

Tito Boeri and Herbert Brucker 2005

WHY ARE EUROPEANS SO TOUGH ON MIGRATION?



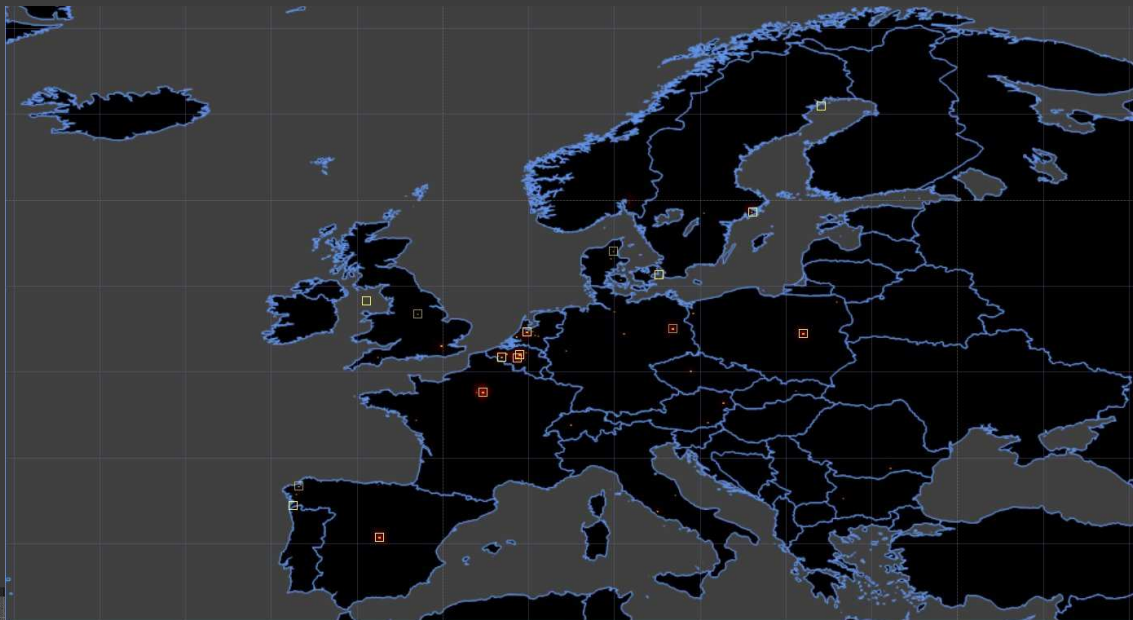
Agenda

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Free mobility has been a characteristic of the EU since the Treaty of Rome 1957

May 2005 saw the enlargement from EU – 15 to EU – 25 with Romania and Bulgaria joining in 2007

What then for the migration policies of the EU – 15?



EU – 15 countries were tightening border controls in a ‘race to the top’

The paper explores two possible explanations for this:

- Tougher policies are in the interests of the receiving country
- Lack of co-ordination

Four different transitional regimes have been adopted :

i.Restrictive immigration regime - NMS migrants are treated as non EU citizens – Belgium, Finland, Germany, Greece, France, Luxembourg and Spain

ii.Similar to the above but with a quota – Austria, Italy, Netherlands and Portugal

iii.Generally admitted but with work and residence permits subject to circumstances – Denmark, Ireland and UK

iv.Free movement of labour as in EU- 15 - Sweden

Cost-benefit analysis

Migration to imperfect labour markets

A model is used to provide a cost-benefit analysis of East-West migration. The simulation allows for variation in wage rigidity / skill content of migration / heterogeneous regions / welfare benefits.

Under mild-high wage rigidities and allowing for unemployment benefits in the range of the EU – 15 income gains in the total region are substantial. However labour incomes in the receiving country decline so posing a policy problem.

Migrants & welfare

Risk of 'welfare shopping'

Migrants face higher risk of unemployment but incentives to migrate increase when the replacement rate increases

When the replacement rate increases so does the GDP of the receiving country and the EU as a whole. Larger migration flows generate a higher income level with more efficient allocation of labour.

Unemployment rate in the receiving country may rise but decrease in the EU.

For the source country when the replacement rate rises the effects on GDP, wages and unemployment are negligible

Do trade and FDI mitigate the effects of migration?

The increased trade flows and capital movements between EU -15 and NMS have not closed the gap in per capita incomes. These are not expected to close for a few decades so there is still an incentive to migrate.

The effect of migration on FDI is analysed, using East - West migration of 1% and showing the scale of FDI via the impact on GDP, the results are negligible

The second scenario presented is where a capital movement of 1% of GDP West – East shows that the effect would be to reduce migration

Capital movements can substitute migration but not vice versa

This is because the impact of migration on capital movements is ambiguous but capital flows increase GDP and wages therefore reduce incentives to migrate

Migration Potentials

Potential migration NMS – EU-15 2004 – 2030 - Top 5 Countries (Net migration, thousand persons)

	2004	2005	2010	2020	2030
Austria	20	22	9	2	1
Germany	156	169	68	13	7
Greece	18	20	8	2	1
Italy	26	28	11	2	1
UK	12	13	5	1	1

Problems with estimations

- It is unknown how serious migration intentions are
- Surveys only capture the supply side, not job opportunities etc.
- Cannot mirror temporary dimension of migrants
- Many estimates for East-West migration use parameters that cannot be applied
- Cultural, language & geographical factors not accounted for

Policy spill-over

- ⦿ Countries influenced by each others migration policy
- ⦿ Especially seen in neighbouring countries
- ⦿ Also seen in reverse when incentives are offered to high-skilled migrants

Policy Implications

- ⦿ Characteristics of EU suggest positive outcome from relaxed migration policy
- ⦿ Income/productivity differentials between countries/regions & low intra-EU mobility
- ⦿ Potential GDP increase of 0.5%
- ⦿ Gain in output of receiving country is higher than sending country loss of output

Conflicts of Interest

- Battle for low-skilled jobs in recipient nation
- Can increase income inequality gap

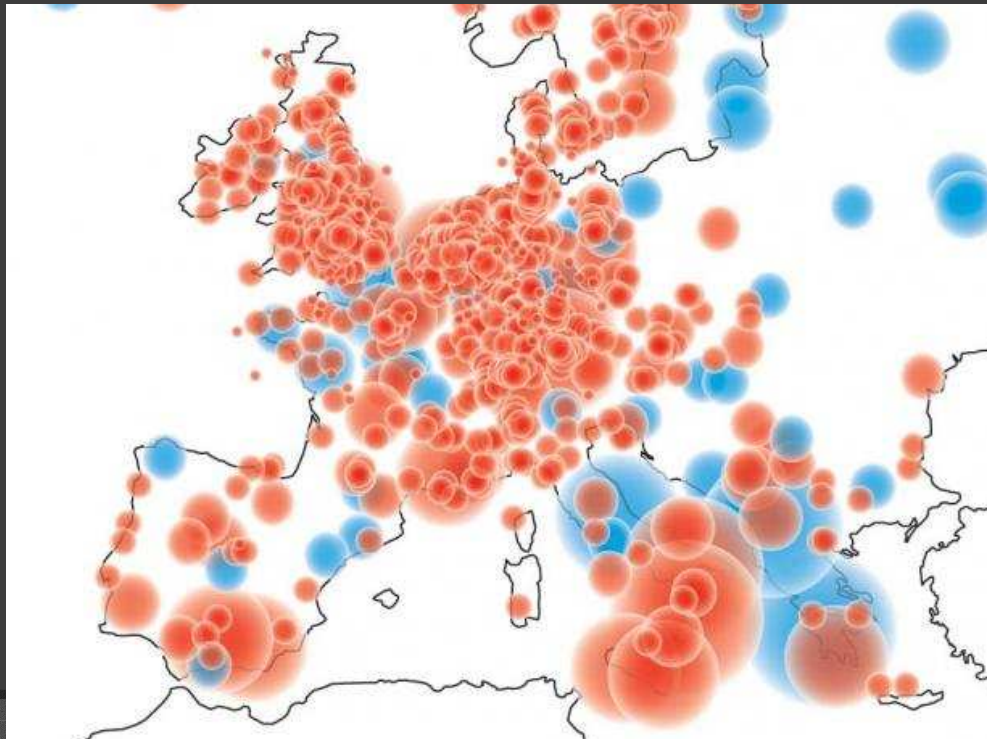
- Externalities & social effects
- Racial tensions / xenophobia

Regulatory measures

- Point system - assesses migrants suitability but can result in 'brain drain' phenomenon
- Quotas

Migration as a solution

- Negative shock in one area + positive shock on other area resulting in migration & labour market stability



Conclusion & Comments