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

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OBJECTIVE

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.

The second task within this work package has consisted in analysing the difficulties of immigrants in integrating in the host country labour market.

While in the host country, immigrants can also 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.

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.

Last, 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. Moreover, 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.

MAIN RESULTS AND POLICY IMPLICATIONS

The results obtained from the first task of the Work Package has shown that international migration flows are widely driven by differences in development between the EU and ENP countries. However, there is a very high heterogeneity regarding migration trends in ENP countries during the last 50 years. While some countries such as Israel or Russia are net receivers of migration flows, other countries such as Belarus, Egypt or Tunisia have clearly lost population due to migration during the considered period. Migration from ENP countries is highly concentrated in some destination countries due to geographical proximity or strong political, economic or colonialist linkages. Therefore, an interesting result is that European Union countries are not always the main destination of migrants from ENP: 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 and, in fact, migration flows between ENP countries show a clear upward trend. Migratory pressure from ENP countries to the EU will also increase in the future. In this context, there is a clear need to adopt a global EU migration policy and to coordinate this policy with other institutions that also affect migration flows such as labour market institutions.

The analysis of immigrants experience in EU labour markets in tasks 2, 3 and 4 has shown a lack of equality between migrants and native workers in terms of wages and employment opportunities. Even in the case that immigrants are relatively high qualified, this does not guarantee the success in their new labour market. Nonetheless, a proper system of assessment and recognition of foreign-acquired educational degrees and/or publicly-provided informal training to recently arrived immigrants could improve the transferability of their skills to the EU needs. However, if EU migration policy is much more selective in terms of attracting human capital, the risk of brain drain in the ENP countries significantly increases. Our results have shown that remittances and policies promoting temporary migration actually help to alleviate the problem. Return to the origin country has also additional benefits through different channels: first, migrants bring back with them the education and working experience they acquired abroad together with the social capital obtained from their migration experience and, second, they may come back with the savings accumulated during their stay abroad.

The Great Recession has had a big impact on the situation of immigrants within the EU labour markets, particularly for those coming from developing countries such as ENP. The loss of employment for immigrants is an added cost to their own displaced status, especially for recent immigrants. The lack of opportunities for a significant

portion of its population clearly puts in danger the integration of immigrants in society. In this context, a better integration of immigrants in society requires, as a pre-condition, that public opinion is not against them. Although a high presence of immigrants could increase the ethnic and cultural heterogeneity of a society leading to larger social distance, it could also contribute to social capital creation if the society is able to create an environment that facilitates people's cooperation.

In sum, several key policy messages are derived from our research. For instance, we conclude that regulated temporary migration policy could benefit both origin and destination countries as for ENP countries, it could be a solution for the lack of local employment opportunities, while for the EU, it provides a solution to the demographic imbalance and ageing population trends. However, the existence of strong spatial spillovers clearly points out the necessity of an EU migration policy globally defined coordinated with other interrelated policies such as those regulating EU labour markets. Our research has also shown that further efforts should be devoted to improve the transferability of skills of high qualified immigrants when they arrive to the EU. However, if EU migration policy is much more selective in terms of attracting human capital, the risk of brain drain in the ENP countries significantly increases. Remittances and policies promoting temporary migration could alleviate the problem and, even contribute to improve educational outcomes in the ENP countries. Last, an important issue in the current context of economic downturn is that EU countries should adopt policies addressing a better integration of immigrants in society in order to achieve a more sustainable and higher economic growth in the long run through social capital creation.