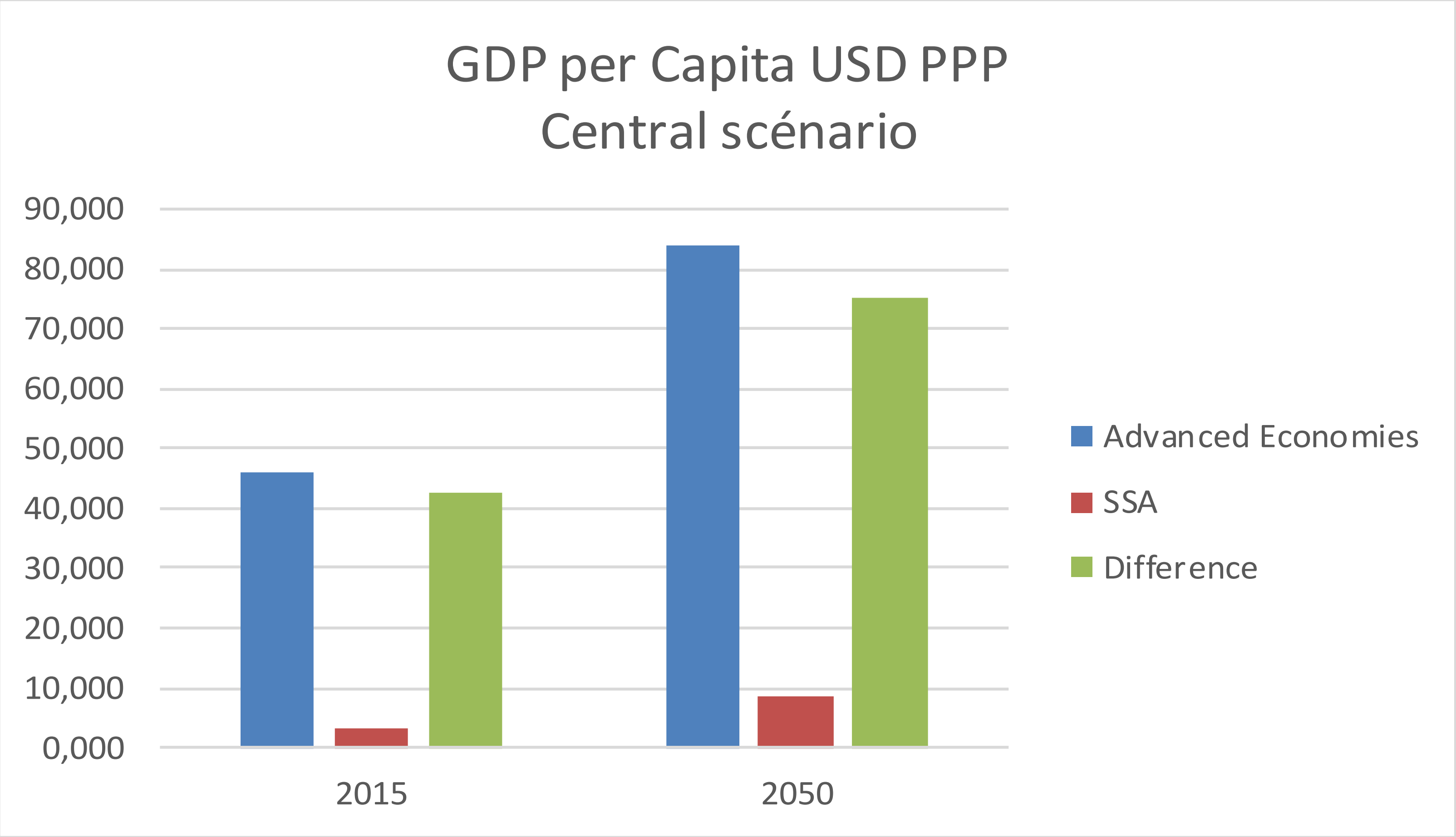
  Unlikely no matter how successful will SSA be in realizing demographic dividene !

- Most projections show widening income differentials between SSA and Europe making incentives for migration stronger than ever

- To illustrate we present some numbers from scenarios on economic growth produced by the Emerging Markets Forum (EMF) :

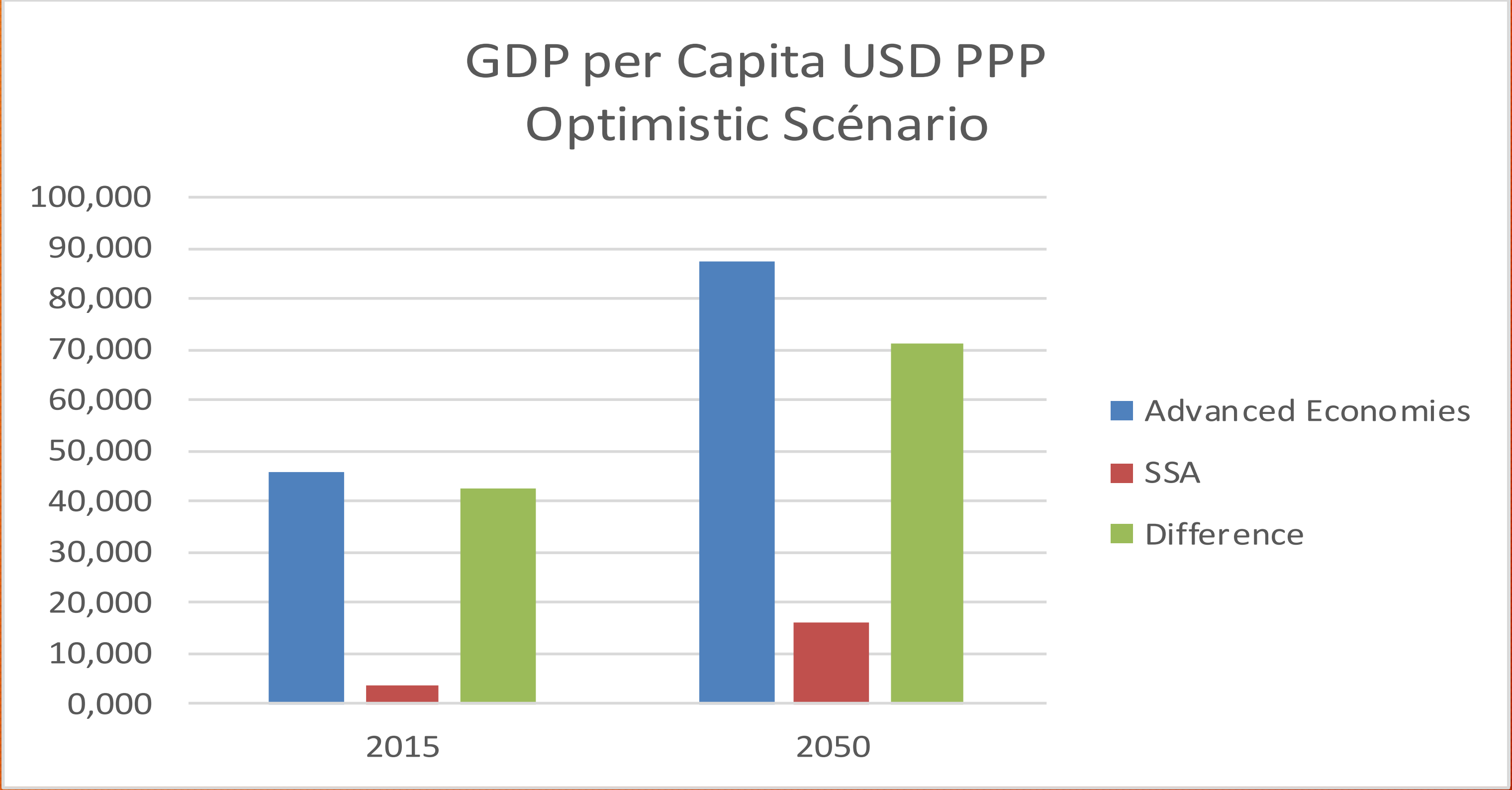
Publication : « *The World in 2050: Striving for a more just, prosperous and harmonious global community* », *Kohli* et. al. (2016), Emerging Markets Forum, Oxford.

Widening Income Differentials
Central Scenario (PPP $ 2011)



Central scenario		GDP per capita	
		2015	2050
Advanced Economies		45,878	83,930
SSA		3,373	8,718
Difference		42,505	75,213

Widening Income Differentials
Optimisitc Scenario



	GDP Growth	2015-2050			
Scenario	Total	AEs	EDEs	EDEs less SSA	SSA
Pessimistic	2,05	1,41	2,46	2,31	4,20
Central	3,33	1,98	4,12	4,05	5,06
Optimistic	3,88	2,09	4,86	4,68	6,82

Implications

- In the best of cases income differentials will be huge, creating strong pressures for migration
- Achieving high income growth potential depends on successful structural transformation
- Not achieving growth potential increases income differentials
- In addition it creates other migration incentives due to the mismatch between supply and demand for skills.

Demographics, Education, Structural Transformation and Migration

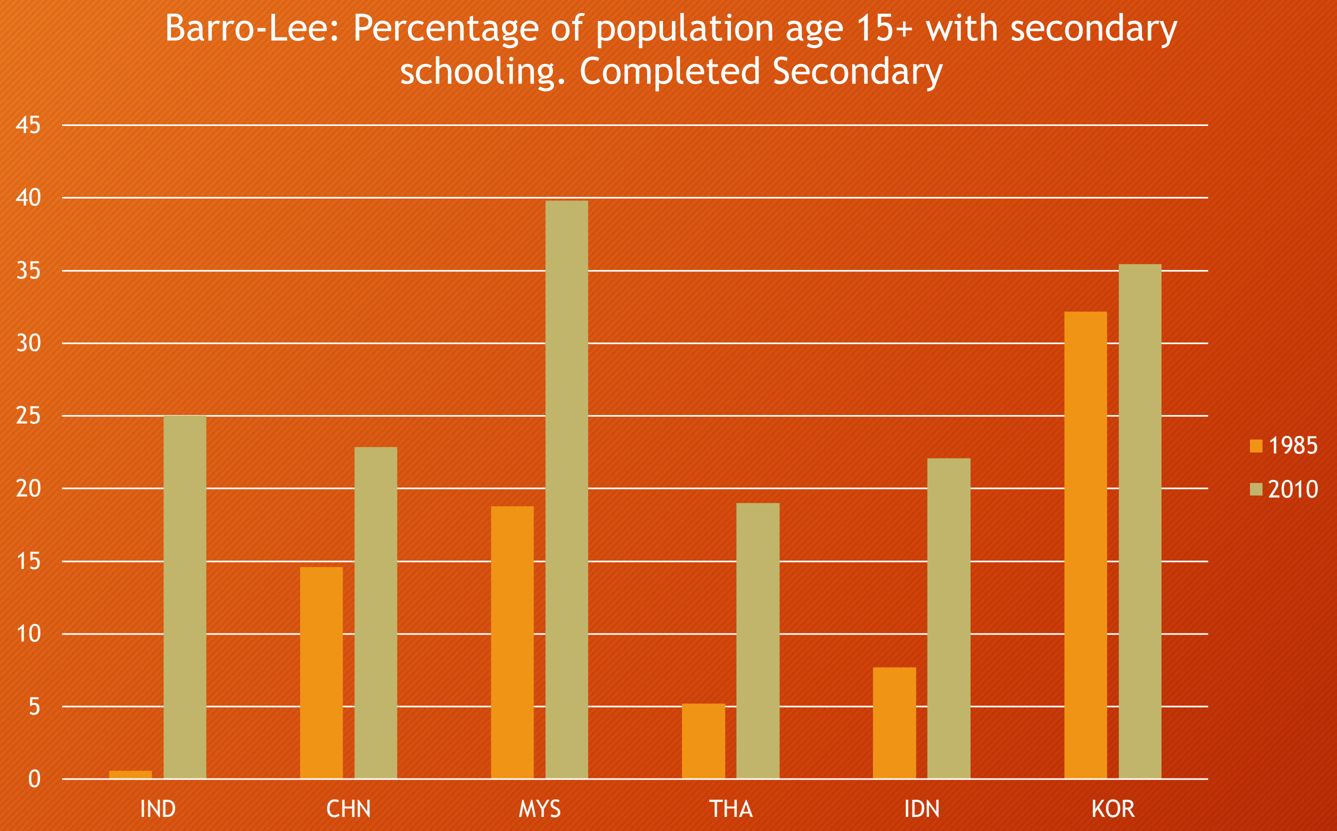
Realisation of demographic dividend depends on success in matching supply and demand for skills.

1. The supply of skills and human capital is driven by demography and education policies
2. The demand for skills is driven by structural transformation, i.e. movement of factors of production from low to high productivity economic activities
3. Nothing guarantees that the two match : Outcomes may be disastrous!
   - Mismatch between expectations and reality for young people
   - Unproductive investment in education
   - Political unrest may result
4. Greater incentives for migration for those with higher education and skills : push and pull factors
   - Low returns to education in SSA
   - High returns in Europe
   - Quality of Governance and quality of life factors may become more importnat for the high skills

Demographics, Education, Structural Transformation and Migration: what happened in Asia ?

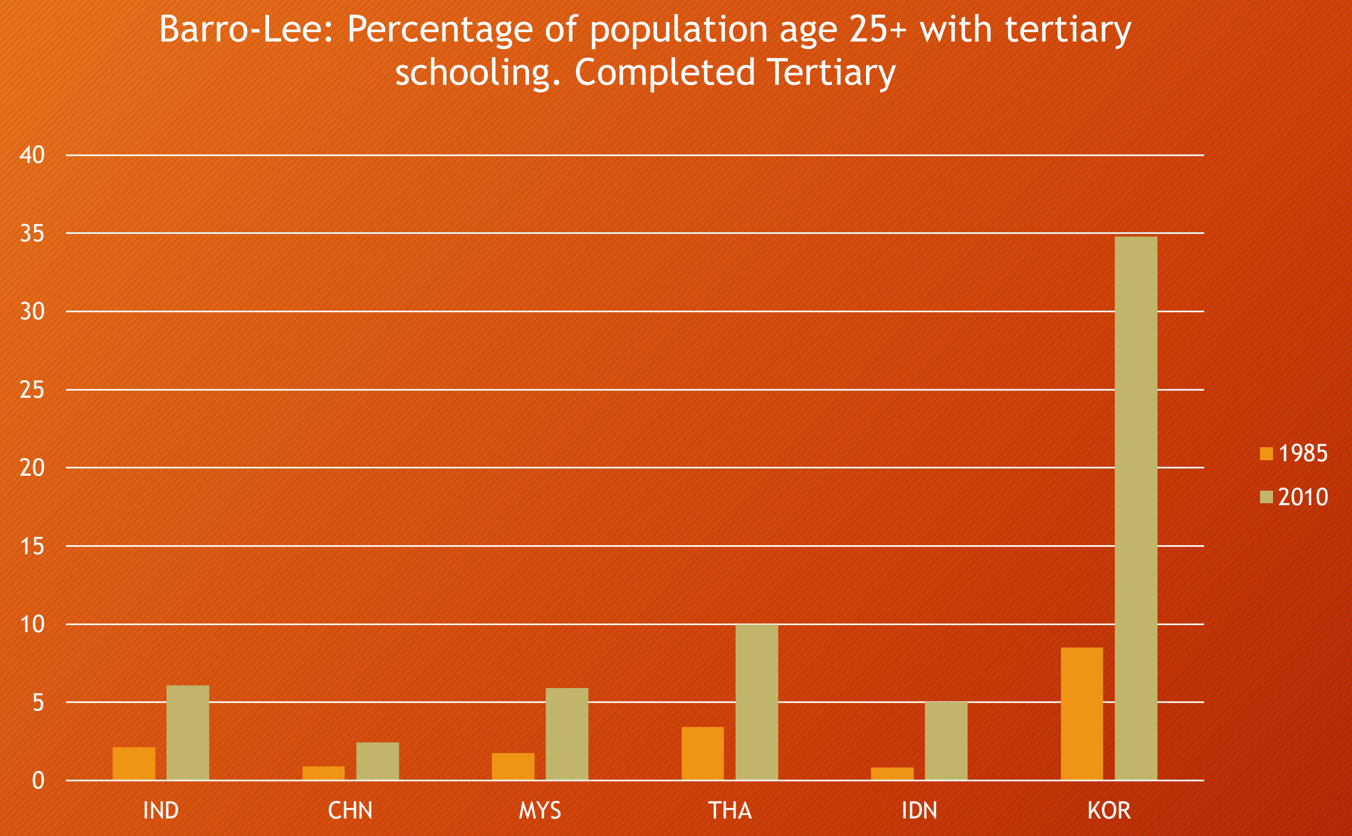
- Use data for 6 countries to illustrate: India, China, Korea, Malaysia, Indonesia, Thailand
- Supply of skills was geared towards meeting demand : more focus on growth of secondary education and relatively less on tertiary education
- Strong structural transformation with adequate demand to meet the supply of skills
- Outcomes: low levels of unemployment for both secondary and tertiary education graduates.

Supply of Skills : Secondary Education in Asia



- Already high level of schooling in 1985 (except India) , which continued to rise
- % of population (15+ years) with secondary schooling increases from 9 % in 1985 to 25,7% in 2010 excluding Korea
- Exceptional case of Korea : very high level increasing from 32% to 35%
- And Malaysia with a dramatic increase in secondary education schooling from 19% to 40%.

Supply of skills : Tertiary Education in Asia



- Moderate level of tertiary education in Asian countries, and moderate increase from 1985-2010
- % of population (25+ years) with tertairy education increases from 1,8% in 1985 to 5,9% in 2010 (excluding Korea).
- Again exceptional case of Korea: increase from 8,5% to 35%

Structural Transformation in Asia

- Movement of labor from agriculture to manufacturing

- Moving up the ladder from low complexity and low capital intensity to higher complexity and more capital intensity

❖ In what follows we use some charts from recent paper:

Bhorat, H.R., R. Knabur, C. Rooney and F. Steenkamp (2017), « Sub-Saharan Africa's Manufacturing Sector: Building Complexity », Working Paper Series No 256, African Development Bank, Abidjan, Côte d'Ivaoire.

Outcomes in Asia

Low level of unemployment for both secondary and tertiary education graduates:

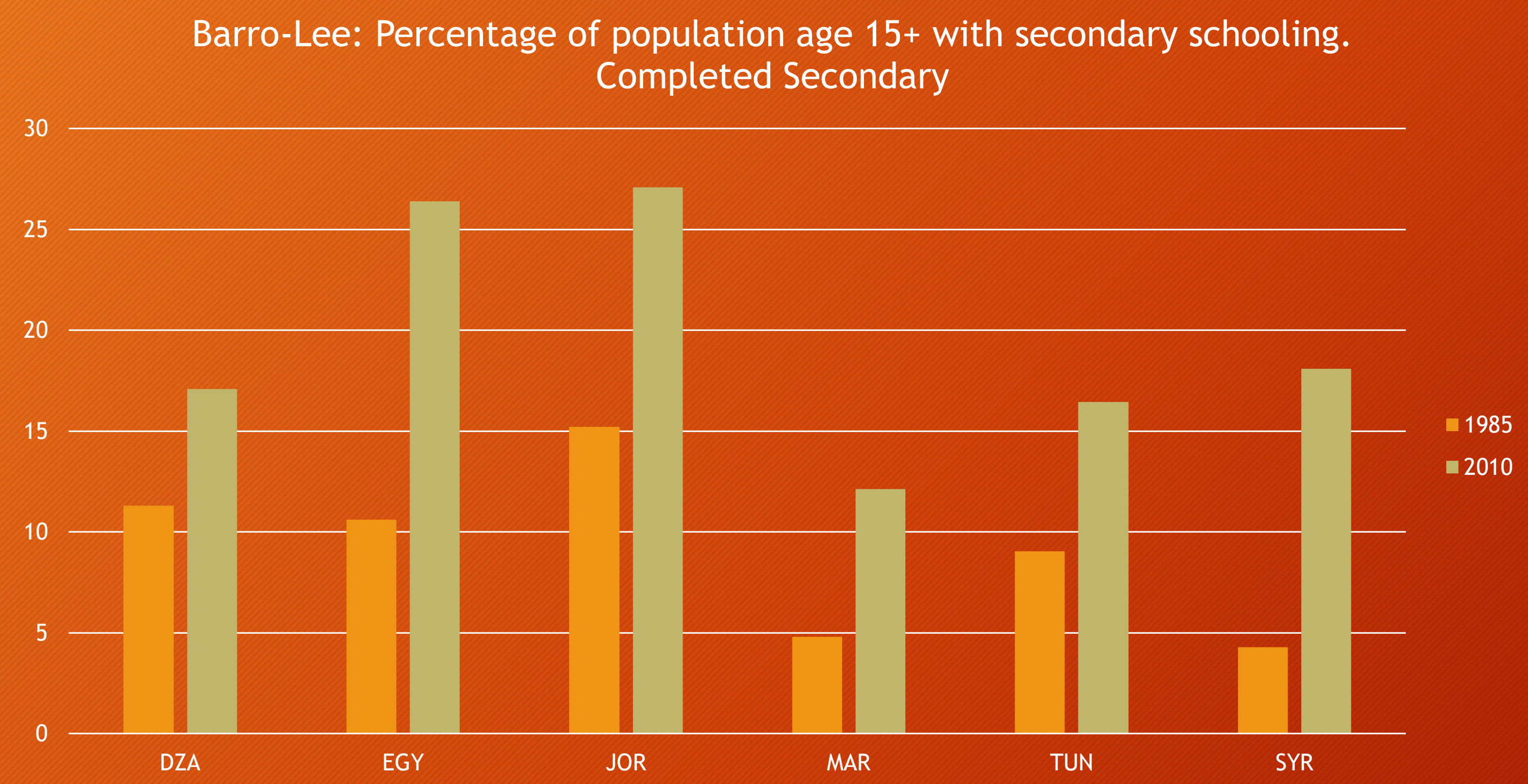
- 1-4% in Malaysia, Thailand and Korea
- 6-7% in India
- 10% in Indonesia

No major international migration pressures

Demographics, Education, Structural Transformation and Migration : what happened in the Middle East and North Africa ?

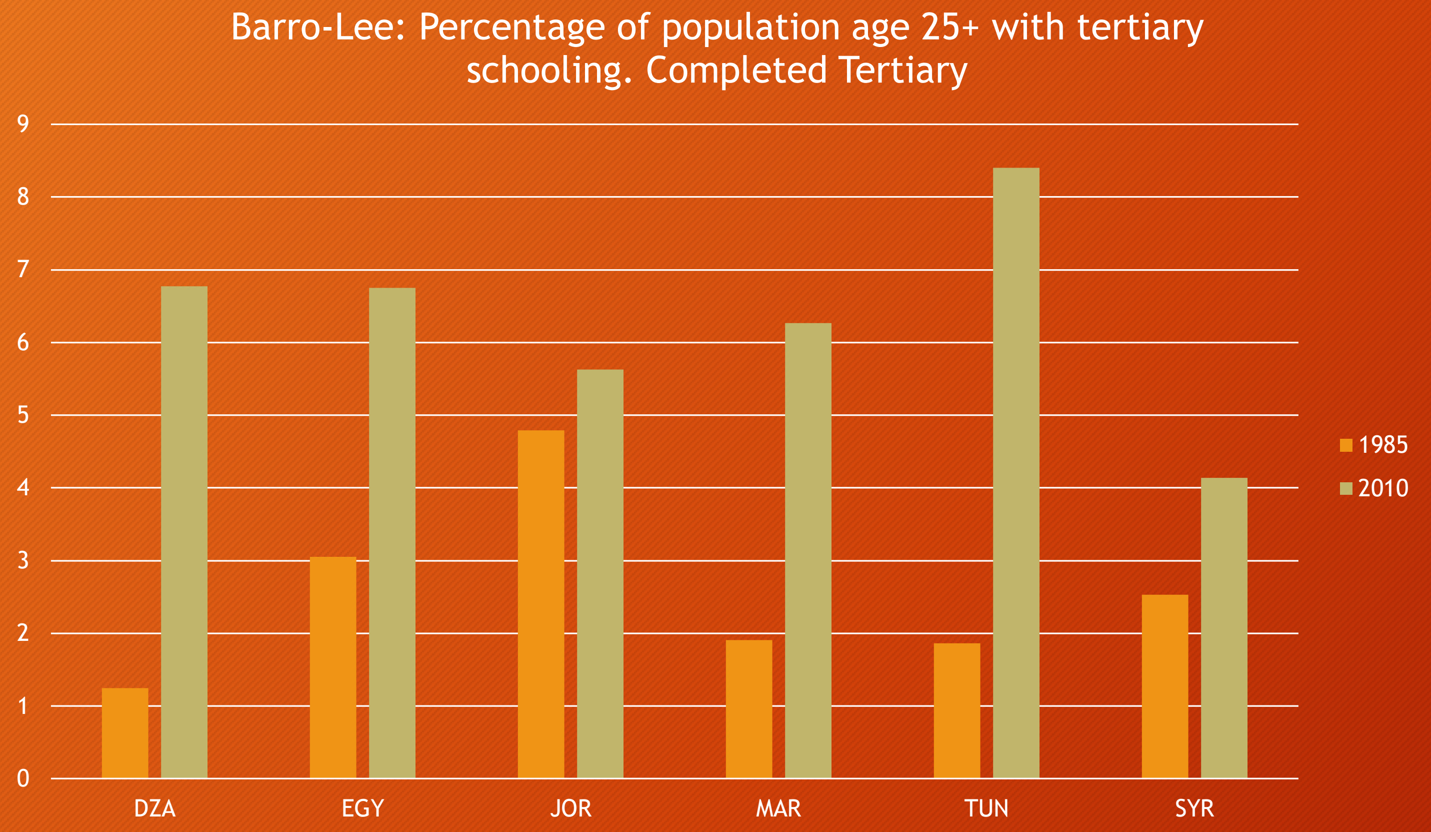
- Very strong growth in supply of skills for both secondary and tertiary education, similar to Asia
- Limited structural transformation, economy continues to generate low productivity jobs, weak demand for skills
- Mismatch between supply and demand and very large increase in unemplyment of secondary and tertiary education graduates

Supply of Skills : Secondary Education in Middle East and North Africa



- Rapid increase in % of population with secondary education: from 9,2% to 19,5% from 1985 to 2010
- Similar to Asia

Supply of Skills : Tertiary Education in Middle East and North Africa



- Rapid increase in access to tertiary education: average increases from 2,5% in 1985 to 6,4% in 2010
- Not very different from what was observed in Asia
- Tunisia case stands out with most rapid increase
- Level in comparator countries in 2010
  - Chile: 8,2% Portugal: 3,7 Poland: 14%
  - China : 2,4% Bulgaria: 16,1% Turkey: 7,1%

Structural Transformation in the Middle East and North Africa

- Some movement of labor from agriculture to manufacturing
- Slow movement from low complexity and low capital intensity to higher complexity and more capital intensity
- Early deindustrialisation

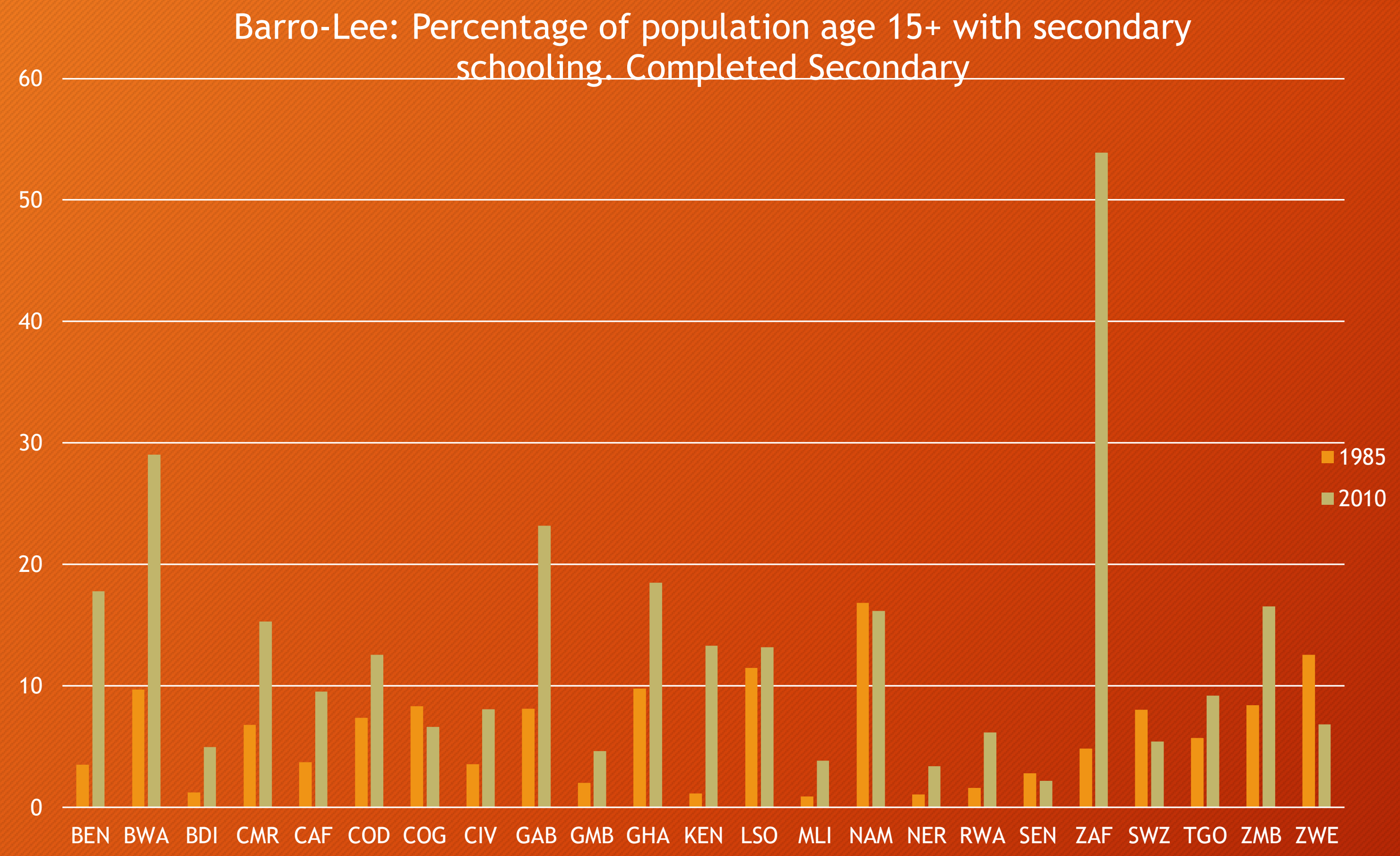
Outcomes in the Middle East and North Africa

- High levels of unemployment for secondary education graduates, and increasing over time:
  - Egypt around 14-17%
  - Algeria 22%
  - Morocco: 18%
  - Tunisia 13-20%
- High levels of unemployment for tertiary education graduates, and increasing over time:
  - Egypt 16-22%
  - Algeria 23%
  - Morocco: 18%
  - Tunisia 19-30%
- Political and social unrest which contributed to the 2011 uprisings
- Migration pressures to Europe

Demographics, Education, Structural Transformation and Migration: what is happening and prospects in SSA ?

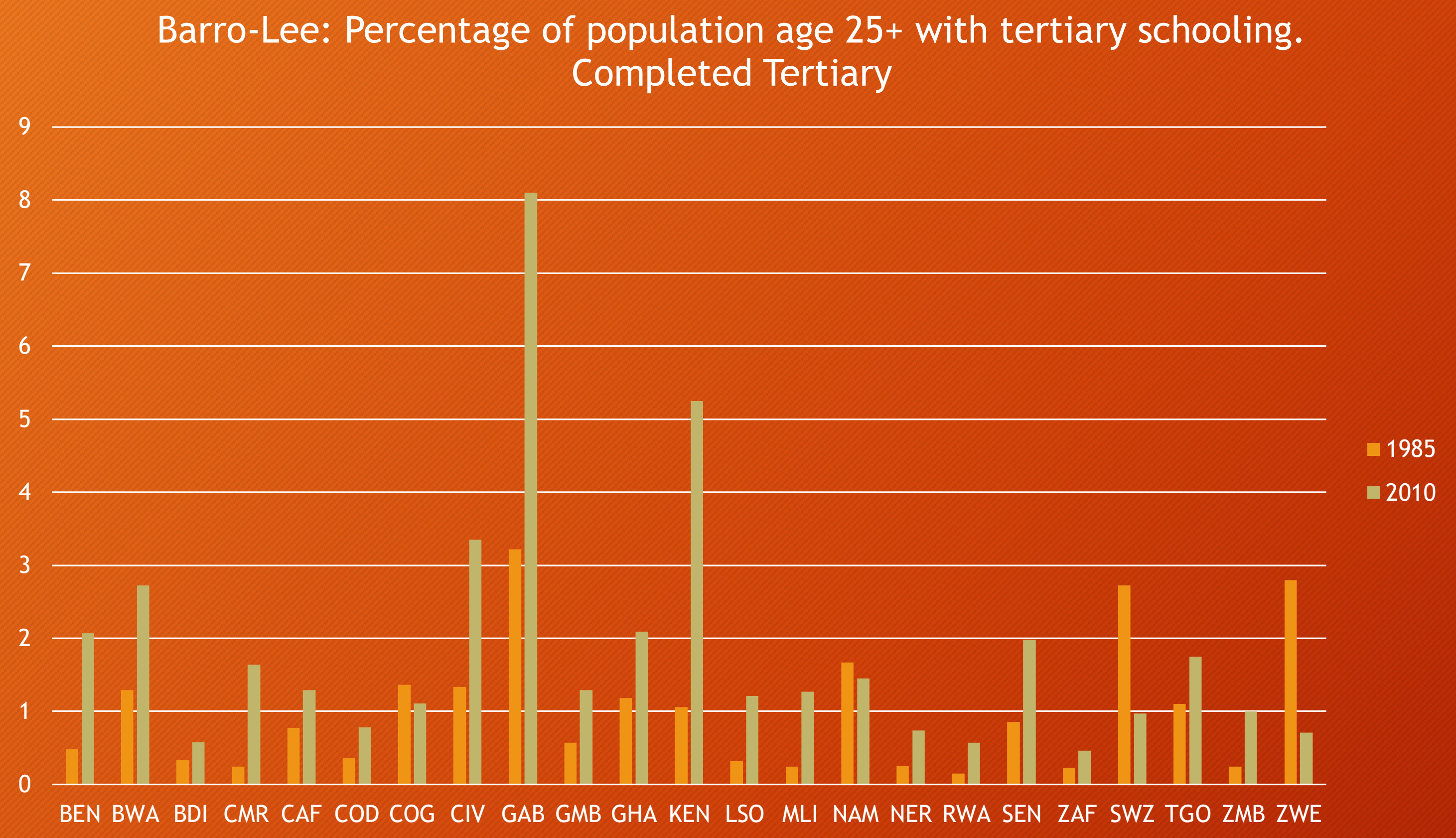
- Complex situation with varied outcomes
- But overall progress in supply of skills
- Limited structural transformation
- Experience more akin to Middle East and North Africa than to Asia

Supply of skills: Secondary Education in Sub-Saharan Africa



- Overall low levels of secondary education achievement (13% on average in 2010)
- Learning outcomes and quality is also major issue !
- Differentiated picture : stagnation in % of graduates in many countries and some increase in others
- Notable exceptions of large increase : South Africa, Botswana, Gabon, Kenya

Supply of skills:
Tertiary Education in Sub-Saharan Africa



- Low levels of tertiary education and slow increase over the 25 years period : average increases from 1% in 1985 to 1,8% in 2010
- Notable examples of Gabon and Kenya indicative of changes in the future
- Large increases in the coming period likely to be generalized

Structural Transformation in SSA

- Movement of labor from agriculture into services (ICT, tourism) and capital intensive manufacturing
- Low level of complexity
- Early deindustrialisation

Outcomes in SSA

- No single pattern in SSA of unemployment outcomes
- For many countries with no significant increases in supply and limited structural transformation, no major mismatches, and unemployment rates remain low
- Some countries with low education growth as well as low economic growth experience high unemployment: Mali, Congo
- Interesting example of Kenya: high education gains and low unemployment rates
- For a few countries which experienced large increases in secondary or tertiary education with limited structural transformation high rates of unempolyment resulted:
  - With secondary education: South Africa 26% Botswana 25%
  - With advanced education : Cote d'Ivoire 27%

Prospects for Structural Transformation in SSA

Big debate still ongoing about best pathways to structural transformation in Africa:

1. East Asian model of manufacturing export-led strategy : potential may not be available anymore with industrial revolution 4.0

2. Agricultural transformation based on Africa's comparative advantage, largest potential of unused arable land

3. Modern services based approach (Stiglitz)

Services which have similar characteristics to manufacturing : tradable, high productivity, scale, agglomeration economies, (ICT, tourism, transport), agro-business (Brookings)

Prospects for Structural Transformation in SSA

- Overall prospetcs for strong structural tranformation are weak because of unclear path and weak political resolve
- Potential for large mismatches between supply and demand for skills very high
- Pressures on migration likely to be stronger.

In Conclusion : a major challenge for Europe

- Economic pressures and incentives for migration from SSA to Europe (and North Africa) are likely to be strong over the next few decades (until the end of the Century!) : population numbers, income differentials as well as social and political unrest (resulting from the greater mismatch between expectations and reality) push in the same direction. Other important factors may have significant implications : climate change impact, volatility of incomes.

- The potitical incentives and pressures go in the other direction, towards closing of borders and restrictions

- This is a major challenge for the 21st Century which requires attention and innovative thinking
  - How to reduce these pressures ? What development poliicies and support to Africa?
  - Choice between mamanged and chaotic migration ?
  - Dealing with the skills problem : semi-skilled likely to be greatest migration component, but undermines progress in Africa and increases pressures ?

- The way recent pressures across the Mediterranean have been managed is not very encouraging !