

## D3.3 SEARCH DERIVERABLE

Policy implications from the research on EU-NC country mobility  
and relationship between migration, social capital & others

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## **Deliverable 3.3. Policy implications from the research on EU-NC country mobility and relationship between migration, social capital & others<sup>1</sup>**

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#### **1. Introduction**

The **SEARCH project** is aimed at analysing 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.

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.

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<sup>1</sup> The research summarised here has been produced by the following authors (in alphabetical order): Michael Beenstock; Amine Chamkhi; Alexander Chepurensky; 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; Tiit Paas; Eve Parts; Raúl Ramos; Vicente Royuela; Ziv Rubin; Giovanni Sulis; and, Yelena Varshavskaya

Within this framework, 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 and 4 policy briefs produced within the context of this work package. Five research tasks have been considered.

The first task has focused on the **analysis of pull and push factors of migration**, putting special attention to the role of interactions between migration and other institutional factors. 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, for instance, through a simplification of the process of granting visas for qualified workers or providing initial training once they arrived to the new 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 and, second, which are the effects of remittances from abroad on households' schooling decision in sending regions. 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. In particular, three channels through which remittances could increase education level in origin countries have been identified in the literature. One direct channel acts through the fact that by increasing available income, remittances can be used to buy education and health. The second channel points out that remittances help families to buy better housing or creating business that enhance general welfare of the state, which can be translated to a different use of resources by the government in direction of

education facilities (schools, etc.). Last, if migration is seen as a future option by children, education can be seen as an investment improving the migration experience once they are grown-up.

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 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.<sup>2</sup>

## 2. Policy aspects of research results

The results produced in the working papers within the five considered research tasks suggest that policies favouring regulated **temporary migration could benefit both origin and destination countries.** For the ENP countries, migration, it could be a solution for the lack of local employment opportunities. For the EU countries, it provides a solution to the demographic imbalance and ageing population trends in the core countries over the short run. Potentially, migration policy could be conceived as diverting human disaster in the ENP countries and promoting growth and prosperity in the EU. At the subnational level, EU-ENP migration policy can also be seen as a source of cross-border exchange of skills and knowledge. This could lead to localized economic growth at the urban or regional level. The question that arises is thus the following. At which level (sub-national, national or European) should be set the migration policy? The existence of **strong spatial spillovers in migration flows points out**

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<sup>2</sup> Deliverable 3.2 provides a more extensive and detailed overview of the research carried out within this work Package. [http://www.ub.edu/searchproject/wp-content/uploads/2013/09/deliverable\\_3\\_2.pdf](http://www.ub.edu/searchproject/wp-content/uploads/2013/09/deliverable_3_2.pdf)

**the need of an EU migration policy globally defined**, rather than one designed by a specific country. Indeed a parochial policy which, for example, restricts migration in one country might deflect immigration to its neighbours. Also a policy which encourages immigration in one country might induce immigration to its neighbours. Thus, the only way to overcome these possible effects is to define a EU migration policy, which is at present contradictory with bilateral action plans that have characterized the ENP so far. Therefore, countries should coordinate in order to design and implement a common EU widespread migration policy.

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

In order to avoid these potential negative effects, most countries adopt **migration policies trying to attract more skilled migrants**. However, even if these policies are successful it is necessary to minimize the risk of skill-mismatches for immigrants when arriving to their new labour market. This could be done by incorporating in the migration policy formal criteria related to educational levels and to the match with the current needs in the labour market (i.e, like the Australian points system) and/or trying to design a system of assessment and recognition of foreign-acquired educational degrees in order to give an appropriate signal to the labour market and, last, providing publicly-provided informal training to recently arrived immigrants with appropriate skills in order to improve the transferability of their skills to the new labour market. 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** could alleviate the problem. Return to the origin country has 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. Our results have shown that temporary migrants have a higher probability to remit, but they do not remit a higher amount of money. This is the opposite behaviour to the one observed for qualified migrants who remit less frequently but they remit more money. Taken together, this evidence suggests that sending highly skilled migrants who are able to earn higher income is one way to increase remittance flows, particularly if their migration experience is perceived as

temporary and not permanent. One possible policy option in this framework will be to promote **dual citizenship** as it will generate larger remittances and a higher likelihood of return migration. Regarding remittances, our results show that they can be a useful channel to foster development, and in particular, education in origin countries. If so, a policy fostering an easing of the ways of sending remittances at home would be appropriate. One option within this context would be to develop managed migration programmes, including temporary work visa for professionals from ENP countries, which could stimulate increase temporary movements. Such scheme should be agreed by sending (ENP) and receiving (EU) countries and therefore national policies should have less control over them. Moreover, liberalizing trade in services via the temporary movement of persons may facilitate such movements. Another option would be that of facilitate migrants' reintegration through active institutional management of migration, which facilitate the migrants welfare and professional perspectives upon their return home. In fact, allowing a returning migrant to rejoin his/her industry at an appropriate level for his/her experience is crucial in order to get a brain gain from migration.

**Government policies aimed at reducing the transfer costs and, in general, remittances fees would be advisable.** In fact, remittance taxes (in forms of transfer costs and fees on bank accounts in migrants' origin countries) provoke a series of negative impacts in migrants' origin countries. First, they reduce the incentive to send remittances and the amounts sent, therefore limiting the development impact of remittances. Secondly, they give a higher incentive to use unofficial or informal channels, which in turn implies a likely usage of remittances to buy goods and services in the black market thus dampening their potential for countries' development. Finally, remittances taxes in migrants' origin countries are additional to income and sales taxes already paid by migrants in recipient countries, being therefore highly regressive. Hence policies aimed at reducing transfer costs and at pushing financial institutions in both origin and recipient countries at de-taxing remittances, would contribute to increase the level of development in migrants' origin countries and to partially balancing out the negative impact of migration. Further, it would stimulate the use of official channels to send money home and would be more effective in order to make transfers more transparent than trying to regulate the informal services. Some policies proposals in this context are related to incentives for the opening of bank accounts (also denominated in foreign currency) and the use of electronic means to transfer moneys, which are still poorly developed in migrants' origin countries and that would ease the process of sending remittances. Also, encouraging migrants to do fewer but larger remittances transactions (as opposed to multiple transactions with small amounts) would help at bringing down remittances fees as well as stimulating the increase in competition among firms by allowing more institutions to enter in the money transfer business. All these kinds of policy necessarily require an effort by both sending and receiving countries in order to be effective. Also, **cooperation between sending and recipient countries is advisable** in order to overcome factors which may hinder fees reduction, such as low competition among service providers, poor information disclosure for senders and recipients, poor payment system infrastructure that discourage migrants from using formal financial institutions to send money home, restrictions for cross-border operations, lack of trust of senders and recipients with financial institutions, etc.

**The 2009 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 ones.**

The loss of employment for immigrants is an added cost to their own displaced status, especially for recent immigrants. Even for those who are entitled to receive the unemployment benefit, the difficulty of finding another job in a prolonged recession may lead to limited financial resources at its disposal to meet basic needs. The higher chance to lose the job and the fewer options to find another 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. For the host country, and by extension to the whole EU, the presence of a large number of unemployed immigrants has obvious costs. Despite the above, it is possible that a high percentage of unemployed immigrants decide to stay in the host countries, among other reasons because they have no better alternative in their countries of origin and, even without a job in the EU, they can continue enjoying higher levels of security as well as of social protection (including unemployment benefits, and health and education services). In that case, at least temporarily, immigrants stop contributing to the system and, consequently, do not help to counteract the effects of aging of the native population. The reduced ability to maintain employment by immigrants can be seen as a cost also for the countries of origin. First, in terms of volume of remittances which, in the case of the countries of North Africa (especially Morocco and Algeria), are an important source of external financing. Secondly, because they have to deal with the return of those who decide to return home, despite suffering many of the countries of origin high unemployment, especially for the young more skilled population. Finally, because the high rates of job loss may discourage potential future immigrants, and thereby hinder the correction of macroeconomic imbalances in sending countries, and the lack of opportunities for a significant portion of its population that 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. The most effective tool to achieve this goal seems to be **proper communication strategies.** Mobilising non-governmental stakeholders – whether in the business sector, trade unions, NGOs or among migrants themselves – is key to improve the effectiveness of campaigns towards a better integration of immigrants. This is central to building the trust which is a precondition for successful intervention. But in addition, in a context of fiscal austerity, mobilising non-governmental actors can be a necessary and cost-effective alternative to state-heavy action. One way of doing this will be through community networks between different stakeholder groups from migrant organisations to privately owned businesses, and supported the development of organisations directly. These networks and groups could then develop or create a platform for migrant voices to be also involved in the process. In fact, campaign messages must be tailored to the needs of the different audiences with which the campaign wishes to engage. For this reason, different types of interventions need to target different parts of the population, which will require different approaches including appropriate tools, messages and channels, as well as different styles of communication. The problem of how to define proper communication strategies is exacerbated by the limited quantity and quality of campaign evaluations. The lack of robust evidence about what works in this field leads us to suggest that future research should focus

on serious evaluation and impact assessment of communication strategies. Within many evaluations there is a tendency to evaluate effort rather than impact. There is a clear **need for sharing of knowledge and best practices, both within and across member-states**. European authorities could play an important role by making action learning and knowledge exchange possible among national, but also regional and local authorities which are the ones closer to the citizens.

The analysis of the mobility of high-skilled workers (inventors) carried out within this work package provides a good example of the needs of coordination at the EU level. In particular, although mobility seems to be desirable at an aggregate level, and also at the inventor level, it could be understood as a zero-sum game for firms. For this reason, research collaborations across firms and regions are pivotal to acquire external knowledge, as well as making more effective the creation of new knowledge. The promotion of distant, weak ties embracing as much actors as possible is therefore a plausible and beneficial policy option from a regional perspective. In this sense, policies aimed at encouraging the mobility of high skilled workers or enhancing the participation in research networks (as promoted by the European Commission through Marie Curie programs or the Framework Program Projects), particularly in less innovative regions, may play a critical role in the creation of knowledge, and subsequently economic growth. Clearly, though, the effectiveness of such policies, as shown by the results of this research, crucially depends on each region's capacity to give returns to such labour mobility and the participation in research networks.

Another example of the need of cooperation among different administration levels is provided in the analysis carried out within this work package around the educational performance of Italian immigrant students: if family reunification policies imply a late arrival of foreign children, policy-makers should be aware of the costs in terms of poor educational outcomes and lower social capital creation.

In sum, policies should try 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.





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