Labour Markets Are Expanding to Global Workspaces, Here Are Some Economic and Institutional Imperatives for Africa

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Introduction

A welcome discussion has emerged around ameliorating labour supply and demand mismatches across the globe by expanding labour markets. South Africa and Nigeria are among several African countries with a structural unemployment problem, characterised by labour market inefficiencies, such as slow pace of job growth and low productivity. It has long been suggested that structural unemployment problems could be eased through reducing barriers to geographical labour mobility, so combined with labour shortages at industrialised countries, the idea of expanding labour markets is mature. Yet, the returns to such labour mobility are not evenly distributed; increased labour mobility could redistribute skilled workers away from African to more productive industrial countries. Formal labour migration agreements should position themselves to address such human capital redistribution accordingly maximising the returns to contractual parties. Destination countries can mitigate the impacts of redistribution of skilled workers by committing to skill formation at source and to migrant selection practices that are inclusive of mid and lower-level skill sets. Countries of origin can improve their labour market conditions, to create, and retain skilled workers, including through adjustments of professional regulatory practices.

At the core of institutional arrangements to improve the returns from labour mobility in Africa is the question of how to harness globally useful human capital and achieve efficient labour market outcomes. Facing this question of what the gains and losses are confronts the elephant in the room and the reticence in promoting labour mobility globally. For instance, a stronger African Union through mobility has been on the agenda since at least the 1980s, yet only four countries have ratified the free movement protocol (FMP) of the African Economic Community. The African Union reports that while there are 33 signatories to the FMP in Africa protocol, only Rwanda, Niger, Mali and Sao Tome countries have ratified the document.

Case: The GSP in Matching Labour Supply and Demand Efficiently

One important development to match the supply and demand of labour between countries more neatly is the global skill partnership scheme (GSP) of the Centre for Global Development. It introduces private sector engagement in skill partnerships to the existing labour mobility frameworks, which through competitive practices has the potential of promoting better skill matches. Another particularly strong element of this scheme is the **potential net gain in skill development associated at the sending country, particularly in the case of schemes that recognise the retention of some of those who build skills**. Developing human capital does not always result in migration. For example, in the GSP some persons who build skills remain on the ‘stay [do not migrate] track’ while others are on an ‘away’ track. The stay track refers to accumulating human capital without migrating in contrast to those on the away track, who build skills with an objective to work outside the country of origin. The implication of human capital formation using a “stay” and “away” track is that source countries can experience a net rise in skill formation at the same time with increases in migration since some workers who build skills to compete on a global market, are retained at source.

GSPs include setting up institutional arrangements through which origin and destination countries could cooperate in labour market exchanges, much like bi- and multilateral agreements. It is a useful addition to frameworks that **mitigate labour market inefficiencies** in many non-industrialised countries, such as Nigeria, where unemployment is high, **by shifting some human capital to destinations with labour shortages**. Partnerships, such as the GSP that can avoid bottlenecks in signing and implementing agreements and leverage on the efficiencies of the private sector, have a potential to foster more efficient labour sending and receiving systems between origin and destination countries.

Managing Gains and Losses from Labour Migration is Ascendant

Despite the strengths of labour agreements, the economic possibility of an uneven distribution of the gains from mobility should be adequately considered if countries are to maximise returns from migration through their labour-sending systems. There is no shortage of articulated agreements aimed at fostering labour market cooperation between continents, such as the EU-Africa partnership on migration, mobility, and employment. Yet, the implementation stage, through framework agreements, memorandum of understanding, and in Africa mostly (70%) bilateral labour agreements, can be troubled by obstacles such as deficiencies in content. One important content that this piece argues is imperative is the consequences of labour mobility on the skill base at the country of origin. **How then should global partnerships and agreements be made to consider skill losses in a global labour space?**

Frameworks emphasizing net gains to human capital formation for sending countries (deriving from the New Economics of Labour Migration) rest on the assumption that skill requirements are similar for source and destination countries. This assumption is important to avoid distortions that could arise from migrants building skills that are not transferable abroad. If labour is to be tradeable on a global market, workers will have to build part of the skills that are globally relevant, the GIZ migration and diaspora programme already engages in such labour matching. So, an increasing **integration of the labour market rather than a differentiation by capital and labour intensiveness** has potential positive benefits. This means workers in source countries need to explore possibilities of learning how more advanced industrial/work processes work and destination countries will benefit from fostering such development.

The integration of labour markets extends to the role of professional bodies in governing the formation of human capital. Take the case of Nigeria with professional organisations such as the Nursing and Midwifery Council of Nigeria, Medical and Dental Council of Nigeria and the Council for the Regulation of Engineering in Nigeria. Professional bodies of this nature provide a useful service in establishing standards, and codes of conduct for professionals, but by engaging in the certification of educational and training programmes, they inadvertently affect the supply of professionals on the labour market. Visioning the supply of human capital beyond national boundaries is critical for professional bodies who want to operate on expanded labour markets. Reserving professional quotas for skills built for an away track of those with the intent to migrate, will expand the human capital pool available for both source and destination countries.

Expanding the human capital pool also addresses effects of loss of skills from less industrialised countries because of migration to countries with higher wages, implicitly labour moving to where it can be more productive. This problem is particularly cogent where the same skill sets are needed at both source and destination countries, for example for the health sector in which there is a global scarcity. The impacts on less industrialised countries could also discriminately be felt by certain migrant groups such as mid-level to low skilled workers who are often left behind due to the low demand for their labour abroad, and fewer policy arrangements to facilitate their mobility. Countries of destination could mitigate such losses by facilitating migration of a mix of skill levels and considering policy that is more inclusive of various skill levels.

Another important consideration that the human capital formation requirement addresses is the expectation that skilled workers will concentrate in a few places away from the developing countries. This concern is usually expressed for countries who are not productive enough to attract or retain the kind of workers they need. This can become a Catch-22 for economic development where you need good workers to be productive and you need to be productive to keep good workers. While more studies are needed on the impact of regional integration and globalisation, the current evidence is hardly conclusive on a spatial clustering, even for the European Union where migration rates are high, there has not been a concentration of any profession in any single EU member state. Improved mobility will require more evidence on the agglomeration of skilled workers as well as better migration management, a theme that the International Organisation for Migration and other actors have been addressing in Africa increasingly in the last two decades. Challenges remain in migration and border management especially in Africa where there are national identification problems as well as porous borders.

Labour market exchange arrangements must demonstrate that they consider these impacts and find ways to compensate the losses of countries of origin. Ongoing considerations such as the promotion of transnational linkages, including among the diaspora and their country of origin remain essential. African countries, such as Nigeria and Ghana have recognised explicitly in their policy the contribution of remittances to economic development. In addition to these, human capital formation is much needed at many countries of origin, in Africa and should be integral to institutional labour market arrangements.

Mitigating Redistribution Effects of Migration

There are expected gains and losses to human capital from increased labour mobility to be considered in bi- and multi-lateral as well as global labour market agreements. A recognised policy approach where there is a positive net gain, is to redistribute surpluses so that gainers compensate losers. This compensation principle usually reflects a preference for efficiency, so that the primary consideration is improving overall results after which gainers indemnify losers. While compensating losers directly through remittances in household settings is pretty straightforward, it is quite difficult to determine how to compensate others. The common approach has been to focus on development aid that targets certain groups such as unskilled workers, for instance the GIZ vocational skills development and entrepreneurial trainings. A more recently suggested channel has been to train some workers in less industrialised countries especially separating an away track from a stay track in the training schemes so that some skill developments are retained locally as envisaged in the GSP. Third, regional integration within Africa has been a much discussed subject to promote development across the continent including through a more efficient allocation of labour to where it fits best. In all, more productive countries should find ways to compensate less productive ones, particularly through increasing the stock of productive skills in sending countries. Professional bodies should be streamlined into human capital formation models because their practices impact upon the volume and the quality of professionals.

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