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INTERIM REPORT ON EU-NC COUNTRY MOBILITY AND RELATIONSHIP BETWEEN MIGRATION, SOCIAL CAPITAL & OTHERS

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OBJECTIVE

The SEARCH project is aimed at analyze the impact of the European Neighbourhood Policy (ENP) on the integration of the neighbouring countries with the EU with respect to several areas, such as trade flows, people mobility, human capital, technological activities, innovation diffusion and institutional environment.

This interim report is aimed at specifically taking into account the role of labour migration and its economic and social consequences for both destination (EU) and origin (ENP) countries. In particular, it summarizes the state of the research related to migration determinants within the ENP framework and the role of human capital on labour market integration. A first group of working papers analyses bilateral migration flows and the effects of different push and pull factors using a unique database that has been built within the project. A second group of working papers specifically looks at the role of human capital within the context of the labour market integration of immigrants.

MAIN RESULTS AND POLICY IMPLICATIONS

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.

The interim report consists of the following nine working papers:

- Ramos, R. (2013), "Analysing Migration Flows From and To ENC Through the MIG-SEARCH databases", SEARCH Working paper 3.1
- Cicagna, C., Sulis, G. (2013), "On the Potential Interaction Between Labour Market Institutions and Immigration Policies", SEARCH Working paper 3.2
- Royuela, V. (2013), "International Migration and Agglomeration Economies", SEARCH Working paper 3.3
- Beenstock, M., Felsenstein, D. (2013), "Modeling ENP-EU Migration in a Spatial Gravity Framework", SEARCH Working paper 3.4
- Royuela, V. (2013), "International Migrations as Determinant of the Urbanisation Rate", SEARCH Working paper 3.5
- Denisenko, M., Choudinovskikh, O: (2013), "Migration within CIS countries", SEARCH Working paper 3.6
- Ramos, R., Matano, A., Nieto, S. (2013), "Immigrant-Native Wage Gaps and the Returns to Human Capital", SEARCH Working paper 3.7
- Nieto, S., Matano, A., Ramos, R. (2013), "Skill mismatches in the EU: Immigrants vs. Natives", SEARCH Working paper 3.8
- Motellón, E., López-Bazo, E. (2013), "Crisis, immigration and job loss", SEARCH Working paper 3.9

The first working paper, WP3.1 compiles and describes a new database of bilateral migration flows between ENP countries and the EU and its potential determinants and it provides some benchmark models that could be used for policy analysis; WP3.2 looks at the effect of labour market institutions (in terms of as employment protection legislation, minimum wages, coverage of unemployment benefits and union power) on immigration flows; WP3.3 and WP3.5 inspect the relationship between international migration and urbanization; WP3.4 deals with factors influencing the destination choice of migrants from ENP to EU countries and then addresses the extent to which destination choices within the EU are complements and substitutes; WP3.6 defines the picture of international migration movements between the new states of the former Soviet Union along with its characteristics and influencing factors; WP3.7 analyses the role of human capital to explain wage differences between immigrant and natives while WP3.8 look at skill-match and in particular at the differences in the probability of having skill mismatch between immigrants from EU countries, immigrants from non-EU countries and natives; last, but not least, WP3.9 looks at the employment outcomes of native and migrants in Spain since the start of the crisis.

The obtained evidence in the different WP permit us to concluded that regulated or managed 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.

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.

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.

Last, 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. However, even if immigrants are relatively high qualified this does not guarantee the success in the EU labour market. Our results show that policy actions should also try to promote a system of recognition of foreign-acquired educational degrees but also to improve the transferability of immigrants' skills to

their new labour markets. This will have beneficial effects both for host and home countries.

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.