



EUROPEAN POLICY BRIEF



SEARCH
SHARING KNOWLEDGE ASSETS:
INTERREGIONALLY COHESIVE
NEIGHBORHOODS

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**THE EUROPEAN NEIGHBOURHOOD POLICY: TOWARDS A
BETTER INTEGRATION OF MIGRANTS IN THE EU**

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INTRODUCTION

THE CHALLENGE OF A BETTER INTEGRATION OF MIGRANTS IN THE EU LABOUR MARKET

After the fifth enlargement round of the European Union in 2004 its external borders shifted drastically. Suddenly a range of poorer, economically and politically less stable and less democratic countries bordered the EU. In response to these changing circumstances the need was felt to create a unified policy to deal with neighbouring countries. This unified policy, the European Neighbourhood Policy (ENP), subsumed the patchwork of existing policy instruments. Its goal is to create a ring of countries around the EU with which the EU has close, peaceful and co-operative relations (COM 373 final, 2004).

This policy brief depicts the pattern of migration between EU and ENP countries in recent years and try to predict its evolution over time. Moreover, it uses the results of a set of analyses carried out on both ENP countries as well as on other countries in order to identify the pull and push factors of migration. Based on these experiences we draw policy conclusions on the strategies needed to create a migration policy that can foster a strategy of social and territorial cohesion between ENP countries and the EU. This policy briefs also takes specifically into account the labour market outcomes of ENP migrants. In particular, using case studies on the relationship between migrants and native workers in host countries, it draws policy conclusion aimed at fostering migrants' integration in terms of employment opportunities and equality of skill rewards in the context of the current European crisis.

KEY OBSERVATIONS

POLICY ISSUE

Although there is a widespread recognition that Europe needs to import foreign labour in response to gloomy demographic forecasts, in the context of ageing populations, low birth-rates, and prospects of a collapsing social security system, the economic and social implications of improved conditions for the movement of labour between EU countries and their neighbours is a controversial issue for both the sending and receiving countries. This is an issue both in receiving countries where immigrants compete for jobs with native workers and also, in sending regions as immigrants are usually positive selected. When the highly skilled or entrepreneurial residents of these regions decide to migrate, this negatively affects their growth potential. The implications of this for EU-ENP regions are non-trivial and could lead to destabilizing the area, the opposite effect to that underlying the ENP. In this context, developments in the area of managed migration, (potentially involving the opening of Member States' labour markets to neighbouring countries) could be an area of strengthening ENP. In fact, freedom of movement is one of the fundamental principles upon which the European Union was once founded and, somehow, it is also present as a future goal in the bilateral negotiations with most neighbours. For this reason it is necessary to get a clear idea of which are the pattern of migration flows between ENP and EU countries and of its determinants in order to design a consistent migration policy that could be beneficial for both sending and receiving countries.

ENP POPULATION AND STYLIZED FACTS ON MIGRATION FLOWS

- The population of the European Neighbourhood Countries (ENC) plus Russia is nowadays above 400 million people. While in the sixties of last centuries, the population in the South ENC (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Syria and Tunisia) was around sixty million people, a similar figure to the population in East-ENC (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine), nowadays it is substantially higher: 204 million people vs. 75 million. The Russian population has also experienced a very important growth moving from 250 million people in 1960 to 420 million people in 2010. Population growth has been clearly higher in Russia and the South ENC than in the EU-27 that has increased its population from 400 million people in 1960 to 500 million people in 2010.
- There is a very high heterogeneity regarding migration trends in ENC countries during the last 50 years. While some countries such Israel during the whole period or Russia during the last thirty years have been net receivers of migration flows, other countries such as Belarus, Egypt or Tunisia have clearly lost population due to migration during the considered period.
- An additional interesting feature of migration from ENC countries is that it is highly concentrated in some destination countries due to geographical proximity or strong political, economic or colonialist linkages. For instance, most migrants from Algeria or Tunisia go to France and most migrants from East ENC go to Russia. In fact, one interesting result is that European Union countries are not always the main destination of migrants from ENC: for instance, emigrants from Egypt choose as Saudi Arabia as first destination, those from

Lebanon prefer to migrate to the United States or those from Syria to Jordan, Kuwait or Saudi Arabia. Migration flows between ENC countries have been quite relevant in the more recent period. Nowadays, about 10% of total population in East ENC has been born abroad while this figure is around 5% in South ENC and Russia. In the EU-27, the stock of foreign born population is around 10%.

PUSH AND PULL FACTORS OF MIGRATION

- Bilateral migration increases with population in origin and destination countries, but also with migration stocks, which can be interpreted as favourable evidence about the role of networks. Geographic distance discourages migration while geographic contiguity, linguistic proximity or former colonial relationship have a positive and significant effect.
- Higher GDP of destination countries attract migrants, while GDP of origin countries does not have the same importance in pushing migrants –except for ENP countries where it appears to be more relevant-.
- Urbanization and in particular the increase in size of large cities act as a pull factors migrants. This is something that suggests an explanation of the large inflow of immigrants from ENP countries and Russia to Southern Europe where there is been recently a consistent increase of the dimension of cities. When focusing on the relationship between urbanization in ENP countries and migration flows, the studies have found out a positive relationship between development and urbanization, which suggests that pursuing a strategy of urbanization in these countries can help to progressively cancel the push factor for international migration in terms of the relative degree of underdevelopment that characterized these countries with respect to neighbouring regions.
- Spatial spillovers effects are relevant. In particular, the main important factors for migration from ENP countries to EU countries are rather related to the neighbours influence. Immigration to an EU country is strongly and positively influenced by immigration to its neighbours and vice-versa. Also, emigration from an ENP country to EU is strongly and positively influenced by emigration from its neighbours and vice-versa. The same applies to the volatility of migration.
- Labour market institutions in terms of employment protection and minimum wage act as pull factors for migrants, while union power and unemployment benefits have less importance. These effects are higher the lower the degree of tightness of migration policy.

MIGRANTS IN HOST LABOUR MARKETS

Labour markets integration for migrants as well as equality in job opportunities are still far from being reached in EU countries. It is crucial to take into account the pattern of integration of migrants in receiving countries especially in the widespread crisis that is affecting Europe in these years. In particular, for what concerns the labour market specific questions have to be addressed. Do migrants from ENP countries enjoy the same labour market conditions than native workers? Are they rewarded in the same way? Do they have same employment opportunities?

- Immigrants typically face a significant wage gap when arriving to the host country although this gap tends to diminish the longer they remain in their host country. Recent contributions have argued that the wage disadvantage experienced by immigrants when they arrive in a new

country can generally be attributed to the limited transferability of the human capital they have acquired in their home country, due to the lower quality of the educational system or to a different cultural background, among others. The reduction of the gap through a better transferability of human capital could be facilitated by a favourable legislation to labour mobility in the host country. Indeed, our results show that wage differentials between immigrant and natives are lower in those countries with more favourable policies, even if this is the result of a better relative situation of medium-skilled workers and not of highly-qualified ones.

- In the process of assimilation of immigrants in terms of labour market outcomes, another situation which is predominant is skill mismatch. This can be defined in two different ways: vertical mismatch (mismatch between worker's educational level and the one required for their job) and horizontal mismatch (degree of adjustment between the workers' educational field and the one required for their job). In terms of vertical mismatch, immigrants are more likely to be overeducated than native workers. This probability is even higher when considering immigrants from non-EU countries. Nonetheless, through years of residence in host countries' the probability of being overeducated slightly decreases for both kinds of immigrants, but the extent of the reduction is higher for immigrants from non-EU countries. Hence, although immigrants from countries outside EU have a higher probability to be overeducated, their process of assimilation is faster than the one for immigrants from EU countries. Furthermore, when decomposing these differences in probability of being overeducated between natives and immigrants, findings show that immigrants from non-EU countries suffer a penalization in terms of remuneration with respect to natives. In terms of horizontal mismatch, results show no differences between native and migrants.
- In terms of employment opportunities, a picture of Spain reveals how in time of crisis job losses for immigrants from ENP countries have been consistently higher than for natives. Findings also indicate that differences with respect to natives in education attainment and in the occupational and sectoral distribution were even greater than that observed for non-ENP countries' immigrants. In fact, almost the entire gap in the rate of job loss between natives and immigrants from ENP countries can be attributed to differences in observed characteristics, thus ruling out discrimination against immigrants. In any case, one could argue that what might be behind the results is a phenomenon of segregation, in which discrimination actually takes place through the real possibilities of occupying certain jobs.

RECOMMENDATIONS FOR POLICY-MAKERS

A GLOBAL MIGRATION POLICY FOR THE EU...

Regulated migration policy is perceived as benefitting both origin and destination countries. For the ENP countries, migration is a solution for the lack of local employment opportunities. For the EU countries, it provides a solution to the demographic imbalance and ageing population trends in the core countries over the short run. Potentially, migration policy could be conceived as diverting human disaster in the ENPs and promoting growth and prosperity in the EU. At the subnational level, EU-ENP migration policy can also be seen as a source of cross-border exchange of skills and knowledge. This could lead to localized economic growth at the urban or

regional level. The question that arises is thus the following. At which level (national, sub-national or European) should be set the migration policy? The existence of strong spatial spillovers points out the necessity of a migration policy globally defined, rather than one designed by a specific country. Indeed A parochial policy which, for example, restricts migration in one country might deflect immigration to its neighbours. Also a policy which encourages immigration in one country might induce immigration to its neighbours. Thus, the only way to overcome these possible effects is to define a EU migration policy, which is at present contradictory with bilateral action plans that have characterized the ENP so far.

AND FURTHER COORDINATION WITH OTHER POLICIES ...

Another important area for policy improvement requires the awareness of the interrelation between traditional migration policies and other policies that also affect migration flows. For instance migrants' flows are influenced by labour market institutions of host countries. In particular, employment protection legislation and minimum wages act as a pull factors for migrants. European countries share differences in the level and type of labour market institutions, which in turn reflects in attracting differently migration flows in their countries. These differences in countries labour market institutions have to be taken into account when designing a migration policy that could be beneficial for both receiving and sending countries, in order to adjust flows to the demand of destination countries. Labour market institutions interact with migration policies. Hence the effect of possible reforms of such institutions should carefully take into account such interactions. For example the introduction of minimum wages in countries in which such institution is not in place could have both a positive employment effect on native and a positive effect on migration flows. If migration policy is not adequately coordinated, such large inflow of immigrants could crowd out native workers out of those jobs thus cancelling out the potentially positive benefit effects of a minimum wage.

...AND WITH SENDING COUNTRIES

International migration flows are widely driven by differences in development between the EU and ENP countries. Moreover, the increase of cities in ENP countries helps to increase the level of development thus generating an opposite force against migration out of the country for ENP migrants. On the other hand, migrants from ENP countries are attracted by large cities and therefore migration flows in Europe are highly directed toward countries that have experienced higher increases in large cities: Southern Europe. Any migration policy globally designed should therefore take into account these pull factors of Southern Countries in order to adjust migration flows from ENP countries to the need of receiving countries.

ATTRACTING MORE SKILLED MIGRANTS

The labour market picture of migrants in host countries shows lack of equality between migrants and native workers in terms of wages and employment. In order to improve the situation, migration policies should be designed in order to attract more skilled migrants. In fact tighter migration policies seem to entail a higher negative impact from migrants from the East of Europe and Middle East that on average have higher skills, while lower is the size of the impact for migrants from the North of Africa.

However, even if immigrants are relatively high qualified this does not guarantee the success in the EU labour market. Nonetheless, our results show that wage differentials between immigrant and natives are lower in those countries with more favourable migration-oriented policies, even if this is the result of a better relative situation of medium-skilled workers and not of highly-qualified ones. Policy actions should also try to minimize the risk of skill-mismatches for immigrants. Recommended measures of

policies should focus on three different aspects:

- 1) Incorporating in the migration policy formal criteria related to educational levels and to the match with the current needs in the labour market (i.e, like the Australian points system);
- 2) Trying to design a system of assessment and recognition of foreign-acquired educational degrees in order to give an appropriate signal to the labour market;
- 3) Providing publicly-provided informal training to recently arrived immigrants with appropriate skills in order to improve the transferability of their skills to the new labour market.

As for job opportunities, some additional policy implications can be derived:

- 1) The loss of employment for immigrants is an added cost to their own displaced status, especially for recent immigrants. Even for those who are entitled to receive the unemployment benefit, the difficulty of finding another job in a prolonged recession may lead to limited financial resources at its disposal to meet basic needs. The higher chance to lose the job and the fewer options to find another one (as reflected in an unemployment rate for immigrants around 35%) could force immigrants to return to their countries. Even if staying in the host country, a long period without an employment erodes both real social integration and assimilation into the labour market.
- 2) For the host country, and by extension to the whole EU, the presence of a large number of unemployed immigrants has obvious costs. Despite the above, it is possible that a high percentage of unemployed immigrants decide to stay in the host countries, among other reasons because they have no better alternative in their countries of origin and, even without a job in the EU, they can continue enjoying higher levels of security as well as of social protection (including unemployment benefits, and health and education services). In that case, at least temporarily, immigrants stop contributing to the system and, consequently, do not help to counteract the effects of aging of the native population.
- 3) The reduced ability to maintain employment by immigrants can be seen as a cost also for the countries of origin. First, in terms of volume of remittances, which in the case of the countries of North Africa (especially Morocco and Algeria) are an important source of external financing. Secondly, because they have to deal with the return of those who decide to return home, despite suffering many of the countries of origin high unemployment, especially for the young more skilled population. Finally, because the high rates of job loss may discourage potential future immigrants, and thereby hinder the correction of macroeconomic imbalances in sending countries, and the lack of opportunities for a significant portion of its population.

All these issues must be considered when designing and assessing the instruments of the EU migration policy in the context of the ENP. Despite the obvious difficulties that would have the implementation of an action of this type, the results we obtained suggest that, in the context of the ENP, resources should be allocated to improve the human capital of immigrants, and even of potential immigrants in their countries of origin. Among other effects, the increase in the educational level of immigrants would improve

their employability and the pace of assimilation into the European labour market. To sum up, the obtained results suggest that policies that try to improve the situation of immigrants in the labour market of the host country seem to have a positive effect, although only for some particular groups of immigrants. However, we have to recognize that it is not possible to disentangle which part of the effect is due to this particular measure, to other migration policy or even to ‘non-migration policies’.

RESEARCH PARAMETERS

Introductory statement

The current Policy Brief incorporates the policy implications of the research findings on people mobility between the EU and the ENP countries and the role of human capital.

Objectives of the research

The main objective of this research is to analyze the actual and potential future role of labour migration and its economic and social consequences (costs and benefits) both for destination (EU countries) and neighbouring origin countries (ENP). Particular attention is given to the role of particular intangible assets, such as human capital, entrepreneurship and technology diffusion.

The research summarized in this policy brief focuses on two issues:

- 1) Analyzing migration flows considering the role of policy and structural issues: The objective of this research is to provide scenarios on migration flows between EU and ENP regions putting special attention to different push and pull factors.
- 2) Human capital and labour market integration of immigrants.

Methodology

The research relies on the use of different statistical and econometric methods depending on the level of data analysis.

- 1) Gravitational models have been used in order to identify the main determinants of migration flows from a long list of potential push and pull factors. A common database has been compiled from secondary sources in order to facilitate the comparison of the results obtained by different teams in the project.
- 2) Gravitational models have also been extended in order to consider the presence of spatial spillovers. Spatial econometric techniques have been used to properly estimate the model.
- 3) A case study for the analysis of migration flows between CIS countries and Russia have also provided valuable information on migration between ENP countries and the potential role of temporary migration
- 4) The analysis of the labour market integration of immigrants relies on the extensive use of microdata from the EU-SILC and EU-AES databases that provide homogeneous microdata for native and immigrant workers across Europe. National data sources providing additional details for some specific analysis have also been considered. Different microeconomic methods have been applied to test the hypothesis under consideration.

PROJECT IDENTITY

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Website

www.ub.edu/searchproject

Further Reading

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