Deliverable 3.2: Final report on EU-NC country mobility and relationship between migration, social capital & others

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The SEARCH project is aimed at analyse 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 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. It collects the results from the 23 working papers produced within the context of this work package.

1 The research summarised here has been produced by the following authors (in alphabetical order): Michael Beenstock; Amine Chamkhi; Alexander Chepurenko; Olga Choudinovskikh; Claudia Cigagna; Olga Demidova; Mikhail Denisenko; Adriana Di Liberto; Daniel Felsenstein; Aomar Ibourk; Enrique López-Bazo; Alessia Matano; Ernest Miguélez; Rosina Moreno; Elisabet Motellón; Sandra Nieto; Tiiu Paas; Eve Parts; Raúl Ramos; Vicente Royuela; Ziv Rubin; Giovanni Sulis; and, Yelena Varshavskaya
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2. INTRODUCTION

2.1. General framework

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.

### 2.2. Partners involved, period of time (starting and ending month)

The following partners have been involved in Work Package 3 research tasks:

- Universitat de Barcelona. Regional Quantitative Analysis Group (UB-AQR)
- University of Cagliari - The Centre for North and South Economic Research (CRENoS)
- Institute of Regional and Environmental Economy (WU)
- University of Tartu (UTARTU)
- The State University - Higher School of Economics (HSE)
- University of Cady Ayyad (UCAM-FSJES)
- Hebrew University of Jerusalem (HUJI)

The Work Package started in month 7 and ended in month 28.
2.3. Initial objectives of the Work Package

The main objective of this work package (WP3) is to elaborate policy measures that will permit to improve the economic potential of ENP regions and to minimize the impact of their further integration on current EU members. In particular, we will analyse the actual and potential future role of labour migration and its economic and social consequences (costs and benefits) both for destination (EU regions) and origin regions (neighbouring ones). Particular attention is given to the role of particular intangible assets, such as human capital, entrepreneurship and technology diffusion.

The specific objectives of this Work Package are the following:

1. Predicting 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 two particular issues: particular migration legislations and policies in the EU; and the international specialization patterns in EU regions.

2. Returns to human capital and workers mobility from and to neighbouring regions: the research has focused on the analysis of spatial differences in the returns to human capital as a potential explanatory factor of workers mobility from and to the neighbouring countries and the difficulties to integrate in host labour markets.

3. Remittances and human capital formation: the research has explored the factors that account for variation in remittance flows and if remittances contribute or not to human capital formation in neighbouring countries.

4. Return migration, entrepreneurship and the mobility of inventors: to explore how schooling and work experience acquired by immigrants in the destination countries can affect economic growth in their sending regions.

5. Migration and social capital: to analyse the influence of migration flows and attitudes towards ethnic diversity on social capital formation and thus, on EU regions’ economic growth.

6. Policy implications: to provide policy suggestions, both for public and private institutions at the European, national and regional levels with respect to the impact of migration flows on human and social capital, and consequently on the economic outcomes of both, receiving and sending regions.

The specific questions that Work Package 3 tries to answer are the following:

- How will migration flows react to advances in the ENP?
- Which EU countries/regions will receive the largest inflows?
- Which will be the impact of migration on EU labour markets?
- How will remittances affect ENP countries and regions? Will remittances contribute to human capital formation in neighbouring countries?
• Will return migration improve economic growth in origin countries?
• Does migration negatively affect social capital formation in EU regions and, thus, is it detrimental to economic growth?

2.4. Tasks

As previously mentioned, in order to achieve our objectives, the Work Package has been structured in five research tasks:

Task 3.1. Predicting migration considering the role of policy and structural issues

• To compile statistical information on migration flows from and to EU countries and their neighbouring regions. This information has been used to estimate a gravity model to explain past flows and to predict future flows. This model has been used as a benchmark for the followings tasks.
• To study the effect of migration flows subject to the introduction of particular migration legislations and policies in the EU. There is an interesting on-going debate on the capacity of attraction of migrants exerted by different welfare state arrangements across European economies. In fact, institutional and policy reforms are often the source of “natural experiments”, which lead to the use of difference-in-differences estimators, instrumental variables estimation, or regression discontinuity approaches. The analysis of migration flows between Russia, and the Commonwealth of Independent States (CIS) countries and the EU has provided a good example of the kind of “natural experiment” we are talking about. What is more, investigating the importance of geographic proximity is very relevant to understand migration decisions of these workers. As different routes are available to reach Europe, this analysis can also have implications for policies regulating migration.
• To look at the importance of the role of coordination in migration policies across European countries. In fact, uncoordinated migration laws and interventions can have dramatic effects on cohesion and social policy of these countries. There are data available on strictness of migration policies in the last twenty years that can be used to study these phenomena. Our aim in this respect was to shed some light on the impact of migration policies/reforms on migration flows across regions under a common immigration policy at country level.
• To inspect the role of structural issues, such as sectoral composition and agglomeration economies, in migration flows. Additionally, the inverse effect will also be studied: how migration flows influence the economic behaviour of low productivity and high productivity regions, and consequently, the shape of the convergence process in the EU.
Seven working papers have been produced within this research task.

Task 3.2. Returns to human capital and workers mobility from and to neighbouring regions

- To compile appropriate (and homogeneous) microdata databases with information on native and migrant workers and with regional detail both for EU and ENP regions
- To estimate the wage returns to human capital, particularly to schooling and experience, for the set of EU countries and regions, and when possible for neighbouring countries. Differences in the returns to native-born workers and immigrants from neighbouring regions have been considered, as well as differences between foreign and domestic human capital acquired by immigrants. Appropriate econometric techniques that permit to consider the effects of both observed and unobserved characteristics of migrants have been applied to microdata from different sources.
- To analyse differences in returns to human capital, and connect them to the availability of other types of capital and to the density of economic activity. To assess the effect of migration patterns from/to neighbouring countries depending on the observed differences in the return to human capital
- To compare the skill mismatch (in particular, overeducation) between native-born workers and immigrants and analysis of the implications for educational reform in sending regions.
- To analyse if the hypothesis of assimilation holds both in terms of wages and overeducation and to identify potential explanatory factors such as social networks.
- To test if the impact on native-born workers is different depending on the skill composition of migration and implications for migration policies in the EU.

Three working papers have been produced within this research task.

Task 3.3. Remittances and human capital formation

- To identify the factors that account for variation in remittance flows. Why do some immigrants send much more money to their region of origin than others? This is a question that, in the aggregate, has implications for migration-related policy and for sending (positive effect) and receiving regions (negative effect). Some selected case studies where micro data was available have been considered.
- To analyse the effect of remittances from abroad on households' schooling decision in sending regions. 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.
Three working papers have been produced within this research task.

Task 3.4. Return migration, entrepreneurship and the mobility of inventors

- To define a methodology for identifying the mobility patterns of inventors using information contained in their patent documents and computerised algorithms to be able to do this on a large scale (the whole of Europe).
- To describe the inflows and outflows of inventors in the EU regions (NUTS 3 level) with special emphasis in their spatial pattern. Are geographical movements of inventors a phenomenon bounded in the space?
- To identify the poles of attraction or expulsion (or “brain circulation”) of talent among European regions and relation with regional economic characteristics.
- To assess the importance of inventors’ mobility across firms as a mechanism for diffusing knowledge and, therefore, as a regional innovation driver, through the use of a regional knowledge production function. Are the impacts of mobility of inventors different according to the urbanisation and agglomeration densities of the regions?
- To analyse the flow of inventors through Europe controlling for the origin of the movements in order to detect patterns of return of these inventors to their initial regions.
- Case studies: We have analysed some selected case studies where suitable data is available and changes in migration legislation provides the perfect framework for a natural experiment. The detailed analysis of researchers’ circulation between the EU regions and some selected countries has permitted to assess the role of cross-border researchers’ interaction in the context of growing internationalization and globalization. Moreover, it has been possible to analyse whether the deep inclusion into international academic community is preventing or stimulating the brain drain in these countries. The case of Russia is an appropriate case study in this context. Specific surveys and interviews have been carried out in order to obtain an appropriate picture of the phenomenon.

Six working papers have been produced within this research task.

Task 3.5. Migration, social capital and regional economic growth

- Definition of a methodology for identifying and estimating the links between educational levels, “social distance” and growth at EU regional level. Education may ease social tensions reducing transaction costs by shrinking the “social distance” between the individuals in an economy.
- To calculate different measures of “social distance” that capture ethnic/cultural heterogeneity at the regional level. Social cohesion or, inversely, “social distance” may negatively affect social capital through different channels (trust, political
participation... and, through these, should influence the efficiency of economic transactions and growth.

- To analyse the effect of the composition of migrants (skilled/unskilled, but also ethnic diversity and attitudes towards migration) on social capital and social distance on host countries/regions performance. Migration flows may increase the ethnic/cultural heterogeneity thus increasing social distance and reducing social capital endowments in the host regions/countries, while their human capital content should act in the opposite direction. Within this context, specific attention is paid to the educational performance of first and second generation immigrants.

- The influence of tourism activity on people mobility has been scarcely analysed in previous research studies, and due to its importance, a case study has been carried out within this last task. Tourism is one of the most important activities in some of the regions covered by the ENP. Contacts between EU citizens visiting these countries not only contribute directly to their economic development but it can also be relevant from the point of view of social reforms. Moreover, as tourism is a labour-intensive activity, ENP regions could act as attraction poles for third countries’ workers, so potential migration flows from these countries to ENP regions have been analysed.

Four working papers have been produced within this research task.
3. SCIENTIFIC ISSUES

3.1. Analysis on future migration patterns from east-European countries and north-African areas to the European Union regions and from third countries to ENP regions

3.1.1. Objectives and methodology

The first task of Work Package has several objectives. First, it aims at 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. In particular, two datasets have been compiled (Ramos, 2012): the MIG-SEARCH database and the MIGEU-SEARCH database. The MIG-SEARCH database includes data for nearly 200 countries for a long time period starting in 1960 and ending in 2010 and it provides information on bilateral migration flows and stocks and several variables related to the economic, social, political and cultural pull and push factors identified by the literature. The MIGEU-SEARCH database provides similar information only for the EU27 countries and a shorter period (2002-2007), but data are available at the yearly frequency. In fact, the MIGEU-SEARCH focuses on within Europe migration flows using annual data before and after the last accession to the EU.

Second, several analyses (Cicagna and Sulis, 2012; Royuela, 2012; Beenstock and Felsenstein, 2012) 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. Research within this task has also analysed the role of interactions between migration policies and institutional policies across European countries. For instance, Cicagna and Sulis (2012) have used available data on strictness of migration policies joint with data on labour market institutions for period 1990-2005 to study these phenomena. 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. Also, a case study for the analysis of migration between CIS countries and Russia has been provided (Denisenko and Choudinovskikh, 2012 and Denisenko and Varshavskaya, 2013).

3.1.2. Main results

The analysis of migration flows from and to ENP countries carried out in the different working papers within this task has shown several interesting features.

- First, there is a very high heterogeneity regarding migration trends in ENP 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.

- Second, migration from ENP countries 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 ENP countries go to Russia. Therefore, an interesting result is that European Union countries are not always the main destination of migrants from ENP countries: 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.

- Third, migration flows between ENP countries have been quite relevant in the more recent period. Nowadays, about 10% of total population in East ENP countries has been born abroad while this figure is around 5% in South ENP countries and Russia. In the EU-27, the stock of foreign born population is around 10%.

As for the push and pull factors of migration the analysis by the different authors revealed several interesting features. First of all, it has been identified the role of networks. In fact, bilateral migration increases with population in origin and destination countries, and 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. In terms of economics, while a higher GDP in destination countries attract migrants, GDP of origin countries does not seem to have the same importance in pushing migrants –except for ENP countries where it appears to be more relevant-. Moreover, when applying the gravity model on migration flows and once having discounted the effects of these push and pull factors, the analysis using the MIGSEARCH database reveals that migration flows from ENP countries to the rest of the world are higher than they should be according to the model. When we concentrate on flows from ENP countries to the EU, this “surplus” in migration is even higher. This result shows the strong ties between these countries and the EU and how the ENP could clearly increase migratory pressure from these countries in the future.

Royuela (2012) has also focused on the importance of urbanization and agglomeration economies for identifying pull factors of migrants. In particular, urbanization and 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 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, Royuela (2012) 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.

Regarding migration policies, the results by Beenstock and Felsenstein (2012) have shown that spatial spillovers effects are relevant. In particular, studies using a spatial gravity model with spatial dependence in the bilateral flows where spatial weights in neighbouring destinations are based on intra-EU migration and spatial weights in neighbouring origins are based on intra-
ENP migration, show that pull and push factors at work in the origin (ENP countries) and destination (EU countries) depend on developments in their neighbours and that migration shares to a given destination are dependent on migrant shares in neighbouring countries. In particular, the analyses show that 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 immigration. The volatility of immigration from an ENP country to an EU country varies directly and strongly with the volatility of immigration from the ENP country’s neighbours as well as the EU country’s neighbours. This finding has important policy implications since it stresses that due to these strong spatial spillovers effects parochial immigration policies are destined to fail and also that EU policies which encourage immigration from specific ENP countries will induce immigration from these countries neighbours. The same studies find also out weak evidence of the attractiveness of welfare generosity in EU destination countries as influencing migration from the ENP’s. The same is true for the effectiveness of enforcement measures against illegal immigrants from the ENP’s. Even if these results are not strong enough to support substantive policy prescriptions, it suggests that reduced economic growth in EU and cuts in welfare are unlikely to reduce the flow of immigration from ENP countries.

Cicagna and Sulis (2012) have also focused on the interaction between migration and labour market institutions in host countries. In particular it aims at evaluating the quantitative effect of employment protection legislation, coverage of union bargaining agreements, the generosity of unemployment benefits and the presence of the minimum wage on bilateral migration flows in a set of 9 European countries during the period 1990-2005, by using longitudinal data methods that allow us to take into account of many unobservable characteristics of countries that could influence migration flows. Results show that, first, stricter migration policies have a negative effect on migration flows. Second, employment protection and minimum wages have a positive effect on migration flows while higher union power (proxied by coverage of bargaining agreements) and coverage of unemployment benefits have less relevant effects on flows. Finally the effect of labour institutions is higher in countries in which tightness of migration policies is lower, pointing out the relevance of the interaction between migration policy and institutions in host countries.

As for the specific case study of Russia, Denisenko and Choudinovskikh (2012) and Denisenko and Varshavskaya (2013) have carried out an analysis of migration flows between CIS countries and Russia and of the characteristics of the migrants and their integration in the Russian labour market. Russia is one of the main destination country for immigrants from East-ENP countries and therefore it is interesting to analyse the pattern of migration flows but also, their integration in the labour market. Using data from a sociological survey conducted for 2011 in eight Russian constituent areas the analysis has shown that the Russian labour market is becoming increasingly attractive for young migrants, mostly, from Central Asian countries, having a low level of education, professional training and knowledge of the Russian language. So, even if Russia, attracts a consistent share of ENP countries’ migrants, most of its migration still comes from Central Asia Countries. The slow integration of immigrants in the Russian labour market shows that its system of attracting skilled migrants is not effective. It seems, that the mechanism of selection of foreign workers from the CIS countries by professions and
qualifications does not meet the needs of Russian employers. However, the scale of migration flows from CIS countries to Russia is still enormous even despite the recent economic crisis.

3.2. Analysis of differences in returns to human capital, skill mismatches and migration in EU regions

3.2.1. Objectives and methodology

The aim of the second task of Work Package 3 is to deal with the relationship between migration and labour market outcomes in order to shed some lights on the labour market integration of migrants. In particular, the following issues have been addressed.

The first relates on the job opportunities of migrants and on the impact of the crisis on employment of both native and immigrant workers. López-Bazo and Motellón (2012) focus on Spain, by using data from the Labour Force Survey in 2008-2009, and the specific question under study is whether the pattern of assimilation observed along the growth period remained after the impact of the crisis. This question arises taking into account that the job losses in Spain since the start of the crisis has not occurred evenly to all groups of workers. Specifically, the employment figures show that immigrants have been clearly more affected than natives. Therefore we analyse whether a native and an immigrant worker with similar characteristics showed the same chance to maintain or lose their jobs or whether, on the contrary, immigrants suffered further the impact of the crisis on the labour market, implying a form of discrimination against this group. Moreover, they analyse whether there are differences depending on the origin of immigrants, distinguishing between those from countries of the ENP countries and the rest. This distinction is relevant to the assessment of labour migration from ENP countries to an EU country, since it complements the evidence from the following studies whose focus is on wage differentials between EU natives and immigrants from ENP countries.

Secondly, Ramos, Matano and Nieto (2012) look at wages. In particular, they follow the literature analysing the wage gap between native and immigrants, a key issue for labour market integration of immigrants. Key empirical findings of this literature are that, first, immigrants typically face a significant wage gap when arriving to the host country and, second, that this gap tends to diminish the longer they remain in their host country. Recent contributions have also 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. The reason may lie in the lower quality of the educational system there or in a different cultural background, but whatever the case may be, the relevant fact is that newly arrived immigrants lack sufficient human capital for their host country’s labour market. Taking this into account, they aim at quantifying immigrant-native wage gaps in the European Union countries putting special attention to the role of favourable or unfavourable policies supporting the labour market integration of recently arrived immigrants. They carry out this analysis using the most recent wave of the EU
Statistics on Income and Living Conditions (EU-SILC) which provides comparable microdata for the member states of the European Union. In particular, using microdata from the EUSILC 2010 wave, they estimate separate Mincer equations for three groups of European countries according to the degree of “favourability” of migration policy in the EU27 as defined in the MIPEX index for 2007-2010.

Within the same framework, Nieto, Matano and Ramos (2012) look at it from a different perspective. In particular, they analyse the specific issue of skill mismatch of migrants using the Adult Education Survey (AES) for 2007. Their objective is to test whether there are differences in the probability of having skill mismatch (both vertical and horizontal) between immigrants from EU countries, immigrants from non- EU countries and natives. They also focus their interest on the role of immigrants’ process assimilation, i.e. we look at whether immigrants manage to reduce the probability of having skill mismatch as years of residence in the host country increase. Using a decomposition method, they finally try to explain the differences in the probability of having skill mismatch between both types of immigrants and natives.

3.2.2. Main results

The analyses in the different working papers produced within this task point out the following findings.

First, as for employment opportunities, it is worth noting that although the data for Spain indicate that there were no substantial differences between natives and immigrants in the rate of job loss before the current crisis, after its initial impact in late 2008, there was a continued widening of the gap between them. The results of the analysis by Motellón and López-Bazo (2012) confirm that for all immigrants from developing countries, differences in human capital and occupational and sectoral segregation cannot explain fully the gap. In other words, there are differences in the probability of job loss between immigrants and natives of similar personal characteristics, working in analogous occupations and firms. The explanation for this fact can be found in the existence of some kind of discrimination against immigrant workers, so that companies tend first to dismiss immigrants workers rather than natives with similar characteristics. However, it can be argued as well that the differences could be due to the effect of unobservable characteristics, such as the imperfect transferability of human capital. In any case, it is worthwhile stressing that discrimination or unobserved characteristics (or both together) only contributed to the existence of a significant gap between natives and immigrants after the impact of the crisis. Or, in other words, it does not appear that such mechanisms played any role in the expansionary period, characterized by the massive creation of new jobs, and not by their destruction. This conclusion for all immigrants in Spain is not immediately extrapolated to the specific case of immigrants from ENP countries. In fact, Motellón and López Bazo (2012) provide evidence showing that the impact of the crisis on job loss was greater for immigrants from ENP countries. Also the difference in education attainment, and occupational and sectoral distribution with respect to natives was even greater than that observed for immigrants from non-ENP countries. In this case, almost all of the gap in the rate of job loss can be attributed to differences in observed characteristics, thus ruling out discrimination against immigrants from ENP countries. 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.

Turning to the analysis focusing on wages, and in particular to the relationship between wages and favourable/unfavourable policy framework for immigrants, Ramos, Matano and Nieto (2012) 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 any case, the wage gap for immigrants in EU-15 countries is clearly lower than for those arriving at EU-12 countries. However, although their results suggest that these policies do have some effects on immigrants’ labour market integration, they recognise 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’.

As for what concern skill mismatch, results by Nieto, Matano and Ramos (2012) show the following. Taking into account horizontal mismatch (i.e., the degree of adjustment between the workers’ educational field and the one required for their job), findings point out that there are no significant differences in the probability of having horizontal mismatch between immigrants and natives once they have controlled for other observable characteristics. As for vertical mismatch (i.e., the mismatch between worker’s educational level and the one required for their job) results change. In fact, immigrants are more likely to be overeducated than native workers (29% of higher probability). This probability is even higher when considering immigrants from non-EU countries (46%). 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 they apply the decomposition methodology to these differences in probability of being overeducated between natives and immigrants, which allows them to understand which part of this difference is due to differences in observable characteristics between groups and which part is due to differences in the returns to the these characteristics, findings change according to the group analysed. As for the difference in the probability of being (vertically) overeducated between immigrants from EU countries and natives, they obtain that the 61% of this difference is explained by differences in characteristics. So, immigrants from EU countries have higher probability of being overeducated because they have worst observable characteristics than natives. Concerning the difference in the probability of being overeducated between immigrants from non-EU countries and natives, the 81% of this difference is explained by differences in coefficients, i.e., immigrants from non-EU countries suffer a penalization in terms of remuneration with respect to natives, although both have the same endowments.

Jointly these findings point out a labour market picture of migrants in host countries characterized by a lack of equality between migrants and native workers in terms of wages and employment. However, even in the case that immigrants are relatively high qualified we have seen that this does not guarantee the success in the EU labour market. Nonetheless, the results summarised above 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.

3.3. Analysis of the determinants of remittances and human capital formation in neighbouring countries

3.3.1. Objectives and methodology

The aim of this task is to provide 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. With this aim, Ramos and Matano (2013) have focused on Spain using microdata from the 2007 Encuesta Nacional de Inmigrantes -provided by the Spanish Institute of Statistics-. In particular, they have analysed whether more educated migrants are more or less likely to remit (the extensive margin) and, in the case they do remit, whether they send more or less remittances than less educated migrants (the intensive margin). Studying immigration in the Spanish labour market is a matter of great interest, because Spain has become in a relatively short time a country with significant and heterogeneous migration flows. In fact, and in contrast with many countries, immigration to Spain originates from a highly varied range of countries, with origins as diverse as Latin America, the Maghreb and Eastern Europe. Furthermore, immigration from Latin America is characterized by the sharing of both the Spanish language and culture, but the level of development of Latin American countries is clearly lower than the one in Spain, and there are marked differences between the various countries on the continent. This feature is not common to other countries that have traditionally received immigration, such as the United States, the United Kingdom and Australia, in which immigrants (with English as their mother tongue) normally come from only a few countries, some of which have a similar level of development. In order to carry out this analysis we specify and estimate two different econometric models. First, a probit model for the decision to remit and, second, a regression model for the amount remitted have been specified and estimated. However, since certain factors affecting the probability of remitting, also affect the amount remitted, in the second case, we use a Heckman’s sample selection model.

A second objective within this task was related to the effect of remittances from abroad on households’ schooling decision in sending regions. In fact, 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. The idea is to understand whether remittances can be consider, from a policy perspective, as a useful channel in order to foster human capital formation in the origin countries of migrants and, as a
result, to increase economic growth in these countries. Matano and Ramos (2013) have looked at the impact of remittances on education outcomes using microdata for Moldova. The interest on Moldova relies on the fact that it is a country characterized by a consistent share of migration on total economically active population (around 25% in 2008 respectively) and where migration is relatively more of temporary nature, rather than permanent, compared to a traditional migrating country. This in turn influences the motivations of sending remittances and seems to be relevant for the analysis since the likelihood of using remittances to invest on the general welfare of the origin country is likely higher for a temporary migrant than for a permanent one. Moreover, Moldova is a country which heavily relies on remittances since the flow of remittances constitutes around 30% of the GDP. In order to carry out the analysis, Matano and Ramos (2013) have used household data for the 2008 CBSAXA Moldovan Household Survey provided by the Kiel Institute. As for the methodology used, we rely on probit and IV probit estimation techniques, in order to control also for the endogeneity between remittances and education.

Finally, this task also provides a case study which focuses on the profiles of returning migrants in Morocco, which is connected to the topic of remittances since temporary migrants are those more likely to send remittances. The analysis carried out by Ibourk and Chamkhi (2013) using data from the MIREM (return migration to the Maghreb) survey (which includes 992 interviews) and applying of multivariate correspondence analysis in order to define different profiles and multinomial logit estimations has permitted to look deeply at the characteristics of the detected profiles. The reference period is from the mid-2006 until the end of 2007.

### 3.3.2. Main results

The results of the first part of the analysis by Ramos and Matano (2013) which addresses the issue on the determinants of remittances in Spain clearly show a negative association between education and remittances at the extensive margin, and a strong positive relationship at the intensive margin. Combining both the extensive and intensive margins reveals that, in general, more educated migrants do remit significantly more. However, the evidence is mixed once we take into account their different origins and their intentions to return. In particular, They find a substantial different effect between immigrants from Morocco, Ecuador and Romania (the 3 more relevant groups in Spain) when compared to immigrants from the rest of the world, a difference that is related to educational levels and intentions to return, but not totally explained by them. In fact, once the effect of the other covariates is discounted for, the probability to remit of immigrants from Ecuador and Romania is 6 and 9 percentage points higher than in the rest of developing countries while this probability is 12 points lower in Morocco. Similar results are found when we look at the results for the determinants of the annual amount remitted. Education has, now, a positive and significant effect but, plans to return, however, turns out to be insignificant to explain the amount remitted. Heckman’s lambda is also significant showing evidence that both decisions are somehow linked. Last, the dummy variables associated to the three most relevant immigrants’ origin countries show again clear differences among them. While remittances from Moroccan are not different of those from the rest of the world, Ecuadorian send much more (17%) and Romanian send
substantially less (-20%). The factors behind these differences among countries have not been identified by the literature and could be related to institutional and cultural differences that have not been analysed and that are clearly relevant in order to understand the mechanisms behind remittance behaviour.

Taking into account the second perspective where Matano and Ramos (2013) have addressed the relationship between remittances and education outcomes in origin countries of migration, the analysis has pointed out to the following results. By using a simple probit specification, the results show that estimates for the effect of remittances on children’s education are generally significant and decrease in magnitude as more controls are added to the estimation. In particular, the highest drop occurs when we introduce the migrant education level in the estimation, where the marginal effect for the remittances passes from 0.083 to 0.055. This means that being in a family receiving remittances increase the probability of attending a high level of education of around 6%. Moreover, since their focus here is on the relationship between the ENP countries and the European Union, an interaction term between the remittances dummy and a dummy indicating whether the migrant member of the family is located in a EU country has been added to the model. Results indicate that there is no statistical difference between being settled in a EU country or not. This means that there is not a differentiated impact of remittances on education outcomes for those families who have the migrant member settled in the EU and those who do not have. When the IV methodology, where we have used the following instruments for remittances decisions (the unemployment level in 2007 and the productivity in 2007 of the host country of the migrant, is applied the number of older members of the family, the historical migration rate and a dummy for families having a bank account), findings show that endogeneity was causing an attenuation bias of the estimates of the relationship between remittances and education attendance. In fact, once controlled for endogeneity, the marginal effects increase and stay at around 34%, which means that being in a family receiving remittances increases the probability of attaining higher education of around 34%.

The analysis of the profiles of returning migrants in Morocco carried out by Ibourk and Chamkhi (2013) using the MIREM survey has also shown some additional interesting results. In particular, this analysis shows that returning migrants turn out to be very different in terms of profiles and motivations to return and three main profiles have been identified. The first profile is associated with the first waves of migration. It is mainly concerned with emigrants born and coming from rural areas with a low educational level, who went to work in Western Europe (primarily France, Belgium, Netherlands and Germany) in activities such as workers’ jobs and trade. The main returning motivation linked to this group is “preference for the native country” and to “the desire to benefit from the purchasing power differential” between the host country and the native country. The second profile is concerned with people who have emigrated to complete their studies abroad, and therefore they differ from the first category since the pre-migratory socioeconomic features are neatly more advantageous than the first group. Also, the features specified in this group, either during the pre-migratory stage or time spent in the host country confirm the complementary dimension between the initial training in the native country and that acquired in the host country. In this case, returning is seen as a success of the migration project. However, its success depends on the attraction of the job market in the native country as well as opportunities to lead possible careers. The third profile
differs from the others because its intentions to return are not voluntary (it is a forced or imposed returning due to certain circumstances). It is primarily marked by a clandestine migration; a very low age category when departing; a recent emigration period, and a mid-educational level (middle and high school levels). This group is based in South Europe (Spain, Italy, Greece, etc.) and, as stressed, it shows no tangible interest in returning. The results of the analysis also allow concluding that policies encouraging return migration may be a legitimate alternative to the increased mobility of labour across the world from both perspectives, host and origin countries.

3.4. Analysis of the role that high-skilled labour mobility can have as a source of knowledge diffusion and therefore as a source of economic growth. Prospects for the case of the neighbouring countries

3.4.1. Objectives and methodology

Although the core focus of the ENP is on trade and economic reforms, other research areas such as migration policies, institutional reform and collaboration in research and higher education are also part of it, and all these elements are meant to contribute to the ultimate goal of creating a ring of stable, friendly and prosperous countries around the EU (Com 393 final, 2003). The objective of this task is to analyse the actual and potential future role of high-skilled labour migration and its economic consequences for destination regions. Particular attention is given to the role of certain intangible assets, such as human capital and R&D, analysing how high-skilled labour migration may allow obtaining higher returns from the investments made on such intangible assets. The research also identifies the determinants of the geographical mobility of skilled individuals.

In order to achieve this objective, first, Moreno and Miguélez (2013) describe the inflows and outflows of inventors in the EU regions (NUTS 3 level) with special emphasis in their spatial pattern. In particular, we want to answer if geographical movements of inventors are a phenomenon bounded in the space. Second, we identify the poles of attraction or expulsion (or “brain circulation”) of talent among European regions and its relation with regional economic characteristics. Third, we assess the importance of inventors’ mobility across firms as a mechanism for diffusing knowledge and, therefore, as a regional innovation driver. In order to do so, we test if the impacts of mobility of inventors are different according to the different economic and development levels of the regions. Last, we analyse the factors enhancing the migration of high-skilled workers, taking into account the specific role played by geographical distance.

The different working papers carried out within this task by Moreno and Miguélez provide an empirical analysis of high-skilled labour mobility in the European regions and they rely on the use of different statistical and econometric methods. First, they have defined a methodology for identifying the mobility patterns of inventors using information contained in their patent documents and computerised algorithms to be able to do this on a large scale (the whole of
Europe). They end up with information for high-skilled labour mobility at the NUTS2 and NUTS3 level for the European regions of 31 countries (EU-27 plus Iceland, Liechtenstein, Norway and Switzerland). Next, they have described the inflows and outflows of inventors in the EU regions with special emphasis in their spatial pattern. With this aim, the authors have depicted the variables in maps and used exploratory spatial data analysis as well as statistical methods. Next, in order to assess the importance of inventors’ mobility across firms as a mechanism for diffusing knowledge and, therefore, as a regional innovation driver we have estimated different regional knowledge production functions. Finally, in order to analyse the factors pushing high-skilled workers to move to a different work place, they have estimated gravitational models which allow them to identify the main determinants of such migration flows.

Last, the case study by Chepurenko (2013) has also analysed Russian researchers’ migration to the EU supported by the Humboldt Foundation (FRG). The examination of the specific involvement of highly skilled Russian experts in the current cross-border academic mobility permits to analyse if the growing internationalization of Russian science will hinder or promote brain drain. It also makes possible to assess the role of Western Foundations in this context. From a methodological point of view, the study is based on a specific survey and expert interviews.

3.4.2. Main results

When performing an exploratory analysis to detect the focuses of attraction of talent throughout the European geography, Moreno and Miguélez (2013) observe that:

- Even when controlling for innovation potential and patenting bias, skilled individuals’ attraction is especially reserved for few countries and regions, whilst this phenomenon is very poor or inexistent in other countries. The regions receiving more immigration of talented individuals are placed in some of the Northern and Central European countries.
- Large cities and capital cities register high values of inward migration flows of high-skilled workers most of the times, even in poor performing countries in terms of inflows, supporting the theses about the importance of urban agglomerations
- In some cases, the regions surrounding these large or capital cities are even more magnetic, pointing to the existence of spillovers of attractive features and/or crowding-out effects from the capital region.

More specifically, when analysing the origin-destination flows of high-skilled workers across European regions, we obtain that a large part of the inflows (44%) throughout the whole period (1990-2006) come from regions located within the 10 nearest neighbours of a given region. What is more, more than 30% of them come from the 5 nearest neighbours. However, the striking fact is that more than 76% of those inflows come from a region located within the same country. All in all, it seems clear to us that the migration movements of the inventors are localized phenomena, in other words, geographically mediated. Finally, they show that more than 40% of the inflows during the whole period are concentrated only in 20 regions. The same
applies for the other side of the coin, that is, the outflows of high-skilled workers. In this sense, it is important to notice that 17 regions are in both top rankings, corroborating the fact that only a subsample of regions are participating of this phenomena.

On average, the distance covered by inventors’ movements reported between 2002 and 2005 was around 397 kilometres – approximately the driving distance between Paris and Luxembourg. This figure is relatively low and is around half the distance found in another study for the US. Additionally, the average distance covered by the movements computed increases by around 25 kilometres between the 1996-1999 period and the 2002-2005 one. This seems to suggest that, over time, distance is becoming less important as an explanation of inventors’ geographical mobility.

With respect to the effect of inventors’ mobility, they obtain that it is highly significant and its impact on patenting activity is positive. They have, therefore, offered evidence in line with the hypothesis already checked in some other researches that communities of inventors within regions with larger degrees of labour mobility are expected to be more productive and innovation intensive. This can be due to the fact that knowledge particularly that of tacit nature, is mostly embedded in individuals. Moving themselves means moving the knowledge capital they accumulate. Their movement across firms must therefore contribute to knowledge exchange between firms. Skilled workers take their knowledge with them and share it in a new workplace with their new colleagues, at the same time as they provide their new employer with this knowledge. In return, they acquire new knowledge from their new colleagues, establish new links and social networks for future collaborations based on trust and, in general, promote new combinations of knowledge.

The same applies to a variable proxying for the participation of high-skilled workers in research networks, which also has a positive and significant impact on the patenting activity of the region. The rationale behind this is that the simple cross-fertilization of previously unconnected ideas will lead to better knowledge outputs and that individuals connected within a collaborative framework are more willing to learn from each other than is the case of isolated inventors. Moreover, collaborative research projects may achieve scale economies and may lessen research costs by reducing duplication of research efforts among the participants in the network. Additionally, professional relationships of this nature enhance trust and cooperative behaviour between individuals –and hence raising the level of social capital - which has been shown to be a further element in innovation and knowledge transmission.

However, they have not obtained evidence in favour of the idea that in regions with high levels of mobile workers, the investment made in R&D or in human capital is more profitable that in those regions with lower levels of labour mobility. It seems that the idea that mobility may favour knowledge diffusion is not confirmed. On the contrary, they do obtain that regions with higher number of individuals connected within a research network may obtain higher returns to R&D investments and to the stock of human capital, probably due to the fact that their inventors are more prone to learn from each other, with faster access to new and complementary knowledge. In fact, as it is commonplace in the related literature, close network links seem to prove more useful in transferring complex knowledge, especially that
with a high component of ‘tacitness’. Similarly, individuals connected within a collaborative framework are more willing to learn from each other than is the case of isolated inventors. Additionally, participating in networks reduces the degree of uncertainty and provides fast access to different kinds of knowledge. All this would signal to the fact that belonging to a research network may imply higher returns of knowledge endowments, such as R&D and human capital investments, on regional innovation, as we obtain in this research.

When analysing the existence of regional variations in the returns to labour mobility and research networking, they observe that the highest values for the impact of labour mobility are obtained for most of the regions in West Germany, Austria, Denmark and Switzerland, as well as some regions in the Netherlands, North France, North-East Italy, Finland and Sweden. On the contrary, the non-significant or lowest values of the labour mobility impact are depicted in almost the whole of the Eastern countries as well as the Mediterranean ones (Spain, Portugal, Greece and the South of Italy). It is worth highlighting some exceptions to this general pattern, since in the group of regions with the highest returns we find Cyprus, two Bulgarian regions, one from the Slovak Republic and another from Spain. On the contrary, some regions hosting capital cities, such as Île de France, London or Berlin are among the lowest ranges of the return. A plausible explanation of this a priori contra-intuitive result is the potential existence of non-disclosure agreements between knowledge employers and employees in regions with large levels of internal competition, that prevent the later ones to reveal their secrets to other local competing firms.

From this research it can also be concluded, therefore, that the regions benefiting from knowledge coming from other regions -both in the form of mobile skilled workers and research networks- are not so concentrated in the core of Europe. Put differently, some peripheral regions might get larger advantages -in terms of returns on knowledge - in building knowledge linkages with distant knowledge hotspots, compared to the core regions, which most likely source their knowledge from their local pools of ideas or the ones from their immediate vicinity. A very interesting result is obtained when the research network variable is broken down according to the geographical scope of the linkages (with other European regions, with the US, with singular East-Asian countries and with remaining OECD countries). Only research networks with the US and the remaining OECD countries turn out to be significant. The underlying logic of this exercise would state that when the external knowledge is the same to existing competences in the region, it can be absorbed locally, but the new knowledge will not add much to the existing local one. This way, one possible interpretation would be that the collaborations maintained between inventors in Europe and other OECD countries or the US provide with less redundant pieces of knowledge, which would allow enhancing creativity.

When trying to identify the main drivers of the geographical mobility of skilled individuals, such as inventors, across European regions, they obtain that physical separation from the inventors’ former workplace is a critical predictor of their spatial movements, even after controlling for the spatial distribution of innovation and economic activities. In fact, they expected this variable to play a more secondary role. However, in spite of the announcements of “the death of distance”, we find physical space to be pivotal in mediating inventors’ mobility across regions. These results are robust to the sample choice, specification, and inclusion of
controls. Other more meaningful distances are also significant predictors of inventors’ mobility patterns, such as social/professional connections, the institutional framework, or technological and cultural similarities. However, these measures do not succeed in explaining the role of physical distance away. They also obtained evidence of a relevant role of amenities and job opportunities as talent attractors.

The results from the case study of Russia by Chepurenko (2013) are in line with the previous evidence by Miguélez and Moreno. In particular, the process of transition under the patterns of globalization has caused some important changes in the situation of Russian scientists. In Russia in the nineties of last century, there were mostly alarmist estimations of purely losses expected from the brain drain process of Russian scientists dominant. However, in more recent times, the phenomenon of the brain drain came into other light. First, the establishing of a Russian scientific ‘diaspora’ abroad was stated – discussions slightly moved from the idea of ‘damage’ to the discourse on strategies to use the benefits of inclusion of Russian scientists into international academic chains for modernizing Russian economy and society, second, the experience of some other countries (like China, India or Brazil) in using the knowledge and skills of former immigrant scientists in the economic modernization of their societies became a special field of interest.

### 3.5. Analysis of social capital, tourism flows and migration

#### 3.5.1. Objectives and methodology

The research carried out within this task focuses on the determinants of attitudes towards migration, the interactions between immigrants and social capital creation, the specific situation of first and second-generation immigrants within schools and the analysis of the potential relationship between tourism and migration flows.

The main objective of this research is to identify the main determinants of citizens’ attitudes towards immigrants looking at differences between old, new European Union members and neighbouring countries, how these attitudes influence social capital formation and how immigrant children integration in schools is also relevant within this context. Last, tourism is a key industry in many ENPs and its importance in some of these countries cannot be overstated and, moreover, it is also a channel for wider socio-economic objectives. Since tourists may be sources of new ideas, types of demand and standards, tourism might generate positive externalities that increase social capital, efficiency and productivity in host countries. In this way tourism might serve as an important conduit for social and economic change. For this reason, the relationship between tourism and immigration is also examined within this task. Ostensibly, tourism and immigration would seem to be independent over the short term since factors affecting tourism (airfare, substitute prices, habit persistence, exchange rate fluctuations and the like) would not seem to affect immigration. Similarly factors affecting immigration decisions (employment, social benefits, etc.) are unlikely to affect tourism. Over the longer term, however, matters may be different. There may also be common factors such
as terror and geo-political upheaval that have mutual and reciprocal impacts. Within this context, Israel has been used as a case study to investigate these relationships. While not the archetypical ENP country, the Israeli case is instructive. The share of tourism in the national economy is not inordinately large as in some other ENP countries. Indeed, tourism does even not constitute a specific sector in Israel’s national accounts. Its direct contribution to GDP is estimated at about 2 per cent and its total contribution (direct + indirect) is estimated as 8 per cent Israel is considered a mature tourism destination. This is in contrast to other ENPs, where the share of tourism in the economy has varied widely over the last two decades. For example, tourism’s share of GDP in Egypt has fluctuated from 8.8% in 1990 to 15.7% in 2005 to 14.3% in 2012. Furthermore, European tourists account for a large share of total tourism in Israel. Tourist arrivals in recent years total around 2.8m with five European countries serving as the origin for over 60 per cent of incoming tourism (Russia 13%, France 10%, Germany and the UK 6%, Italy and Ukraine 4%). However, Israel provides a unique natural experiment for this relationship with clear before and after (with/without treatment) effects resulting from disruptions to both tourism and immigration arising from geo-political and domestic shocks.

Taking all this into account, four specific objectives have been analysed within this task:

- The first objective is to identify determinants of attitudes towards migration in two different countries: Estonia and Russia
- The second objective is to map basic characteristics of immigrant population as compared to natives, including their endowments of social capital, and to analyse the relationship between social capital components, native values and attitudes towards immigrants in “old” and “new” EU members.
- The third objective is to focus on education as a determinant of future attitudes towards migration. In fact, one of the factors that appear to be crucial in creating social capital at the community level is ethnic and linguistic heterogeneity. For this reason, it is important to analyse educational outcomes of young immigrants. The analysis focuses on the gap in reading literacy of young immigrant children in Italy and, in particular, on whether the latter is significantly influenced by pupil’s age at immigration and length of stay, and country of origin.
- Last, the fourth objective is to analyse Israel as a case study of the relationship between tourism and migration.

From a methodological perspective, the first three research task have relied on the use of micro econometric models applied to individual data coming from different sources. The empirical analysis on attitudes towards migration has been based on the European Values Survey (EVS) 4th wave data and the European Social Survey (ESS) 5th round data while the analysis of educational outcomes of immigrants is analysed using data from the standardized test carried out in Italy by the INVALSI, the Italian institute in charge of evaluating schools’ performance. Using a standard education production function setting, the objective is to test whether or not the length of stay in the host country plays a role in the school outcomes of immigrant students in Italy. Data on students’ standardized test results on three different levels of schooling are examined and compared, namely, primary (grade 5), lower secondary (grade 6) and upper secondary (grade 10). Descriptive statistics and micro econometric methods are used in order to achieve these objectives.
Last, and regarding the case study of Israel, first, the literature relating to the causal links between tourism and immigration is reviewed. Second, tourism flows between the EU and ENP countries, in general, and the EU/ENP countries and Israel in particular are described. Next, the role of immigration in the transmission mechanism for tourism is analysed using long time series and paying careful attention to the nonstationarity nature of the data. Econometric methods designed for nonstationary time series and panel data are also used to test hypotheses about the mutual relationship between immigration and tourism.

3.5.2. Main results

Public attitudes towards immigration are very important as policy makers usually rely on citizens’ perceptions for shaping migration policies. The theories that explain the determinants of attitudes towards immigration are diverse and interdisciplinary. Generally, the theories can be divided into two groups – individual and collective theories. Individual theories of attitudes towards immigrants place emphasis on individual drivers, such as the level of education (human capital theory), personal income, employment status (individual economic theories), cultural conflicts where there is a lack of understanding from natives towards immigrants (cultural marginality safety approach). Collective theories focus on aggregated variables, such as the number of immigrants in a country (contact theory), level of unemployment and unemployment growth rate (collective economic theories). Empirical research has shown indeed that many factors influence public attitudes towards immigration: demographic (e.g. age, sex, race), economic (e.g. income), social and cultural (e.g. religion, media, information sources, actual and perceived social norms, ethnicity, lifestyle), psychological (e.g. personality type), political (e.g. left-wing/right-wing ideologies) and geographical (e.g. location, proximity to immigrants).

A relevant result in this context is that there is a wide heterogeneity in public attitudes towards migration at the country level. For instance, Demidova and Paas (2013) confirm that determinants of people’s attitudes towards immigrants are differing between Estonia and Russia, as it happens among “old” and “new” European Union countries. However, although surveys provide a reliable description of variation in attitudes towards migration among different groups of citizens and along time, they only provide a limited understanding of the factors and changes that underlie these differences in attitude. The fact that some characteristics are associated (correlated) with particular attitudes does not necessarily mean that they are the causal factor. For this reason, and in order to improve the knowledge about public attitudes formation, researchers have also started to analyse the relationship between migration and social capital. Social capital works through encouraging cooperation among economic entities and thus lowers transaction costs of business activities, but it also helps to increase social cohesion in the society as a whole. In its broadest sense, it refers to the internal social and cultural coherence of society, the trust, norms and values that govern interactions among people and the networks and institutions in which they are embedded. As an attribute of a society, social capital can be understood as a specific characteristic of social environment that facilitates people’s cooperation. The key idea of this argument is that communities can provide more effective and less costly solutions to various principal-agent and collective goods
problems than can markets or government interventions. Also, social capital helps to reduce transaction costs related to uncertainty and lack of information. As such, it can be said that social capital gives “soft”, non-economic solutions to economic problems. As shown by Parts (2013), the relationship between migration and social capital is complex and it is not well understood yet. In particular, it could be assumed that migration flows increase the ethnic and cultural heterogeneity thus leading to larger social distance and lower levels of social capital in host countries, but, on the other hand, the human capital of immigrants should act in the opposite direction, thus making it important to attract, first of all, well-educated and high-skilled immigrant labour. For this reason, it is important to achieve a better integration of immigrants in society through a higher “social proximity” of citizens to them.

There is also a growing literature that argues that, together with education levels, one of the factors that appear to be crucial in creating social capital at the community level is ethnic and linguistic heterogeneity. Social distance is a very broad concept and it refers to the cognitive relationship of two cultures that come into contact within an individual, and it is influenced by many factors including immigrants’ length of residence. Moreover, according to linguistic scholars, social distance is one of the sociocultural factors affecting the second language acquisition by immigrants and the latter is crucial for their integration in the host country. In this case, learning conditions may also affect learning processes: with bad learning condition, the second language learner (immigrants) thinks that their language is more dominant than the target language group (natives), they will feel that there is no or less need to learn the target language.

The analysis of learning outcomes by first and second generation immigrant children in Italy shows that interventions at younger ages are likely to be more effective. In particular, the results obtained by Di Liberto (2013) suggest that the estimated gap between first and second generation students takes more time to close for upper secondary school students than for lower grades pupils. So, if foreign children late arrival is the result of national migration policies on family reunification, these results would imply that the possible benefit of delaying immigrant family reunification need to be compared against the costs of students’ remedial assistance.

Regarding tourism, the literature review within the Israel’s case study has shown that much of the literature posits a one-way relationship with the stock or number of immigrants driving the flow of tourists. The travel motivation behind this one way flow is generally presumed to be VFR (visiting friends and relatives) and as such, the flow is conceived as a short-run variant of standard travel behaviour with friends and relatives replacing landmark attractions or business motives. However, when considering a potential bidirectional relationship, the main drivers of tourism are hypothesized to be immigrants, real exchange rates and global tourism. The analysis by Beenstock, Felsenstein and Ziv (2013) focuses on whether the increase over time in the number of immigrants and tourists are causally related, or whether they are simply spuriously related.
4. FINAL REMARKS

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 shows 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, our research has shown that it is very important to create the preconditions for a better integration of immigrants in order to achieve a more sustainable and higher economic growth in the long run through social capital creation.
5. POTENTIAL IMPACTS

Taking into account the objective of the work package, the expected benefits could be of interest at two levels. First, the scientific community and researchers working in the field could benefit from the project’s results: and, second, our results are clearly relevant for policy makers and for the general public.

From an academic perspective, we expect that the results and methodological advances produced within the Work Package could help to further progress on the analysis of the current and future impact of the ENP. For instance, the database on bilateral migration flows and different pull and push factors used in an important part of our research is freely distributed under the Search Open Data policy to other institutions in order to extend the current research but also to replicate and validate our policy analysis.

Reaching social stakeholders and policy makers is also considered a key issue in SEARCH project as they constitute the actors that influence and work more directly with citizens and have a very good knowledge of the problems arisen in the implementation of programmes and policies. For this reason, one of the areas where we expect higher impacts is among policy makers and social stakeholders, such as NGOs, associations and networks working in fields closely related with neighbouring countries. 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.
6. FURTHER RESEARCH

The research results achieved in this Work Package has contributed to identify some “hot topics and key policy issues” related to the implementation and future improve of the ENP. We expect that some of the ideas exposed here will constitute a roadmap for future analysis of the relationships between people mobility, human capital and social capital creation, establishing the lines that should be further investigated by academic research and future projects in order to improve the future of the ENP.

While several academic works have tried to identify push and pull factors of migration (even for ENP countries), our main contribution in this context is related to the analysis of interdependencies among countries/regions but also in terms of different policy areas. Further research should try to identify the mechanisms behind these interrelationships and provide a more complete assessment in terms of different policy areas (i.e., health care, pension systems, among others). The consideration of the regional dimension is also relevant for future research, particularly for border regions. However, the lack of detailed sub-national data difficulties this task.

Another aspect that deserve higher attention from academics is high skilled migration. Our research has pointed into different dimensions that could be expanded in the future. For example, further research is required to provide a better understanding of knowledge transfer between the EU and ENP countries through circular migration of high qualified immigrants (scientists) within this geographical area.

Until recently, the analysis of the microeconomic determinants of remittances has received much less attention than labour migration. Our research has pointed out the relevance of remittances as a channel to improve the educational outcomes in a particular ENP country, but the future availability of similar datasets for other countries will permit to expand our analysis and test whether the obtained evidence is robust to the consideration of new territories.

Last, we are far of having a perfect understanding on how migration can contribute to the creation of social capital, and as a result, to enhance growth perspectives both in origin and destination countries. Our analysis has shown that favourable public attitudes are an important pre-condition for a better integration of immigrants in their new countries, but there is a wide heterogeneity in terms of its determinants according to our different case studies.
7. DEVIATIONS FROM INITIAL PROPOSAL

No significant deviations from initial proposal have been occurred during the project execution.
ANNEX 1. LIST OF WORKING PAPERS PRODUCED WITHIN WORK PACKAGE 3

TASK 3.1

WP3.1: “Analysing Migration Flows From and To ENC Through the MIG-SEARCH databases” by Raúl Ramos

WP3.2: “On the Potential Interaction Between Labour Market Institutions and Immigration Policies” by Claudia Cigagna, Giovanni Sulis

WP3.3: “International Migration and Agglomeration Economies” by Vicente Royuela

WP3.4: “Modelling ENP-EU Migration in a Spatial Gravity Framework” by Michael Beenstock, Daniel Felsenstein

WP3.5: “International Migrations as Determinant of the Urbanisation Rate” by Vicente Royuela

WP3.6: “Migration within CIS countries” by Mikhail Denisenko, Olga Choudinovskikh

WP 3.21: “Migrants at the Russian Labour Market: Characteristics, Status, Mobility” by Mikhail Denisenko, Yelena Varshavskaya
TASK 3.2

WP3.7: “Immigrant-Native Wage Gaps and the Returns to Human Capital” by Raúl Ramos, Alessia Matano, Sandra Nieto

WP3.8: “Skill mismatches in the EU: Immigrants vs. Natives” by Sandra Nieto, Alessia Matano, Raúl Ramos

WP3.9: “Crisis, immigration and job loss” by Elisabet Motellón, Enrique Lopez-Bazo

WP 3.20: “Microeconometric analysis of determinants of return migration of North African Immigrants” by Aomar Ibourk, Amine Chamkhi

TASK 3.3

WP3.10: “Remittances and Educational Outcomes: Evidence for Moldova” by Alessia Matano, Raúl Ramos

WP3.11: “Remittances, education and return migration. Evidence for immigrants in Spain” by Raúl Ramos, Alessia Matano
TASK 3.4

WP3.12: “Skilled labour mobility: Tracing its spatial distribution” by Ernest Miguélez, Rosina Moreno

WP3.13: “Research networks and inventors’ mobility as drivers of innovation: Evidence from Europe” by Ernest Miguélez, Rosina Moreno

WP3.14: “Knowledge creation in Europe along time: Indirect impact of high-skilled workers mobility and research networks” by Ernest Miguélez, Rosina Moreno

WP3.15: “Are geographical movements of inventors and the formation of research networks a phenomenon bounded in the space?” by Ernest Miguélez, Rosina Moreno

WP3.16: “The determinants of inventors’ interregional mobility between EU regions” by Ernest Miguélez, Rosina Moreno

WP3.17: “Academic brain drain and its implications for scientific manpower reproduction in Russia” by Alexander Chepurenko
TASK 3.5

WP 3.18: “A comparative analysis of people’s attitudes towards immigrants in Estonia and Russia” by Olga Demidova, Tiiu Paas

WP 3.19: “Social capital, national values and attitudes towards immigrants: Empirical evidence from the European Union and Neighbouring Countries” by Eve Parts

WP 3.22: “Length of the stay in the host country and educational achievement of immigrant students: the Italian case” by Adriana Di Liberto

WP 3.23: “International Immigration and Tourism to ENP Countries: Some Evidence from Israel”, by Michael Beenstock, Daniel Felsenstein and Ziv Rubin
ANNEX 2. TITLES AND ABSTRACTS OF WORKING PAPERS PRODUCED IN WP3

TASK 3.1

WP3.1: “Analysing Migration Flows From and To ENC Through the MIG-SEARCH databases” by Raúl Ramos

As recognised in the Europe 2020 strategy, the European Union (EU) has a clear demographic challenge for the next decades. The EU will need 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, but it is also necessary to remain competitive in a global scenario and this means that we have to attract and retain the more skilled migrants. This also requires improving the current control over migration flows and this is one of the reasons why the European migration policy was integrated into the European Neighbourhood Policy (ENP) from the very beginning. The EU neighbouring countries are the main countries of origin and transit of legal and illegal migration towards Europe. Moreover, their geographical proximity, economic, cultural and historical links make them an important potential source of labour force.

The objective of this paper is twofold: first, to collect statistical information on migration flows and its potential determinants and second, to specify and estimate gravity models in order to provide benchmark scenarios for policy analysis. In particular, two datasets have been compiled: the MIG-SEARCH database and the MIGEU-SEARCH database. The MIG-SEARCH database includes data for nearly 200 countries for a long time period starting in 1960 and ending in 2010 and it provides information on bilateral migration flows and stocks and several variables related to the economic, social, political and cultural pull and push factors identified by the literature. The MIGEU-SEARCH database provides similar information only for the EU27 countries and a shorter period (2002-2007), but data are available at the yearly frequency. In fact, the MIGEU-SEARCH focuses on within Europe migration flows using annual data before and after the last accession to the EU. The descriptive analysis of these two datasets shows some interesting facts regarding population trends and migration flows in the EU and ENC. The main conclusion is that we expect a clear increase in migratory pressures from ECN to the EU in a near future. The rest of working papers in this work package will carry out in-depth analysis about several policy dimensions using the same dataset and a similar methodology that will permit to improve the main conclusions from this benchmark model.
WP3.2: “On the Potential Interaction Between Labour Market Institutions and Immigration Policies” by Claudia Cigagna, Giovanni Sulis

In this paper, we analyse the effect of labour market institutions as employment protection legislation, minimum wages, coverage of unemployment benefits and union power on immigration flows. We also study the interaction of such institutions with migration policies and discuss the implications of our finding for the European Neighbourhood Policy. Our interpretation hypothesis is that migration decisions of individuals are also driven by some knowledge of the characteristics of the labour market of destination and by the interaction of such characteristics (labour institutions in particular) with migration policies. Moreover, the evidence that immigrants come in waves and tend to cluster in areas and occupations in which most of workers are from the same country (or even the same region), suggests that information on destination countries’ characteristics is quite important in shaping migration decisions. We test our theoretical predictions by evaluating the quantitative effect of employment protection legislation, coverage of union bargaining agreements, the generosity of unemployment benefits and the presence of the minimum wage on bilateral migration flows in a set of European countries during the period 1990-2005. As expected we find that stricter migration policies have a negative effect on migration flows, while GDP per capita of destination countries has a large and statistically significant positive effect on migration flows. We do not find a statistically significant effect for GDP in origin countries. We also find that employment protection and minimum wages have a positive effect on migration flows while higher union power (proxied by coverage of bargaining agreements) and coverage of unemployment benefits have less relevant effects on flows. We also find that the effect of labour institutions is higher in countries in which tightness of migration policies is lower. Finally, we find some interesting differences when we split the sample according to the country of origin of migrants: the positive effect of GDP of destination on flows is much stronger for EU immigrants, while the negative effect of GDP of origin country is stronger for countries in the ENP group.
WP3.3: “International Migration and Agglomeration Economies” by Vicente Royuela

Migration to more developed regions in the world has significantly increased over the last decades. Internationally, regional migration is a big part of labour mobility. Migration among neighbours is considerable, and that has been the case for the European Neighbouring Countries as well. If 3% of the world’s population live outside their region of birth, in ENP countries + Russia that figure is above 7%. It is generally agreed that countries do not prosper without mobile people. Indeed, the ability of people to move seems to be a good gauge of their economic potential, and the willingness to migrate appears to be a measure of their desire for advancement.

According to World Bank’s data, in 1960 almost one third of the World Population lived in cities. In 2010 this figure is above 50% and is steadily growing 1% every three years. At that speed, in 2050 around two thirds of the world population would be living in cities. In 2010 the ENP countries + Russia accounted for an urbanisation rate of 63%, although this figure has remained stable since the 1990’s. The question posed in this paper is if migration and agglomeration are two connected variables and how are they correlated.

In this work we embrace these two major trends and we inspect the relationship between international migration and urbanisation in panel data framework in which we consider a panel of 197 countries over the period 1960-2010. Particular attention is devoted to ENP countries + Russia.

WP3.4: “Modelling ENP-EU Migration in a Spatial Gravity Framework” by Michael Beenstock, Daniel Felsenstein

The study uses a spatial gravity model with spatial dependence in the bilateral flows between origins and destinations. This is important for policy because it underscores the futility of parochial policy targeting in the presence of spatial spillover. Traditionally, it has been assumed that only developments in the origins and destinations affect the magnitude of migration between them. In the present study there are spillover effects between neighbouring EU destinations and neighbouring ENP origins. Spatial weights in neighbouring destinations are based on intra-EU migration, and spatial weights in neighbouring origins are based on intra-ENP migration. We have found only weak evidence of the attractiveness of welfare generosity in EU destination countries as influencing migration from the ENP’s. The same is true for the effectiveness of enforcement measures against illegal immigrants from the ENP’s. It would seem that both sticks and carrots in the destination (EU) countries do not, on the whole affect immigration from ENP countries. Nor do economic conditions in the ENP countries affect immigration to EU countries. Although the evidence is not strong enough to support substantive policy prescriptions, it implies that reduced economic growth in EU and
cuts in welfare are unlikely to reduce the flow of immigration from ENP countries. However, the influence of neighbouring countries seems to be of more importance. These powerful spatial spillovers mean that parochial immigration policies are destined to fail, and that immigration policy must be designed globally.

WP3.5: “International Migrations as Determinant of the Urbanisation Rate” by Vicente Royuela

In this work the impact of international migration processes on urbanisation rates is analysed. Using a panel of almost 200 countries over the 1960-2010 period, the estimates signal for a significant impact of international immigration on urbanisation rates, while international emigration harms urbanisation only in less developed countries. In the 1990-2010 period the impact of international migration on urbanisation is stronger than in previous decades.

ENC countries display a significantly different picture compared to other regions in the world. There, international emigration has competed with smaller cities in attracting migrants. There exists an important space for structural change in these countries by the enlargement of a more balanced urban structure, what will happen for sure as the push factors in these countries, underdevelopment compared to their neighbours, vanishes over time.

WP3.6: “Migration within CIS countries” by Mikhail Denisenko, Olga Choudinovskikh

The paper is focused on both permanent and labour migration between the newly independent states, that quite recently were parts of one single country, and migration between them was internal rather than international. Until the late 1980-s migratory flows in the area were affected by the differences between the republics in the rates of population growth and quality of life. Immediately after the breakdown of the USSR, the volume and structure of international migration over its territory changed dramatically. Russia became the main destination for migrants from all over the former Soviet republics: between 1992 and 1999, about 6 million migrants from these countries arrived to the RF. The current migration situation in the CIS countries is characterized by absolute dominance of the inner flows within the region, the remaining position of Russia as the main destination for migrants from the other CIS countries, especially for the states of Central Asia, as well as significant volumes of temporary forms of migration. In 2000-2010 about 92% of permanent-type immigrants in the CIS area and about 75% of emigrants arrived from or moved to the counties of the CIS. Russia was a destination country for over 50% of all emigrants from CIS states on average, and in some cases - for more than 80% of the outflow. Despite the on-going economic crisis scale of labour migration in the CIS is enormous. In 2011 Russian migration authorities issued over 1.2 million work permits and 0.9 million patents for work in private households. Migration regime
in the CIS area is characterized by visa-free movements between the countries and implementation of a system of constraints: quotas for work permits, bans for professions for migrant workers, limited duration of stay and so on. Inefficient control over the enforcement of restrictive regulations supports the large scale of illegal employment of foreign workers in the CIS. Obvious differences between countries in the priorities of migration policy are connected with the different demographic trends and economic interests. Some countries try to encourage immigration from other countries, stipulate requirements for permanent residence of aliens and create preferences for naturalization. Other countries endeavour to influence the hosting countries to obtain guarantees for minimal social support and respect the rights of their citizens living abroad as temporary labour migrants. Gradually emerges common understanding for development of the organized forms of recruitment of foreign labour, training of migrant workers, integration programs, etc.

WP 3.21: “Migrants at the Russian Labour Market: Characteristics, Status, Mobility” by Mikhail Denisenko, Yelena Varshavskaya

This paper presents the main findings of recent sociological survey on labour migration in the Russian Federation. Over the last two decades, international migration in Russia has become a marked socio-economic phenomenon. However, Russia has not enough information about migrants: their socio-demographic characteristics, spheres of activities, living and working conditions, mobility, etc. A lack of reliable information creates a distorted image of a migrant, leads to inadequate assessments of their place in Russian society and labour market, and reduces effectiveness of migration policy efforts.

Our study shows that, in spite of a large number of foreign workers, arriving in Russia, first of all, from the CIS states, the system of attracting them is ineffective. The mechanism of selection of foreign workers from the CIS countries by professions and qualifications does not meet the needs of Russian employers. Most foreign workers’ labour contracts are limited to 1 year which does not contribute to the employers’ interest to invest in professional training of migrants.
TASK 3.2

WP3.7: “Immigrant-Native Wage Gaps and the Returns to Human Capital” by Raúl Ramos, Alessia Matano, Sandra Nieto

The relative situation of immigrants in the labour market of the host country has played a central role in academic research and policy analysis. The key empirical findings of this literature are twofold: first, immigrants typically face a significant wage gap when arriving to the host country and, second, 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. However, the main explanatory factor behind the rapid growth over time in immigrant wage levels is related to their accumulation of different types of human capital in the host country. This process could be facilitated by a favourable legislation to labour mobility in the host country.

The aim of this paper is to quantify immigrant-native wage gaps in the European Union countries putting special attention to the role of favourable or unfavourable policies supporting the labour market integration of recently arrived immigrants. Analysing data from MIPEX for the period 2007-2010, we identify that nearly all new EU member states (EU-12) have unfavourable policies while in the old EU member states (EU-15) there are two clear groups of countries: one formed by Austria, Belgium, Greece, Ireland, Italy, Luxemburg and the United Kingdom with less favourable policies and a second one formed by Germany, Denmark, Spain, Finland, France, Netherlands, Portugal and Sweden where policies are more favourable. Using cross-sectional microdata from the EU-SILC 2010 wave, we estimate separate Mincer equations for the three group of countries. Our results show that wage differentials between immigrant and natives are lower in those countries with more favourable policies, but this is the result of a better relative situation of medium-skilled workers and not of highly-qualified ones. In any case, the wage gap for immigrants in EU-15 countries is clearly lower than for those arriving at EU-12 countries. However, although our results suggests that these policies do have some effects on immigrants’ labour market integration, 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’.
WP3.8: “Skill mismatches in the EU: Immigrants vs. Natives” by Sandra Nieto, Alessia Matano, Raúl Ramos

The situation of immigrants within their host countries’ labour markets is generally worse than the situation of natives. We focus our interest in the analysis of the differences in skill mismatches between immigrants and natives in EU countries. We use microdata from the Adult Education Survey (AES) carried out in 2007. This dataset allows us to analyse the incidence of different types of skill mismatches (vertical and horizontal) among native and immigrant workers. We do not find any significant difference in the probability of having horizontal mismatch between natives and immigrants once individual characteristics are controlled for. However, we find that immigrants are more likely to be overeducated than natives, and that this effect is higher for immigrants coming from non-EU countries than for those coming from other EU countries. Nonetheless, the pace of the assimilation process in the host country is faster for the first group. By means of the Yun decomposition, we also find that immigrants from the EU have a higher probability of being overeducated than natives because they have worse observable characteristics which influence positively the probability of overeducation, whereas results for immigrants from non-EU countries suggest the opposite: the gap is explained by differences in the returns to observable characteristics. This result suggests that immigrants from non-UE countries have a limited transferability of their human capital that pushes their situation of overeducation in the host country.

WP3.9: “Crisis, immigration and job loss” by Elisabet Motellón, Enrique Lopez-Bazo

The profound crisis that is affecting the Spanish economy has been characterized by significant job losses, and the resulting increase in the unemployment rate. Although unemployment has affected all population groups, there are differences across them in the intensity of its impact. Compared to natives, immigrant workers were the first and hardest hit by job losses. In this context, this paper studies the differences between immigrants and natives in the probability of job exit in a period of deep economic crisis. To do this, we apply a methodology to decompose the difference between natives and immigrants in the propensity to lose their jobs in, on the one hand, differences in the individual, job, and firm characteristics and, on the other, in the differences in the impact of these characteristics. The results show that the observable characteristics do not explain all the differences between natives and immigrants in the probability of job loss in a period of crisis and, therefore, point to some discrimination against the latter. However, in the particular case of immigrants from countries of the European Neighbourhood Policy this seems not to be the case, since the lower endowment of education, and the particular occupational and sectoral distribution of this group explains almost completely its higher rate of job loss.
Some implications are derived from the evidence obtained for the Spanish economy. Firstly, as regarding the individuals, the loss of employment for immigrants is an added cost to their own displaced status. 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. Against a backdrop of cuts in social services caused by the budgetary situation in many EU Member States, the high chance to lose the job and the fewer options to find another one 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. Secondly, for host countries, and by extension to the whole EU, the presence of a large number of unemployed immigrants has obvious costs besides the fact that, at least temporarily, they will stop contributing to counteract the effects of aging of the native population. Finally, the reduced ability to maintain employment by immigrants can be seen as a cost also for the countries of origin, in terms of volume of remittances, because they have to deal with the return of those who decide to return home, and due to a discouraging effect on potential future immigrants.

**TASK 3.3**

**WP3.10: “Remittances and Educational Outcomes: Evidence for Moldova” by Alessia Matano, Raúl Ramos**

This paper analyses the impact of remittances on education outcomes in Moldova, one of the European Neighbourhood Policy Countries. The idea is to understand whether remittances can be consider, from a policy perspective, as a useful channel in order to foster human capital formation in the origin countries of migrants and, as a result, to increase economic growth in these countries. We use household data for the 2008 CBSAXA Moldovan Household Survey provided by the Kiel Institute. By using probit and IV probit estimation techniques, we show that being in a family receiving remittances increases the probability of attaining higher education of around 33% after controlling for several individual and family characteristics. Moreover, the migrant education level has a strong, positive and significant impact on family members’ education.
WP3.11: “Remittances, education and return migration. Evidence for immigrants in Spain” by Raúl Ramos, Alessia Matano

We analyse the relationship between intentions to return, remittances and human capital for immigrants in Spain. We use microdata from the 2007 Encuesta Nacional de Inmigrantes - provided by the Spanish Institute of Statistics- to analyse whether more educated migrants are more or less likely to remit (the extensive margin) and, in the case they do remit, whether they send more or less remittances than less educated migrants (the intensive margin). We find out a negative association between education and remittances at the extensive margin, and a strong positive relationship at the intensive margin. Combining both the extensive and intensive margins reveals that, in general, more educated migrants do remit significantly more. However, the evidence is mixed once we take into account their different origins and their intentions to return. Our results show a different behaviour of immigrants depending on their region of origin that could be related to cultural and institutional differences.

WP 3.20: “Microeconometric analysis of determinants of return migration of North African Immigrants” by Aomar Ibourk, Amine Chamkhi

The objective of this paper is to provide a better understanding of the mechanisms that affect the return migration of North African citizens. A better comprehension of the motivations of return implies a better targeting of immigration policies of receiving and sending countries.

With this aim, we analyse information from the MIREM (return migration to the Maghreb) survey. This survey was addressed to immigrants from Morocco, Algeria and Tunisia returning to their origin country.

Different statistical and econometric techniques are used in order to identify the main determinants of their decision to return. The obtained results show the need to consider the heterogeneity of the different groups, but also the need to improve statistical knowledge on the phenomena and to carry out external evaluations of policies recently adopted in these countries.
TASK 3.4

WP3.12: “Skilled labour mobility: Tracing its spatial distribution” by Ernest Miguélez, Rosina Moreno

The first objective of this paper is to obtain a set of variables that proxy for the phenomenon of high-skilled labour mobility at the NUTS3 level for the whole of EU countries. Secondly, we perform a detailed exploratory spatial analysis to detect the focuses of attraction of talent throughout the European geography, looking for the agglomeration centres for knowledge flows. We would like to test whether these focuses are randomly distributed across the space or, on the contrary, they follow certain spatial pattern. Through the use of several descriptive statistics, we want to elucidate to what extent geographical movements of inventors is a phenomena bounded in the space or country specific.

WP3.13: “Research networks and inventors’ mobility as drivers of innovation: Evidence from Europe” by Ernest Miguélez, Rosina Moreno

We investigate the importance of the labour mobility of inventors, as well as the scale, extent and density of their collaborative research networks, for regional innovation outcomes. Specifically, among the questions addressed in this study are the following: What is the contribution of inventor networking and inventors’ labour mobility to the regional intensity of patenting? Do cross-regional mobility and cross-regional networking play an important role? What impact is attributable to mobility and networking once spatial interactions have been controlled for?

To do so, a knowledge production function framework at the regional level is used. The results point to the existence of a robust positive correlation between intra-regional labour mobility and regional innovation, whilst the relationship with networks is less clear.

WP3.14: “Knowledge creation in Europe along time: Indirect impact of high-skilled workers mobility and research networks” by Ernest Miguélez, Rosina Moreno

The aim of this paper is to investigate the relative contribution of different features of the local labour market for inventors on regional patenting, both direct and indirectly. By means of a knowledge production function and a sample of 276 European regions, in a first part of the
paper we assess whether local labour mobility of inventors, as well as their collaborative research networks, correlate with innovation outcomes. In the second part of the paper, we extend the analysis to the role of inventors’ mobility and research networks allowing for higher returns of knowledge endowments on regional innovation, what we consider to be an indirect impact of these highly-skilled labour mobility and their research networks on patenting activity.

WP3.15: “Are geographical movements of inventors and the formation of research networks a phenomenon bounded in the space?” by Ernest Miguélez, Rosina Moreno

The aim of this paper is to analyse the existence of regional variations in the returns to labour mobility and networking. In such a case, we could conclude that development policies based on stimulating these mechanisms of knowledge diffusion could differ in their effectiveness according to local conditions. We have initially introduced a cross-effect of the corresponding focal variable, both labour mobility and the different proxies for research networks, with a dummy for each region. This way we are able to compute a specific elasticity for each regional economy in Europe. However, with the idea of providing more general patterns of heterogeneity in the returns to labour mobility and networks, we give a step forward and obtain different elasticities according to a set of typologies of the European regions.

WP3.16: “The determinants of inventors’ interregional mobility between EU regions” by Ernest Miguélez, Rosina Moreno

The aim of the present paper is to identify the determinants of the geographical mobility of skilled individuals, such as inventors, across European regions. Among a large number of variables, we focus on the role of social proximity between inventors’ communities. Thus, we use a gravity model of immigration (applied to the subsample of knowledge workers) to test whether a set of regional ‘attribute’ and ‘relational’ variables influence talent mobility across regions in Western European countries. We use a control function approach to address the endogenous nature of networks, and zero-inflated negative binomial models to accommodate our estimations to the count nature of the dependent variable and the high number of zeros it contains. Therefore, our aim in the present paper is to determine (1) whether, after controlling for the fact that the spatial distribution of innovators is not random throughout space, migration costs associated to physical separation influence the mobility patterns of these skilled workers; and (2) whether other variables may explain this phenomenon, after controlling for physical distance as well.
WP3.17: “Academic brain drain and its implications for scientific manpower reproduction in Russia” by Alexander Chepurenko

The paper looks into Russian researcher migration to the EU supported by international science foundations, by Humboldt Foundation (FRG) in particular. Examination of the specific involvement of highly skilled Russian experts in the current cross-border academic mobility helps answer the following question: does the wide-scale involvement of Russian researchers in international scientific community in the context of growing internationalization and globalization hinder or promote brain drain? It also makes it possible to assess the role of Western foundations in the development of Russian science, in particular, formation, academic development, integration in formal and informal international academic networks of the most skilled Russian researchers. Consideration is given to the factors influencing the current transboundary migration of Russian academics. Special attention is given to the role played by foreign non-commercial science foundations (A.Humboldt Foundations as an example) in formation, academic development, integration in formal and informal international academic networks of the most skilled Russian researchers.

TASK 3.5

WP 3.18: “A comparative analysis of people’s attitudes towards immigrants in Estonia and Russia” by Olga Demidova, Tiiu Paas

The paper aims to conduct a comparative analysis of possible determinants of peoples’ attitudes towards immigrants depending on individual’s socio-demographic and economic characteristics in Estonia and Russia. The empirical part of the paper relies on information provided in the European Social Survey (ESS) fifth round database. The results of the study show that on average the attitudes towards immigrants are lower in both Estonia and Russia than in the European countries with advanced economies. Estonian peoples’ attitudes towards immigrants are somewhat better in all aspects of country’s life – economy, culture and country as living place, comparing to Russia. Ethnic minorities, people with higher income and religious people are more tolerant to immigrants in both countries. Socio-demographic characteristics (age, gender) and education are valid determinants of peoples’ attitudes towards immigrants only in the case of Estonia.
WP 3.19: “Social capital, national values and attitudes towards immigrants: Empirical evidence from the European Union and Neighbouring Countries” by Eve Parts

This study first maps the basic socio-economic characteristics of immigrant population in Europe, followed by the analysis of the importance of national values and attitudes towards immigrants comparatively in three country groups – old EU members (WE), new member states (NMS) since 2004 and neighbouring countries (NC). Main focus of the analysis is on the relationship between immigration attitudes and social capital. Empirical analysis is based on EVS 4th wave data. The share of immigrants is highest in WE and this has lead also to more negative attitudes towards them. Although most of the WE immigrants are in working age and their employment rate is higher than among natives, local people in this region are less afraid that immigrants take away their jobs as compared to NMS and NC respondents. Immigrants in WE and NC subsamples reported also higher income and educational levels as compared to natives, but at the same time they have less social capital (with some exceptions regarding trust measures). Regarding immigration attitudes, it can be generalised that native people in WE worry more about the possible threats to economic and social welfare as a result of immigration, while natives in NC worry more about threats to local culture and customs. Finally, correlation analysis provided several robust results: 1) respondents having more social capital are less afraid of the possible negative effects of immigration on host country’s economic and social life, 2) higher levels of social capital associate with higher importance attached to respect host country’s political institutions and to speak local language, and 3) stronger national values are related to lower general trust and less formal networks, but with more institutional trust and stronger social norms.

WP 3.22: “Length of the stay in the host country and educational achievement of immigrant students: the Italian case” by Adriana Di Liberto

Using Italian data on standardized test on Language for different levels of schooling we investigate 1) if the observed gap in educational attainments in first generation immigrants tends to lower the longer their stay in Italy and 2) if younger children reduce the gap faster than their older classmates. Results confirm the presence of a significant gap between natives and immigrants students in school outcomes for all grades, with first generation immigrants showing the largest gap. Second, comparing the results between first and second generation immigrant students they also suggest that the significant gap observed on first generation is mainly due to the negative performance of newly arrived immigrant children in Italy. That is, for first generation students, closing the gap with second generation ones seems to be, for the most part, a matter of time. However, the gap between natives and immigrants remains significant in all grades. Finally, when we compare the results across the different grades, it turns out that interventions at younger ages are likely to be more effective. This result
suggests that the possible benefit of policies that delay immigrant family reunification need to be compared against the costs of students’ remedial assistance.

WP 3.23: “International Immigration and Tourism to ENP Countries: Some Evidence from Israel”, by Michael Beenstock, Daniel Felsenstein and Ziv Rubin

Tourism accounts for a significant share in the economies of many ENP’s. This paper contributes to an emerging literature which claims that international immigration is an important determinant of tourism. The pattern of tourism from the EU to the ENPs is reviewed. Israel is used as a case study for an empirical investigation of the immigration-led tourism hypothesis (ITH). Time series data are used to test ITH. Although tourism and immigrants are highly correlated, we show that tourism does not cointegrate with the number of immigrants and other potential determinants of tourism. Also, panel cointegration tests reject ITH. Nor do we find that immigration depends on previous shocks to tourism. Indeed, tourism and immigration seem to be entirely unrelated phenomena.