



ABSTRACT DELIVERABLE 3.2

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

September 2013

The European Union has progressively established partnership and cooperation agreements for deepening the cooperation with neighbouring countries. In the year 2004 the European Neighbouring Policy (ENP) was established with the objective of avoiding the emergence of new frontier divisions of the European Union with its immediate bordering regions, to bring peace, prosperity and stability.

One of the areas where the European Neighbourhood Policy (ENP) has demonstrated to be an effective integration tool is the management of migration flows. 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. However, 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, managing migration flows is still a controversial issue for both the sending and receiving regions. In receiving regions, native Population perceive that immigrants compete for jobs lowering wages while in sending regions as immigrants are usually positive selected, the risk of brain drain is very high. 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.

The main objective of the SEARCH project is to strengthen the integration process between the European Union countries and the Neighbouring countries through a better understanding of their interactions with the aim of improving future definition and implementation of ENP taking into account that "one size fits all" policy recommendations will not be appropriate due to the bilateral nature of the ENP agreements. Within this framework, Work Package 3 has analysed 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 countries, paying particular attention to the role of specific intangible assets, such as human capital, entrepreneurship and technology diffusion. The Work Package has been

structured in five different research tasks plus a final task summarising the policy implications of the research.

The first task has consisted in compiling statistical information on migration flows from and to EU countries and try to predict its evolution over time in order to provide benchmark scenarios for policy analysis. Next, several analyses have been carried out on both ENP countries as well as on other countries in order to identify the pull and push factors of migration. In particular, analyses have been generally carried out on European countries as a whole, using gravitational models and spatial econometric techniques, for a period that goes from the beginning of the 1990s until 2010. Also, a case study for the analysis of migration between CIS countries and Russia has been provided. Finally, we have also looked at the importance of the role of interactions between migration policies and institutional policies across European countries. The aim in this respect is to understand and look at the extent of interactions between migration policies and labour market institution policies. This is relevant since, in case such interactions exist, the effect of reforms of institutions have to take them into account in order to be effective. This highlights the need of coordinate migration policy with institution policies.

The second task within this work package has consisted in analysing the difficulties of immigrants in integrating in the host country labour market. 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. In the process of assimilation of immigrants in terms of labour market outcomes, another situation that could predominant is skill mismatch (vertical -mismatch between worker's educational level and the one required for their job- and horizontal -degree of adjustment between the workers' educational field and the one required for their job-. Employment opportunities could also be lower for immigrants, particularly in time of crisis. We consider these three aspects in order to provide policy recommendations that could improve immigrants' situation in their host labour market.

While in the host country, immigrants can contribute to their origin country development through remittances. This could be an important channel in order to alleviate the costs associated to the emigration of high qualified workers (brain drain). For this reason, the aim of this third task is that of providing evidence on the relationship between remittances and human capital from two different perspectives. We first want to understand which the determinants behind remittances flows are, trying to address the following question: Why do some immigrants send much more money to their region of origin than others? Specifically we look at the role of education as determinant of remittances. This is a question that, in the aggregate, has implications for migration-related policy for sending and receiving regions. Therefore, we look at the determinants of remittances and analyse the relationship between intentions to return, remittances and human capital for immigrants. A second objective within this task was related to the effect of remittances from abroad on

households' schooling decision in sending regions. In fact, as previously mentioned, remittances can play an important role to increase human capital in ENP countries as households' financial conditions improve but also due to the expectations of higher opportunities in case of migrating. Last, a case study which focuses on the profiles of returning migrants in Morocco has also been carried out. This last research is clearly connected to the topic of remittances since, according to the literature, temporary migrants are those more likely to send remittances.

However, if immigrant fails to integrate, they usually come back to their origin country (return migration) or move to a new third country (circular migration). Both movements can affect growth, being a channel of technological transfer and development and an incentive to become entrepreneurs. Returned immigrants can also create business networks that are important for trade, investment and know-how. In this context, it is worth mentioning the particular case of star scientists and investors. Their movement is important since they are carriers of knowledge, not only codified knowledge, but also tacit, which actually cannot be transferred in almost any other way. The analysis of this phenomenon is intrinsically interesting from a policy viewpoint. Looking at their patterns of movement and their effect on the scientists' productivity and on potential positive (or negative) social externalities which spring up from their movement, policy makers could design the most suitable framework to exploit this phenomenon for collective purposes. For this reason, the fourth task within this work package has focused on learning how this mobility of high-skilled workers and the existence of networks of research may help the creation of innovation and therefore economic growth.

The success or failure of immigrants to integrate can also potentially influence the “social distance” between individuals and affect in an indirect way regional economic growth. Generally speaking, while some degree of cultural diversity may be beneficial, an excessive cultural polarization is sometimes found to be detrimental for economic performance. In many cases, migration flows are likely to increase the social distance in an area and may thus intensify conflicts within societies. Last, tourism flows can also be considered as an important channel of knowledge transmission and social capital creation which may affect migration flows from and to these areas. For this reason, we have analysed the long-run relationship between tourism and migration flows. This issue has been considered in the working papers produced in task 5 of this work package.