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Labour migrants and migration policies in the EU: beliefs, evidence, and ways forward

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Outline:

Why care about migration/mobility in the EU?

What mobility do we have in the EU?

What roles/effects of EU mobility?

Migration policy options

Do we need migration/mobility
in the EU?

The demographic and economic context

- **Demographic change presents nearly all EU states with formidable challenges:**
 - Ageing populations
 - Scarcity of skilled labor
 - Dynamic loss in the economy (innovation deficits)
 - Financial risks in social security systems
- **Financial and economic crisis added to the difficulties:**
 - Rising risk aversion
 - Economic decline
 - Negative attitudes toward immigration and new Fortress Europe
- **Migration and refugee crises:**
 - Politicization of the migration issue

Skill gaps and demand for migrants in the EU

Mobility and immigration are needed

- Replacement and newly emerging jobs (both high skilled and low skilled)
- Fill in shortages and skill deficiencies
- Changing spatially, across industries, occupations, over time

IZA Expert Survey on High-Skilled Labor Immigration:

- A survey of 234 labor market experts from Europe;
- 89.0% - the EU needs at least as many immigrants as it has now, and 57.7% - the EU needs more or many more immigrants
- Mainly high-skilled, but also low-skilled

The EU needs internal mobility as well as immigrants from outside

Migration as a vehicle of adjustment

External shocks on the supply and demand side, e.g.

- The 2008- financial crisis
- The Covid pandemic
- Climate change
- Technological advancements
-

Policy options

- Fiscal (no fiscal union, limited, debt crises)
- Monetary (EMU, limited)
- Factor mobility → **labor mobility**

What mobility do we have
in the EU?

EU mobility

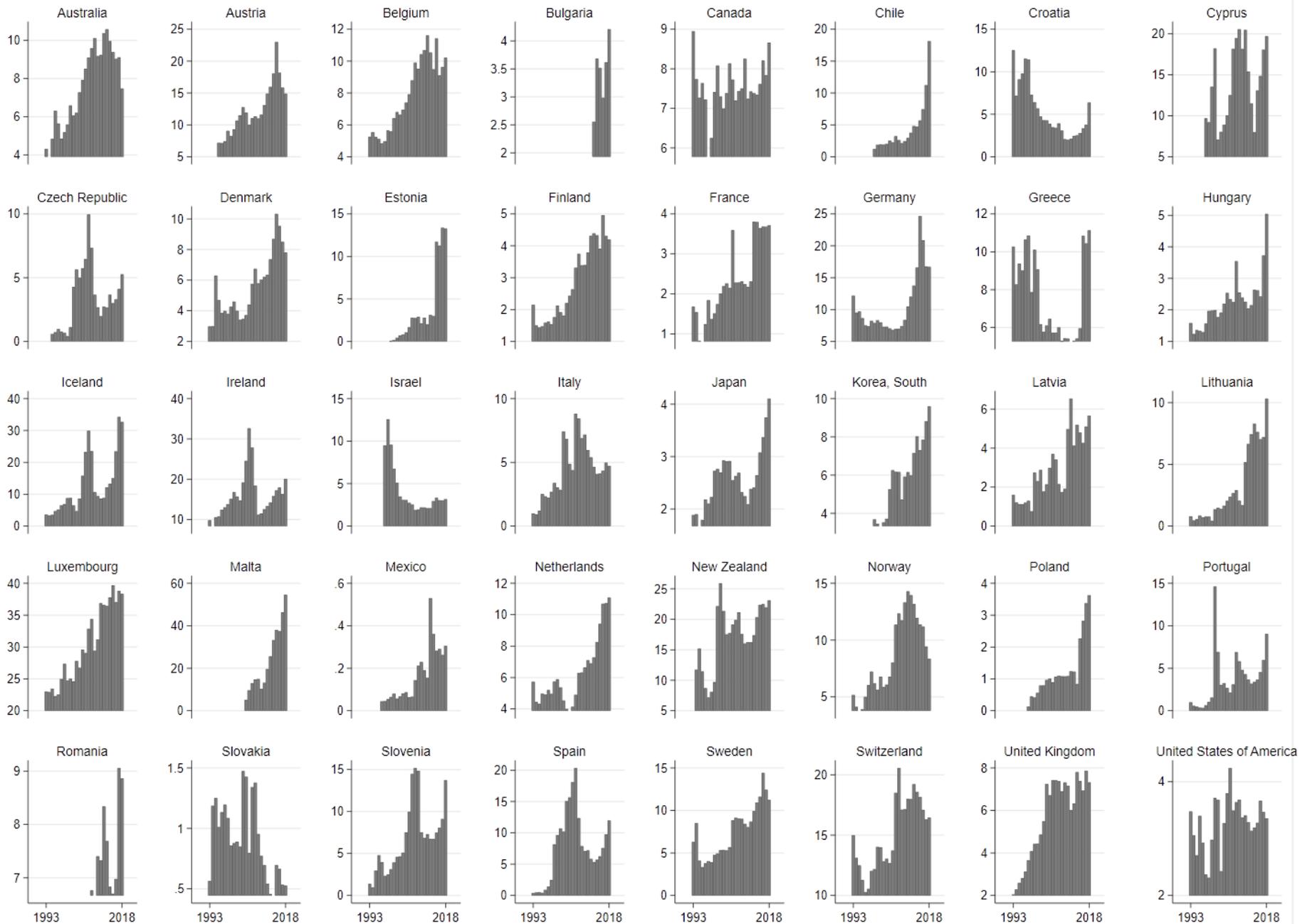
Mobility generally low by international standards

- Annual interstate mobility: EU 1% --- US 3%, CAN 2%, RF 1.7%

Eastern enlargements and free movement increased EU's migration potential

- 2004 – CZ, EE, HU, LT, LV, PL, SK, SL + CY and MT (EU8+2)
- 2007 – BG and RO (EU2)
- 2013 – HR

Migration flows in Europe (and internationally)

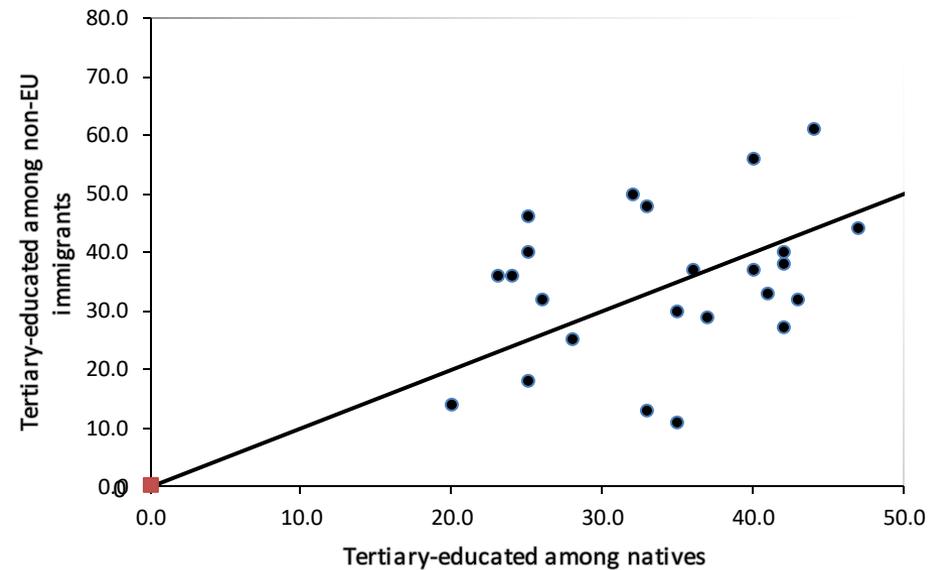
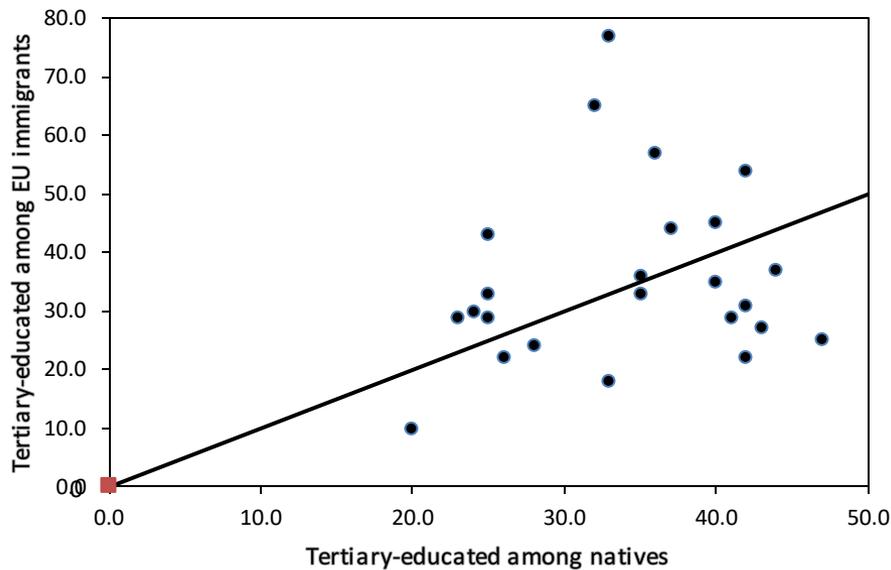


Mobility and migration in the EU

- Relatively well educated (mixed):

EU

Non-EU

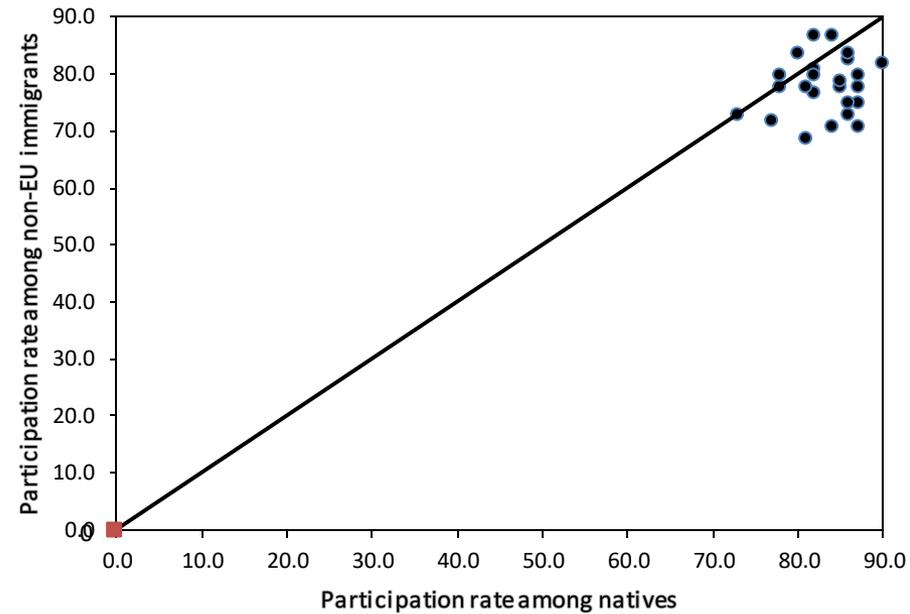
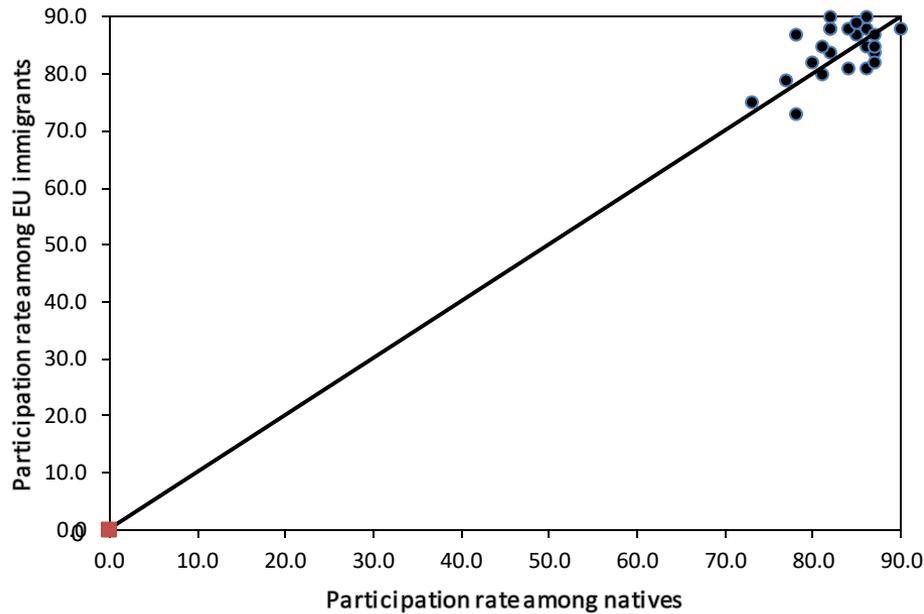


Migrants in the EU relatively well educated, often more than the natives, intra-EU somewhat more than non-EU

...and mostly want to work

EU

Non-EU

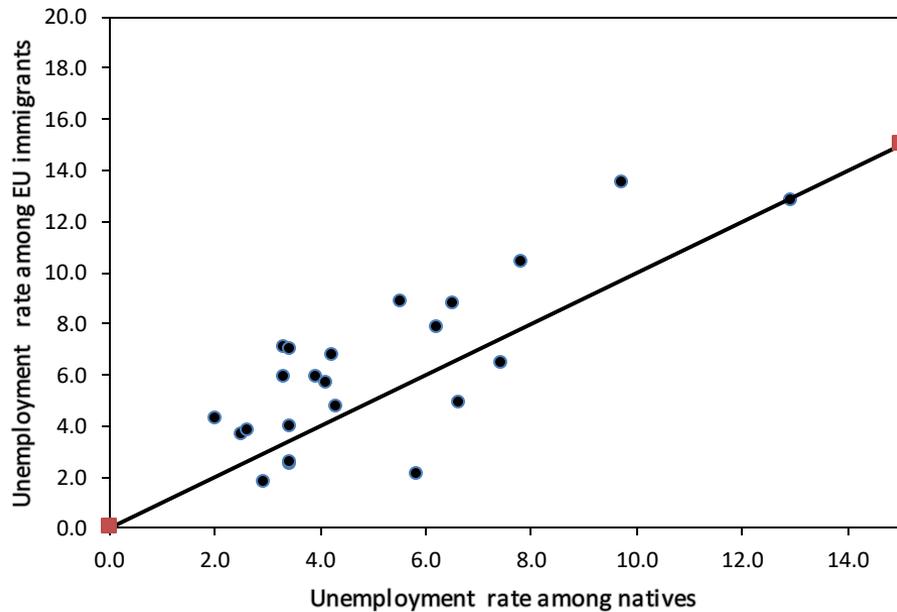


Migrants exhibit rather high activity rates, often higher than the natives, less often for non-EU migrants

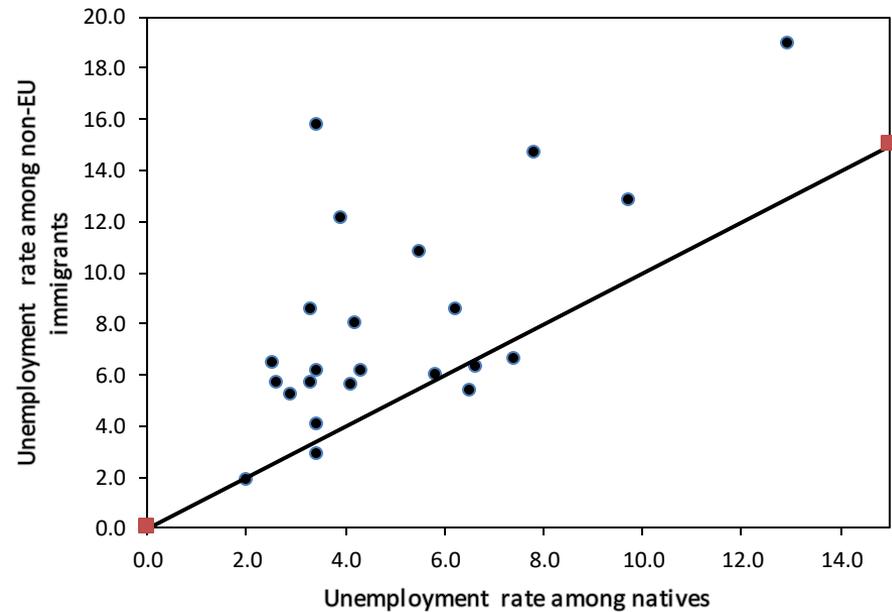
...but not always successful – unemployment

- Migrants in general have a significantly higher probability of being poor (even controlling for characteristics)
- Also due to problems with labor market integration

EU



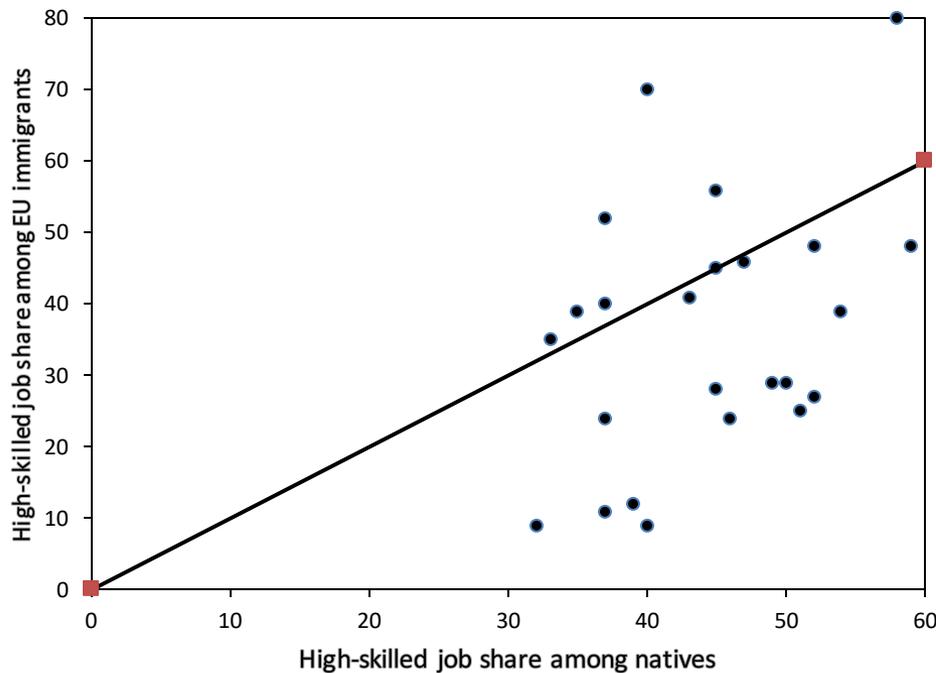
Non-EU



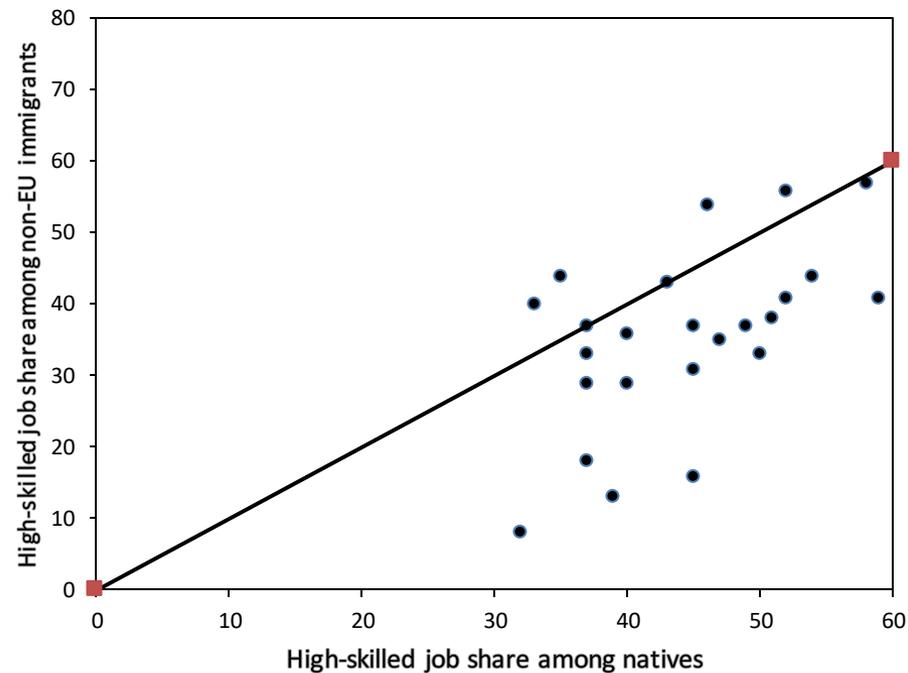
Immigrants often have a higher probability of unemployment than the natives, more so the non-EU

...and even if in a job, often skill mismatch -
downskilling

EU



Non-EU



Immigrants often downskilling, especially non-EU

Educated and active immigrants, but brain waste.

Inefficient, unequal, often unjust

Important note: variation across source countries/regions, destinations, years since migration, gender etc.

But the prevalent narratives are different:

- Take 'our' jobs!
- Lower 'our' wages!
- Welfare 'tourists' abusing 'our' welfare systems!

Well and how about evidence?

What effects of EU mobility?

Take our jobs? No, they help to create them!
Lower our wages? Not really.

- Mariel boatlift, within 2-3 months circa 125,000 Cuban refugees sailed to Miami. Unemployment up, wages down? No! (Card, 1990)
- Post-enlargement mobility in the EU, circa 3 million migrants 2004-2009. Same lessons: no negative impacts on unemployment rates or wages. (Kahanec and Zimmermann, 2016)
- Constant (2014) summarizes evidence, in the medium/long run job creation

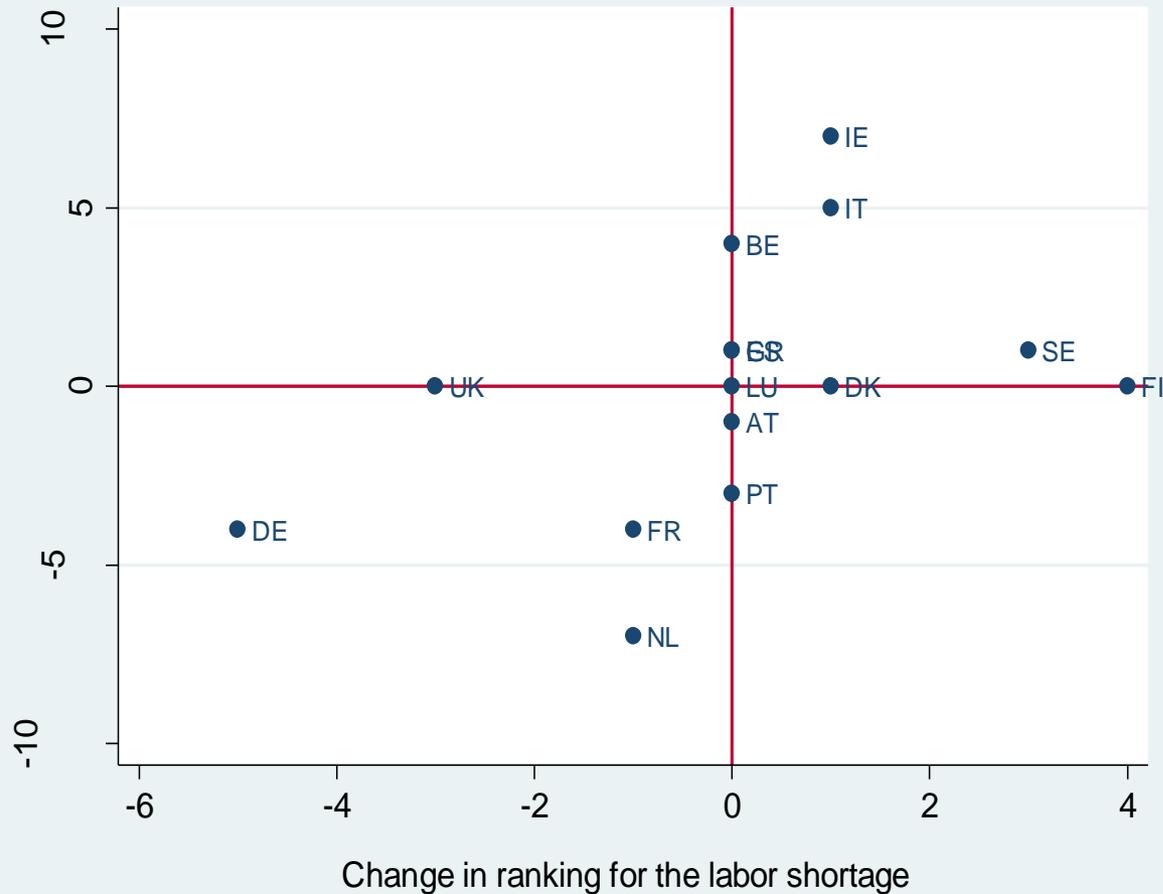
Small, neutral to positive (especially in the longer run), although in some contexts may also be small negative

Macro impacts of migration

- For post-enlargement intra-EU migration we find positive effects on
 - GDP
 - GDP per capita
 - Employment rate
- And negative effects on
 - output per worker
- The results more on the negative side for EaP immigration

Small, neutral to positive, although for some groups/indicators may also be negative

Do immigrants go to countries, sectors and occupations with labor shortages?



Immigrants fill up labor shortages similarly or more flexibly than the natives

Welfare shoppers?

- Theory – possibly
- Empirics – not systematic or small effects, refugees more responsive
 - Borjas (1999): welfare magnet marginally significant among the US states
 - De Giorgi and Pellizzari (2009): small but significant welfare magnet in EU15
 - Pedersen, Pytlikova and Smith (2008): Social expenditures/GDP not significant within countries
 - Kahanec et al (2013) – no effects if endogeneity accounted for
 - Effects on refugees/asylees in AT (Dellinger and Huber, 2021) and in Denmark (Agersnap, 2020)
 - Kahanec and Guzi (2021) accessibility does have some positive effects

Note: Contribute to public finances (Dustmann and Frattini, 2013)

Policies do matter

- We find that immigrants' responsiveness to skill shortages exceeds that of natives in the EU15, in particular in member states with
 - low GDP,
 - higher levels of immigration from outside EU,
 - and more open immigration and integration policies;
 - but also those with barriers to citizenship acquisition or family reunification.
 - higher welfare spending seems to exert a lock-in effect, a comparison across different types of welfare states indicates that institutional complementarities alleviate such effect.

Summary

- Generally do not take jobs or lower wages
- Evidence of job creation in the longer run
- Intra-EU migration positive macro effects, non-EU mixed
- Grease the economic wheels in destinations
- Little if any welfare shopping for labor migrants; some for refugees/asylum seekers
- Institutional and policy contexts do matter

So where is the problem?

- Non-transparent, costly, ill-designed immigration procedures;
- Institutional barriers in legal framework, poor access to institutions, markets, etc;
- Poor transferability of qualifications and skills (issues with recognition of qualifications);
- Additional barriers to LM inclusion: Discrimination, negative attitudes; lack of information about market opportunities; taxation issues; no grace period if job lost; language barriers;

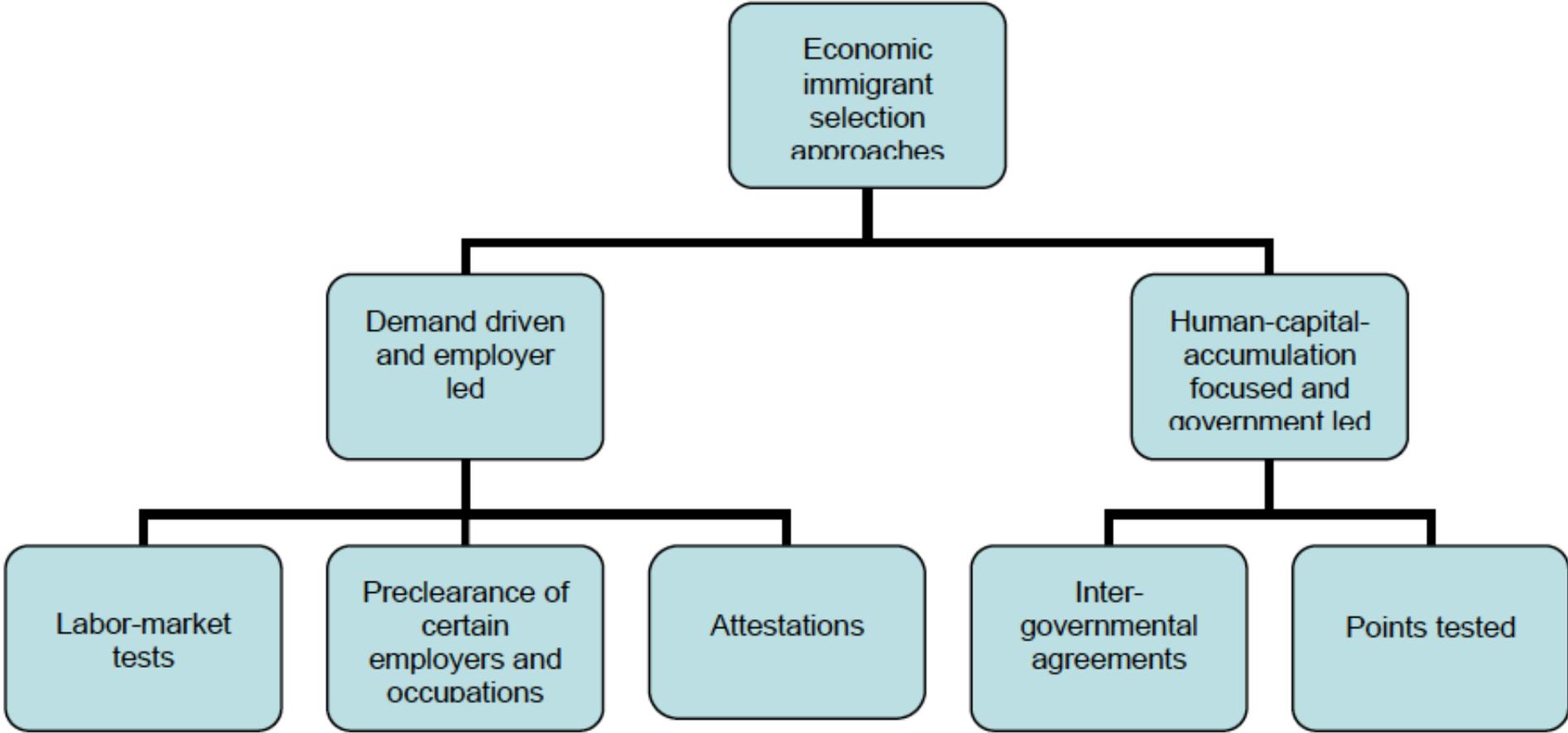
So where is the problem? Cont'd

- Poor access to and non-transparent transferability of social rights (e.g. pensions);
- Lack of provisions for tied migrants (including spouses, children or parents)
- Lack of harmonization across the EU
- A gap between perceptions and evidence
- Politicization of migration (Brexit, etc)

We want positive outcomes, but provide an adverse framework

Migration policy options

Figure 1. The Two Principal Approaches to Selecting Economic Immigrants



Demand-driven migration policies

Labor market tests

- Proof of no alternative employee required

Pre-cleared occupations or employers

- Certain trusted employers or certain occupations (e.g. with skill shortage) cleared for hiring foreigners

Attestation-based decisions

- Employers can hire foreigners without tests or procedural constraints, but sign a contract with the gvt on the condition of employment/stay

Human capital-driven and gvt-led migration policies

Intergovernmental agreements

- Stipulate sectors/occupations open to foreigners
- Duration and other terms
- Reciprocal or not
- Employers may but need not have a role

Points systems

- Permit temporary or permanent stay based on scores for characteristics such as education, age, skills, experience, language ability

Variables of points-based migration policies

Tier I

- Education (years, degrees; academic ranked higher)
- Work experience (matched rewarded)
- Age (being young rewarded)
- Language
- Experience in the host country (work or study)

Tier II

- Job offer (AU, CA, NZ)
- Shortage occupation
- Partner characteristics (education rewarded)
- Previous or proposed earnings (proxy for skill)
- Relatives in the host country (adjustment but also a family concern)
- Settlement stipulation (direct immigrants in less dynamic areas)
- Investment/job-creation/funds for retirement

Do points systems work? Evidence:

- Increase educational attainment of immigrants
- Higher earnings, the gap diminishes over time
- Immigrants with job offer high participation, the gap diminishes over time

Pros and cons of points-based system

Pros (points based system)

- Binding constraint, control
- Clear objectives enforced, provides a strategic vision
- Quality of immigration up
- Administratively streamlined
- Transparent

Cons

- Comprehensive evaluation and monitoring needed
- Only observable characteristics count
- Not flexible enough if shortages arise
- The signaling effect may divert resources in the sending countries

Best of the two worlds?

Two key approaches

- Demand driven, firms as drivers
 - Reactive and matched, responding to short-term needs
- Government-led, human capital centered
 - Proactive but possibly mismatches

Hybrid systems

- Combine the best of the two?

Hybrid systems

Hybrid system options

- Points system with heavy weight on a pre-existing matching job offer
- Evaluation of not only years of education, but also its quality, recognition of qualifications
- Highways for naturally well-matched immigrants, ie graduates
- Temporary visas as a stepping stone

New approaches: Auctioning immigration “vouchers”

To conclude

- Migration makes the economy more efficient and salient, facilitates adjustment.
- Generally neutral-to-positive effects, fears mostly unjustified
- Policies do matter, and hence require attention
- Several migration policy options, must be based on evidence
- Must work hard to avoid the vicious circle of negative perceptions/attitudes/narratives -> adverse policies -> problematic outcomes -> negative perceptions/attitudes validated and fueling the circle



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