

CHAPTER 7

INTERNATIONAL LABOUR MIGRATION, ECONOMIC GROWTH AND LABOUR MARKETS: THE CURRENT STATE OF AFFAIRS

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The second half of the 20th century has seen major shifts in the nature and the extent of worldwide migration. While the classical immigration countries such as the United States have remained major receiving areas, their sources of immigration have changed substantially, away from the traditional European sources to Latin America and Asia. At the same time, many societies in Europe have been transformed by their intense and multi-faceted immigration experience in the sixty years after World War II. Finally the enlargement of the EU – in combination with increasing migration activity worldwide – has placed migration high on the European agenda. This does not only apply to the EU 15 countries. In addition, Central European countries face increasing problems with their new role as transit countries for people heading towards Western Europe. Also the characteristics of the migration flows have become more diverse. Temporary migration of workers, especially highly skilled workers, is increasingly growing in importance, while traditional migration networks appear to be losing their significance. More restrictive migration policies towards asylum seekers, refugees and unskilled workers has increased the volume of illegal immigration and human trafficking.

The overarching theme of the current migration debate is the nature of the economic effects for the receiving economies. However, neither the causes and consequences of migration are well understood, nor is it obvious how to predict its development into the future. Most importantly, immigration has become a more variegated phenomenon, making a shift of research effort, particularly to the receiving region *Europe*, indispensable. Within Europe, the free movement agreement of the European Union in principle smoothes the way for labour migration across national borders. Yet despite the demise of socialism in Eastern Europe, mobility within the European Union still seems rather low or even negligible, thereby moving migration from outside Europe into the centre of the discussion.

The current situation of the European labour markets is characterised by rather high average unemployment. However, there is typically a concurrent shortage of highly skilled labour. Thus, European economists argue increasingly for an immigration policy directed at actively recruiting highly qualified workers from abroad. Among migration experts there is even a growing perception that the industrialised countries have been involved for a long time in a constant competition for highly skilled workers (for a recent overview on highly skilled migration see Rothgang and Schmidt, 2003). In addition, Europe's societies are ageing, placing their pay-as-you-go social security systems under considerable demographic pressure. It is increasingly realised by the public that a regulation of future immigration that is tailored to attract young and economically successful migrants can alleviate some of the demographic burden associated with an ageing population (Bonin et al., 2000).

In this paper, we outline a systematic classification of economic migration research according to its major conceptual and applied questions. The state of theoretical and empirical research in the literature is briefly reviewed and presented within a clear conceptual framework. Although there is no unique, all-encompassing theoretical model linking together all aspects of the different topics of economic migration research, the main issues can be conceptualised within three broad lines of research.

The first research area is concerned with the factors which determine the *decision* to migrate, and consequently with the magnitude and the composition of migration flows. The analysis of this theme is an important prerequisite for the understanding both of migrant performance and the impact of immigration, which are the other two areas of economic migration research.

Research on the *economic performance* of immigrants in the destination country examines how migrants' wages and employment outcomes – or their dependence on the welfare system – compare to those of

comparable natives, and how this comparison evolves as the migrants' duration of residence increases. A closely related aspect concerns the *perception* of, and the *attitudes* towards, immigrants by the native population in the receiving country.

A third line of research analyses the *economic impact* of immigration on the indigenous population and the macroeconomic performance of the destination country. Perhaps most importantly, we examine whether immigration reduces the wages or employment prospects of natives or earlier immigrants, and by what mechanisms. A mirror image of these research questions is also presented which studies concerns over the possible brain drain caused by emigration from sending countries.

These three areas are interrelated with one another and have a potentially significant influence on immigration policy. Migrants' skills are perhaps the central theme of all economic migration research. Since immigration policy might well influence the composition of immigration flows – and since formal and informal human capital endowments mainly determine the economic performance of immigrants in their destination country, as well as their impact on it – immigration policy can have a decisive role on the consequences of immigration.

Throughout the paper, we will concentrate our discussion on the UNECE region (i.e. all the countries of Europe, plus Turkey and Israel, Canada and the United States, and all countries of the former Soviet Union including the Central Asian Republics). In the first section, we provide a general typology of migration and migrants, as well as a critical discussion on the reliability of existing statistical information on international migration. Migration flows in the region before and after 1990, together with the policy responses of the countries towards immigration, are described in the following section. Particular attention is paid to the background of an ageing society and the demand for highly skilled workers. The third section offers a survey of the economic literature with regard to the performance of immigrants in the economy and their integration into the society of their receiving countries. The fourth section discusses the economic impact of migration. In the final section we discuss expectations with regard to future migration flows and the policy options of different immigration countries to deal with these flows.

Introduction

Migration in a historical perspective

In the nineteenth and twentieth centuries, international labour mobility played a central role for many countries in the development of their societies, in international economic integration and in economic growth. In the early 1900s, migration experienced a temporary high, as the overall attitude towards

immigration was then quite liberal. Similarly, in the 1960s and early 1970s many receiving countries actively recruited labour from other countries to deal with their perceived lack of unskilled labour. Starting with the first oil price shock in 1973, the attitude of most receiving countries changed towards the limitation of immigration, resulting in a 'zero immigration' policy in many European countries.

In most cases, this change in attitude reflects anxieties that immigration of unskilled individuals exerts detrimental economic effects on natives by increasing income inequality and unemployment. In addition to these economic arguments, opponents of immigration fear that it may increase social tensions and endanger national identities. Because of these arguments, the pressure to tighten immigration opportunities has been very strong, especially in Europe. Even though there is little public support for further immigration, many European countries have recently begun to take new, though modest, initiatives to admit more migrant workers. These new initiatives are almost exclusively directed towards highly skilled migrants, reflecting an increasing worldwide demand for skilled labour.

Despite the resistance of many receiving countries towards further immigration, worldwide migration flows have increased since the 1980s and the early 1990s (see OECD, 1999). In the last decade, the number of sovereign states directly involved in international migration is rising steadily. According to the IOM (2003), the total number of international migrants in 2000 is estimated at approximately 175 million. In other words, in 2000, one out of every 35 persons worldwide was an international migrant, compared to about one in 45 in the 1970s and 1980s. With a stock of migrants of about 56 million, Europe is the most important receiving area, followed by Asia, which has a migrant stock of almost 50 million, and North America with about 41 million migrants. For example, between 1988 and 1997 the share of the foreign population increased from 4.5 per cent to 9.1 per cent in Austria, from 7.3 per cent to 9.0 per cent in Germany, and from 5 per cent to 6 per cent in Sweden (OECD, 1999).¹

Measured in per capita terms, however, the Oceania-Pacific region, with a migrant stock of 19 per cent of the total population has the largest share of immigrants, followed by North America with 13 per cent. Note however, that these two continents include the four traditional immigration countries of Australia, New Zealand, Canada and the United States. Six out of the 10 countries with the highest net immigration from 1970-

¹ See also Salt (2002) and Wanner (2002) for recent surveys of current migration trends in Europe.

1995 are either in Europe or North America.² The leading country in terms of the absolute number of emigrants is Mexico, followed by Bangladesh, Afghanistan, the Philippines, Kazakhstan, Viet Nam, Rwanda, Sri Lanka, Colombia, and Bosnia and Herzegovina (see IOM, 2003, Tables 17.4 and 17.5).

The increasing mobility of individuals throughout the world can be traced back to a variety of factors. These include the collapse of the socialist regimes in Eastern Europe, rising income differentials between rich and poor countries, and armed conflicts and human rights violations. Falling communication and transportation costs have increased the information flow about economic conditions in potential receiving areas and reduced the difficulties in financing the costs of migration. Together with a gradual evolution of the various push and pull factors that feed migration flows, the worldwide globalisation process has also resulted in a change of the migration experience of many countries. In contrast to earlier decades, not only have the traditional immigration countries (Australia, Canada, New Zealand and the United States) been affected by increasing migration flows, but also most other countries in the UNECE region.

For the traditional immigration countries, immigration was an essential ingredient for the early development of their society. However, there are significant differences in the migration policies adopted by these countries. The United States relies to a large extent on family migration, while the others follow a mixed strategy, managing immigration through quotas for different types of immigrants and a selective policy towards labour migrants by means of a points system. Nevertheless, these countries share a common characteristic in that they are still encouraging immigration for permanent settlement on a significant scale. The second major type of immigration countries in the region comprises those with either post-colonial immigration (predominantly the United Kingdom, France and the Netherlands) or those which actively recruit temporary workers (for example Austria, Germany and Sweden).

Even countries that historically have been emigration countries, such as Italy, Spain and Ireland, recently have become immigration countries. Apart from return migration, these countries do not have long experience with the inflow of foreign workers and are only just developing immigration policies. In the case of the Southern European countries, the increased inflow consists mainly of irregular migrants. Together with some countries in Central and Eastern Europe (CEE) (e.g. the Russian Federation, the Caucasus, the Czech

Republic and Poland), they also act as transit countries for irregular migrants heading north and west. Estimates suggest that hundreds of thousands of irregular migrants from Africa, Eastern Europe, the Middle East, Central Asia and China try to enter the EU via these transit countries each year (IOM, 2003).

Provoked by the fall of the Iron Curtain, some countries in Eastern Europe became important emigration countries. Many ethnic migrants returned from their East European home country to West European countries. For example, 300,000 Bulgarians of Turkish origin have returned to Turkey since 1989. Finland faced immigration of ethnic Finns from the Baltic states and the former USSR (IOM, 2003). The country receiving the most ethnic migrants has been Germany. Between 1989 and 2001, more than 2.5 million ethnic Germans from the former USSR, Romania and Poland arrived in Germany (Bauer et al., 2004). In addition, some CEE countries have become a major source of temporary labour in the EU. Again, Germany acts as the main receiving country for this type of worker. Polish and Czech workers especially migrate as contract workers or seasonal workers over the eastern borders of Germany.³

The political changes after the fall of the Iron Curtain also initiated large-scale migration flows within the CEE countries, with migration occurring mainly between neighbouring countries (Romanians to Hungary, Czechs to Slovakia, Ukrainians to Poland and Bulgaria). Finally, the war in the former Yugoslavia resulted in a huge number of refugees arriving in the EU.

Concepts: migration and migrants

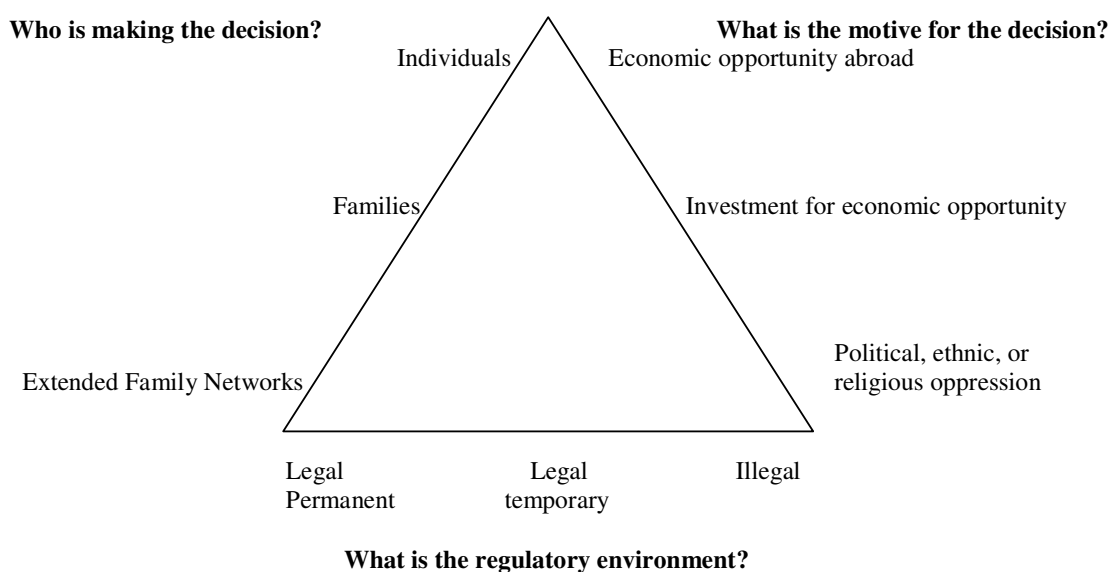
Migration is usually defined as the movement of a person or group of persons from one geographical unit to another across an administrative or political border, and wishing to settle permanently or temporarily in a place other than their place of origin. Since the movement between two geographical units does not have to occur directly, one can further differentiate between the place of origin or sending region, transit regions, and the place of destination or receiving region (see IOM, 2003, p.8). Movements within a country are usually defined as internal migration and, accordingly, movements across international borders are called international migration. Henceforth, we exclusively focus on international migration.

The broad concept of migration comprises many different forms of migration flows and distinct types of migrants. To organise our ideas about this phenomenon, we briefly develop a typology of migrants based on three key characteristics. Different combinations of these

² The other four countries include Saudi Arabia, India, Australia and the United Arab Emirates.

³ See Bauer et al. (2003) for a more detailed description of temporary migration into Germany.

FIGURE 1
Typology of migrants



factors comprehensively describe the various modes of migration. Figure 1 shows the three main questions affecting migrants and is represented by a triangle: (a) Who is making the decision; (b) What is the motive for the migration decision; and (c) What is the regulatory environment?

In terms of migration motives one can differentiate three types of migrants: those seeking economic opportunity in the destination economy; migrants who aim to accumulate savings or human capital while abroad in order to have increased economic opportunities upon their return; and migrants who move because of political, ethnic or religious oppression in their home country. For the majority of migrants, the main driving force behind the migration decision is the desire to improve their material living conditions or quality of life. Usually it is assumed that these migrants plan their move and invest in information and those aspects of human capital that are necessary for a successful integration into the labour market and society of the receiving country (Chiswick, 1978).

A related motive for working abroad is the accumulation of savings or skills with the objective of returning to their place of origin and building a better future there. Migrants with these motives may not be obvious in the data. By contrast to these two motives, ethnic migrants, asylum seekers and refugees migrate either because they are discriminated against in their country of origin because of their ethnicity, race or gender, or they are forced to move because of armed conflict in their home country. Even though this is coerced migration, empirical evidence suggests that their choice of receiving country is determined at least partly by economic considerations (Rotte and Vogler, 1998).

In general, the migration decision can be made by individuals, families or an extended family network. In contrast to individual migrants, the decision of family migrants is only partly driven by their own social and economic considerations (Mincer, 1978). Rather, the opportunities and restrictions of all family members influence the decision. Thus it might not be sufficient to examine only individual motivations to understand migration decisions. It might even be the extended family which makes the migration decision. A member of the network might be sent away to work in a location which is characterised by a better economic climate to ensure the extended family against economic instability at home.

Regarding the regulatory environment, one can differentiate three possibilities: legal permanent migrants who wish to settle in their place of destination indefinitely; legal temporary migrants who aim to stay in the receiving region only for a limited period before returning to their place of origin or moving on to another destination area; and illegal migrants. The legal status has direct consequences on the living situation of a migrant in the receiving area. Illegal migrants are often not eligible for social and medical assistance and will have a difficult time securing certain civil rights. They may also be subject to detention, expulsion, deportation and prosecution. In addition, illegal migration, especially of women and children, is increasingly associated with the trafficking and smuggling of human beings.⁴

⁴ See IOM (2003) for a more detailed discussion and some estimates on the numbers of individuals involved in this type of migration.

The above typology of migrants covers the characteristics of the main groups of migrants observed. The migration decision of guest-workers and so-called 'target savers', for example, is usually an individual decision to migrate temporarily on a legal basis to another country for economic reasons. For asylum seekers, the decision to migrate is most often made by families because of some form of oppression in their home country and – upon the approval of their asylum status – they aim to stay permanently in their receiving country on a legal basis.

However, a typology based on three characteristics cannot be completely exhaustive. The same person can change classification depending on their place of origin and/or destination and with period of residence in the receiving country. Destinations are not clear cut, either. Even though the migration decision of asylum seekers and refugees may be due to the political and social situation in their place of origin, their choice of destination area may be determined by economic reasons or family networks. Hence, it may be unclear from the viewpoint of the receiving area whether to classify an asylum seeker or refugee as a humanitarian or economic migrant.

Furthermore, the experience of many guest-worker countries in Western Europe has shown that migrants who originally intended or were supposed to stay only temporarily often change into permanent immigrants. Migrants who settle in a country by overstaying their visa, or by immigrating without valid or with forged documents, often have the opportunity to subsequently obtain legal residence status in the receiving region, for example by regularisation programmes. In addition, changes in residence permit or work permit laws in the destination regions often result in changes in the legal status of the migrants already residing in those countries. Because of different regulations between countries concerning residence and work permits, the same migrant could hold a different legal status in different destination regions.

Paucity of reliable statistical information on migration and its characteristics

Unfortunately, the main source of statistical information in migration research has been aggregate data, either in the form of time series or as regional cross-sections. Time series data are more prevalent. This could be explained by the availability of data provided by the statistical offices in their respective countries or by international organisations such as the OECD. In addition, the econometric tools for analysing aggregate time series data are, in principle, sufficiently developed to allow a sound analysis. The quality of such studies, however, is impaired by the low quality of the data. Even for single countries the material is often flawed by

measurement problems. For instance, it is often difficult to obtain reliable numbers for out-migration even in countries with a tight registration system: emigrants are often not compliant when it comes to deregistration.

Because international migration statistics are produced at the national level, cross-country studies almost always suffer from problems of data comparability. There are substantial differences between countries in their measurement of migration streams, which can largely be explained by their different institutions, different definitions of migration and migrants, and a persistent lack of cooperation between the responsible national statistical institutions.⁵ One major source of data incomparability is the definition of a migrant. Many European countries collect information only on persons that do not hold the citizenship of their country of residence. Researchers are often forced to use this information as a proxy for the number of migrants in a particular country, because separate statistics of foreign-born people are not available. These studies do not properly capture naturalisations, second generation immigrants or ethnic migrants.⁶

Furthermore, migration studies using time series data are often faced with the problem that they are unable to discriminate between migrants moving for the purpose of seeking out economic opportunity and coerced migrants. Econometric studies on the determinants of international migration often need to explicitly or implicitly use strong identification assumptions in order to be able to assess the impact of explanatory demographic and economic factors on the magnitude of migration flows (Fertig and Schmidt, 2001b); whatever the model, they may suffer from measurement errors resulting from the low quality of the underlying data (Bauer and Zimmermann, 1998).

Over the last decade, researchers have increasingly analysed individual-level data. Because of the availability of such data in the United States, this trend has been much stronger there than in Europe. The investigation of individual-level data was hampered in the past by limited computer facilities and econometric techniques to deal with the often discrete or only partly continuous nature of the data, if such data was available at all. Due to the tremendous improvement of computer technologies, this situation has changed dramatically since the 1980s, making it possible to handle large data sets on PCs or workstations. Currently the availability of such data is more and more the real problem, at least in

⁵ See IOM (2003, Chapter 16) for a very detailed discussion on the problems of international migration statistics.

⁶ For instance, Germany has received millions of ethnic German migrants in recent decades, none of which are covered in the official stock statistics of migrants. As a result of the rather restrictive German naturalisation laws, many second generation immigrants are still counted as foreigners, even though they were born in Germany. There are similar problems in many other European countries.

Europe, because this type of data is often not made available to researchers, with the argument that this would endanger the privacy of respondents.⁷

To summarise, long-term comparable and reliable time-series of stock and flow data of migrants between countries are not currently available, although there is a long-standing recognition of the importance of providing better international migration statistics. Reliable statistics on irregular migration and the social and economic situation of undocumented migrants are (partly by their nature) non-existent. To a large extent, illegal migration is measured using border apprehension data, which is widely recognised as being unreliable and unusable for cross-country comparisons because of differences in national definitions. In future, individual-level data could usefully be made available to researchers by making small changes to data security regulations or by applying easily available methods to make data anonymous. Further efforts to improve international migration statistics (for example along the lines of the *United Nations Recommendations on International Migration Statistics*) and the access of researchers to individual-level data of migrants should be high on the current policy agenda.

Labour Migration

Of the three central topics of migration research – decision, performance and impact – it is the migration decision, together with an analysis of its economic factors and the corresponding migration flows, that has the longest intellectual history (see e.g. Ravenstein, 1889). The standard neoclassical model of the migration decision perceives migration as an individual investment made under perfect information. Within this cost-benefit framework, the individual compares the present value of the expected present and future costs and returns of migration (Sjaastad, 1962). The returns comprise monetary returns, mainly from changes in labour earnings, as well as non-monetary returns associated with amenities such as an attractive climate and environment. The costs of migration consist of monetary cost, such as travel expenses and search costs for finding an occupation in the host country, as well as non-monetary costs of migration, such as foregone earnings and the psychological costs arising from the loss of a familiar environment and the confrontation with another culture. Migration would be worthwhile if the returns of migration are expected to exceed these costs.

Aggregate migration flows should then comprise all candidate individuals who expect such a positive net return. While this traditional reasoning provides the intellectual basis for virtually all aggregate-level empirical studies, their actual performance has been

disappointing. Typically, these empirical analyses regress a measure of aggregate migration intensity on a kitchen-sink set of aggregate explanatory factors comprising wage or income information, and perhaps employment rates (Fertig and Schmidt, 2001b). Unfortunately, no stable patterns emerge from these studies whatsoever, mainly as a reflection of data limitations. Therefore, the precise economic determinants of aggregate migration flows are still being discussed. Since there are several recent literature surveys on the determinants of migration (see, among others, Molho, 1986, and Bauer and Zimmermann, 1998, 2002), this section will concentrate on a description of migration flows and the significant developments of migration policies in the region.

Flows of labour migrants in the region

Apart from accepting migration for humanitarian reasons, such as political asylum or family reunification, the countries of Europe and North America have recently started to perceive migration as an answer to medium-term labour supply shortages and an overall ageing of the population. Indeed, many countries have recently focused on expanding immigration to fulfil labour market requirements of specific industries or labour market segments, such as Germany with its intensely debated ‘Green Card’ programme. This section examines the various motives for, and recent experiences with, migration in Europe and North America.

Table 1 illustrates the cumulative net immigration flows for selected West European countries before and after 1990. It is apparent from this table that overall immigration into these countries has increased during the 1990s. Apart from Iceland, all countries in Europe

TABLE 1
Cumulative net migration flows in Europe

	1960-1990		1990-2000	
	In 1000s	Percentage	In 1000s	Percentage
Austria	308	4.0	294	3.6
Belgium	247	2.5	153	1.5
Denmark	97	1.9	129	2.4
Finland	-140	-2.8	64	1.2
France	3 270	5.8	585	1.0
Germany	4 857	6.1	3 638	4.4
Greece	27	0.3	442	4.2
Iceland	-9	-3.5	-1	-0.4
Ireland	-285	-8.1	91	2.4
Italy	-904	-1.6	1 177	2.0
Luxembourg	58	15.2	42	9.7
Netherlands	644	4.3	360	2.3
Norway	98	2.3	88	2.0
Portugal	-1 197	-12.1	35	0.4
Spain	-286	-0.7	358	0.9
Sweden	476	5.6	194	2.2
Switzerland	569	8.3	235	3.3
United Kingdom	114	0.2	827	1.4

Source: IOM (2003), p. 240.

⁷ A detailed discussion of the methodological problems arising from the use of individual data is provided by Bauer and Zimmermann (1998).

experienced a positive net inflow of migrants between 1990 and 2000. Traditional emigration countries, such as Finland, Ireland, Italy, Portugal and Spain changed to being significant receiving countries in the 1990s. Italy, for example, entirely reversed its tradition as a country of emigration, with approximately 900,000 people emigrating to other countries between 1960 and 1990, to a receiving country, compensating the previous three decades of population loss within a single decade (between 1990 and 2000 Italy experienced net immigration of 1.2 million people). A similar development can be observed for Ireland. Whereas this country experienced a net outflow of almost 300,000 people between 1960 and 1990, it faced net immigration of nearly 100,000 individuals between 1990 and 2000.

With the exception of France, all countries in Western Europe show an increase of their immigration rates in the 1990s in comparison to the previous three decades. In Denmark, net immigration increased from an average of 3,000 individuals per year in the period from 1960 to 1990, to an average of almost 10,000 in the 1990s. In the United Kingdom, the average annual net immigration increased by a factor of more than 21. Finally, in Germany – the European country receiving the most immigrants – the average annual immigration increased from about 160,000 in the period from 1960-1990 to slightly more than 360,000 in the 1990s.

TABLE 2

Inflows of permanent residents/composition of admissions 2002

	1991-1995	1995-2000	Family (per cent)	Employment (per cent)
Australia	462 600	438 600	32	42
Canada	1 176 200	1 033 300	27	59
United States	5 230 400	3 865 200	71	13

Source: OECD (2003), pp. 299, 301, 310 and last two columns and IOM (2003), p. 156.

Table 2 reports the inflows of permanent residents into the traditional immigration countries of Australia, Canada and the United States through the 1990s⁸. Comparing these levels to that of Germany, which has absorbed 3.6 million immigrants into its total population of 82 million, one sees the relatively smaller absorption of migrants into the United States (9 million individuals out of over 278 million) in terms of population size. The last two columns of table 2 show the composition of immigrant admissions for the year 2000, broken down either as migrants immigrating through family reunification programmes or employment-based immigrants. Not included in this table are all other immigrants (humanitarian entries, refugees, privately-

assisted and government-assisted migrants and asylum seekers).

Table 2 clearly indicates the effect of the main difference in the immigration policy between the United States on the one hand, and Canada and Australia on the other. Whereas the latter predominantly seek to attract workers, who are selected through their respective points systems, the United States policy focuses to a large extent on the reunification of families. Note, however, that the figures for the United States do not include illegal migrants, who tend to immigrate predominantly in order to work in the United States. Hence, if illegal migrants were also considered, the above picture might change somewhat.

Obtaining similar data for European countries is very difficult. Table 3 shows the inflows of migrants into selected European countries from 1997 to 2000 and – where available – their composition or reason for inflow. In France, family-related immigration exceeds immigration for employment reasons by a factor of 3 to 1. The figures for Germany, however, seem to indicate that immigration for employment reasons appear to dominate there. Note, however, that the number of work

TABLE 3

Composition/inflows of migrants

Flows/stocks in thousands	1997	1998	1999	2000
France				
Total inflow	80.9	116.9	86.3	95.2
For family reasons	31.1	38.3	38.0	38.5
For employment	11.0	10.3	10.9	11.3
Germany				
Total inflow	615.3	605.5	673.9	648.8
New work permits	451.0	402.6	433.7	473.0
Ethnic Germans	134.4	103.1	104.9	95.6
Italy				
New work permits	166.5	182.0	219.0	145.3
Residence permit: stock, for employment	782.3	588.7	747.6	850.7
Residence permit: stock, for family	243.4	251.9	308.2	354.9
Residence permit: stock, total	1 240.7	1 250.2	1 252.0	1 388.2
United Kingdom				
Total inflow, non EU	172.7	212.6	266.2	314.0
Acceptance for settlement: own right	7.6	10.3	31.7	39.9
Acceptance for settlement: family	46.2	53.0	65.2	84.9

Source: OECD (2003), pp. 174, 180, 201, 223, 273.

permits issued for the first time may be a misleading indicator on the composition of immigrants, since some groups such as family migrants need to have a residence permit for some time before being eligible for a work

⁸ These figures do not include temporary migrants, as this information was not available for all countries for the time period.

permit.⁹ Noteworthy in the case of Germany is the substantial inflow of ethnic migrants from the former USSR, dwarfing the volume of immigration experienced by France.

For Italy information on total inflows is not available. However, the number of residence permits issued in Italy for employment reasons is more than double those issued for family reasons. In contrast to these countries, the number of immigrants accepted into the United Kingdom for family reasons outnumber those accepted for employment reasons dramatically.

Due to the political changes which started in 1989, and the accompanying ethnic conflicts and uneven economic development, migration in the countries of Central and Eastern Europe (CEE) and the Commonwealth of Independent States (CIS) changed dramatically in the 1990s. Although some migration had taken place in this region pre-1990¹⁰, these migration flows were largely controlled by the respective states and consisted to a large extent of military personnel and ethnic migration both within the region as well as towards Western Europe. The latter consisted mainly of ethnic Germans from Poland, Romania and the former Soviet Union to Germany, plus Russian Jews migrating either to Israel or to the United States.

In the 1990s, the CIS and CEE countries witnessed major population movement.¹¹ Especially in the early 1990s, the CIS region experienced increased inter-State migration flows towards Belarus, Ukraine and Russia. Most migration to Russia in the 1990s was ethnic and political, linked to the collapse of the Soviet Empire, decolonisation and the emergence of independent states in Central Asia. The main sources of these flows were: the migration of Russians from the former USSR republics back to Russia itself (in particular from the states of Central Asia, especially Kazakhstan); a large number of displaced persons and refugees in the Caucasus and Russia; and an increased inter-State flow of temporary workers (Zaionchkovskaya, 1996, 2000). Mainly due to stricter border controls, these migration flows have generally dropped in recent years. Current migration trends indicate that Russia continues to receive the most migrants in the CIS, followed by the Ukraine, Kazakhstan and Belarus. Repatriates are the largest group of migrants in Russia, Ukraine and Belarus. Kazakhstan is not only experiencing large emigration rates (especially towards Russia) but is also accommodating the largest number of immigrants from Central Asia.

⁹ See Bauer, Larsen and Matthiesen (2004) for a detailed description of the current German regulations on immigration.

¹⁰ See, for example, Zaionchkovskaya (1996) for a survey of migration flows within the former Soviet Union.

¹¹ See IOM (2002a) for a recent report on migration in the CIS and the CEE. Overviews are also provided by Subhan (1998) and Zaionchkovskaya (2000).

Due to inter-ethnic conflicts and poor economic development, the three countries of the South Caucasus (Armenia, Azerbaijan and Georgia) still face large emigration rates, both towards other former republics of the Soviet Union as well as Western Europe and North America. In addition, these countries have become major transit countries for asylum seekers and refugees from Afghanistan, Chechnya and Iraq (IOM, 2003). Rather surprisingly, emigration towards countries outside the CIS is rather low. It reached its peak in the early 1990s but since then the trend has declined. Asylum seekers from the Caucasus countries, plus asylum seekers, refugees and economic migrants from the Middle East and Asia, use this area as a transit region on their way to Western Europe or North America. A significant proportion of the emigrants are ethnic migrants heading predominantly to Germany and Israel. Finally, a major problem of this region is the growing trafficking of human beings towards Western European countries, especially of women who are often forced into prostitution.¹²

Many CEE countries have experienced major changes with regard to migration in the last few years. In the early 1990s, most of these countries were major source countries for migrants moving to Western Europe and North America. This flow consisted to a large extent of ethnic migration, such as the movement of ethnic Germans from Poland and Romania to Germany, ethnic Finns from the Baltic States and former USSR to Finland, and ethnic Turks from Bulgaria to Turkey. In addition, the political changes in the early 1990s created substantial migration flows between neighbouring countries such as between Romania and Hungary, the Czech Republic and Slovakia, and between Ukraine, Poland and Bulgaria. Furthermore, large numbers of temporary workers moved from the CEE countries to Western Europe, especially from Poland to Germany.¹³ Finally, the civil war in the former Yugoslavia resulted in large flows of asylum seekers and refugees heading towards the EU as well as movements between the former Yugoslav republics. Some of those who were accommodated as temporarily protected persons in Western European countries were later repatriated.

With the start of the negotiations for potential EU membership of ten CEE countries (Bulgaria, Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) and the associated adoption of EU 'Acquis' in the fields of asylum and immigration, some of these countries transformed into transit and immigration countries. The CEE countries which experienced relatively fast economic development – such as the Czech Republic, Hungary, Poland, Slovakia and Slovenia – are now

¹² See, for example, the reports by Galiana (2000) and IOM (2002b).

¹³ A detailed description of temporary migration between Poland and Germany is provided by Bauer and Zimmermann (1999).

seeing positive net migration rates, whereas countries which lagged behind in their economic development – such as Bulgaria and Romania – have remained emigration countries (Subhan, 1998). Immigrants into the CEE countries comprise both economic migrants and asylum seekers and refugees from the CIS countries, the Middle East and Asia, as well as migrants who use these countries as a transit region. Some of them become stranded in these countries. Their number is tending to increase because of increasing difficulties in reaching their final desired destination because of tighter admission regulations.

As in the CIS region, the CEE countries are facing a growing problem of irregular migration and trafficking of human beings. This is partly due to external factors, especially Western European migration policies. The Schengen rules for the enforcement of external borders to curb illegal migration, for example, inadvertently promote trafficking. Similarly, the development of asylum regulations in the CEE countries, together with the ‘safe third country rule’ adopted by the EU member countries, shifted part of the asylum flow originally directed towards Western European countries back to the CEE countries.¹⁴

Another trend is the increase in worldwide migration of highly skilled workers. Due to the lack of data on migration by skill groups, and the changing nature of migration (permanent vs. temporary migration), the movement of individuals across borders, skilled as well as unskilled, is not a well-documented phenomenon. The seminal paper on recent highly skilled migration is that of Carrington and Detragiache (1998). Based on 1990 United States census information and OECD data on stocks of foreign-born residents, they demonstrate that highly skilled migration dominates recent international migration flows, and that highly skilled emigration is of considerable concern to small origin countries. Rothgang and Schmidt (2003) augment the data used by Carrington and Detragiache with additional variables focusing on highly skilled migration rates. They tend to confirm the results of Carrington and Detragiache (1998) by concluding that smaller countries – though not necessarily the low income economies – tend to become increasingly deprived of their best talent.

Moreover, there are active recruitment policies for highly skilled workers in operation in many major advanced economies such as the United States, the United Kingdom and Germany. These policies will be described in more detail below. In addition, across these same countries, there seems to be an increasing tendency to attract and, subsequently, retain students from less developed countries. Rothgang and Schmidt (2003) further show that, for several industrialised countries,

foreign employment in the university sector and IT has caught up with and often even outstripped the health care sector, which has been the traditional sector for highly skilled migration. The proportion of foreigners employed in highly skilled jobs in these sectors differs substantially between the countries included in their study, with variations from 2.2 per cent of highly skilled professionals being foreign in the health care sector in France up to 19.5 per cent of university and college teachers being foreign in the United States. In the United Kingdom, the share of foreigners is particularly high in the health and university sectors. These numbers are smaller in Germany and France. In absolute numbers, the IT sector employs by far the largest number of foreigners.

Regional demand for labour based on demographic processes

In many countries of the region, persistently low fertility rates, increasing life expectancy and the associated ageing of the population, have given rise to fears about the pressure on public budgets, and the viability of pay-as-you-go social insurance systems. Existing population projections indeed suggest that countries such as Germany, Italy, Spain and Poland will experience a substantial decrease in their working age populations in the next 50 years. Germany, for example, is expected to have an 11 per cent smaller working age population by 2025, decreasing by a further 28 per cent by 2050. Even more significant is the decrease expected to be experienced by Italy and Spain: 15 per cent by 2025 and 42 per cent by 2050. Such a dramatic decline of the working age population may have severe macroeconomic consequences if the future workforce is unable to meet the quantitative and qualitative need for workers to sustain satisfactory economic expansion. The associated growing number of retirees dependent on benefits and pensions may further put the social security systems of these countries at risk.

It should be noted, however, that not all European countries face the same gloomy prospects. Countries such as the United Kingdom, France and the Netherlands are expected to experience only a moderate decline of their working age population, if any. The ageing process is also expected to be less severe in the traditional immigration countries of North America and Australia, partly because of the traditionally active role of immigration in the development of these countries, and their explicit policy goal of increasing their population through immigration. Only a very few countries of the UNECE, however, such as Albania and Ireland, which are characterised by relatively high fertility rates, are expected to experience an increase in their working age population (IOM, 2003).

Table 4 emphasises the dilemma faced by many countries such as Italy and Spain. If female participation rates in these countries remain low (typically the majority of women in these countries have remained largely out of

¹⁴ A more detailed discussion of issues related to the ‘Acquis’ of EU rules on asylum and immigration is given below.

TABLE 4
Projected population decline and labour force participation rates

	Labour force participation rate, 2000 of ages 15-64		
	>75 per cent	66-75 per cent	<66 per cent
	>10 per cent	Switzerland	Austria, Finland Germany, Czech Republic Italy, Spain Hungary
Projected population decline 2000-2025	5-10 per cent	Denmark Sweden	Portugal Belgium, Greece Poland
	<5 per cent	United Kingdom	France Netherlands Ireland, Slovakia

Source: IOM (2003), p. 246.

the labour market) and the working segment of the population that finances the social security system continues to shrink, a crisis of their social security systems seems unavoidable. One possible remedy would be structural changes of the current social and pension systems in these countries. Other proposed solutions are to actively increase female participations rates by improving access to day-care facilities and the compatibility of family and work, and to increase effective retirement ages. This could be achieved by discouraging early retirement or even increasing the mandatory retirement age.

Increased immigration is often considered to be another potential solution to the ageing problem (see below). However, the effectiveness of such a migration policy may be limited for several reasons. The OECD (2003, p. 106-107) argues, for example, that migrants from neighbouring countries may not find it attractive to migrate to a receiving country, reducing the potential supply of migrants to people from very different cultures (e.g. migration of Turkish guest-workers to Germany in the 1960s). It may also be postulated that foreigners integrate more successfully in countries that are naturally expanding demographically. The IOM (2003, p.245) cautions that even while there might be an appropriate match to a labour market vacancy in the short run, the situation is not so clear in the longer run in a dynamic labour market, as to whether these new migrants will be able to adapt to changing economic and social situations. The relatively high unemployment rate of foreigners in Germany may act as a good example for this objection. Partly this can be traced back to the guest-worker system in the 1960s and early 1970s which aimed at recruiting unskilled workers from Southern European countries; subsequently the demand for unskilled labour was reduced by technological progress.

Even ignoring these possible problems of immigration, it is not clear by how much the age composition of the influx can be influenced effectively. After all, as long as family reunification is not precluded, even a migrant fulfilling all the demographic

requirements (as in the Canadian points system, where age accounts for 10 per cent of all points awarded and language 24 per cent¹⁵) may eventually apply to bring his parents or grandparents, thus negating or at least reducing the initial positive demographic impact.

Finally, estimates of the fiscal contribution of immigrants suggest that increased immigration alone appears to be an insufficient solution to the ageing problem. Bonin et al. (2000) and Bonin (2001), for example, use the generational accounting method developed by Auerbach, Gokhale and Kotlikoff (1991, 1992) to analyse the effects of immigration on the long-term sustainability of public sector finances in Germany. Their results suggest that, because of immigrants' favourable age composition, and because of the positive effect of immigration on the cohort size of native generations born in the future (who will share in the additional tax burden required to meet the intertemporal public budget constraint) the fiscal gains from admitting labour migration is potentially large.

This positive fiscal contribution of immigrants could potentially be increased through a selective migration policy that screens potential immigrants by their skill level and promotes labour market integration of the migrants. Nevertheless, despite the significant positive net contribution of immigrants to the public sector, even very high levels of immigration are insufficient to eliminate the fiscal burden that is associated with demographic ageing. Auerbach and Oreopoulos (1999) have done a similar analysis for the United States. In contrast to Germany, however, their results suggest that the fiscal contribution of immigrants may be extremely small, reflecting the much less dramatic ageing process of the population and the already large share of foreign-born residents in the United States.

15 See Immigration Canada (2003).

Policy responses to the demand for labour

Those UNECE countries that face an ageing population have become increasingly aware of the potential future economic problems resulting from this process, leading to a debate as to whether immigration could provide an alleviation of these problems. Several recent initiatives that increase the opportunities for workers to enter these countries are partly justified on the grounds of the upcoming demographic problems. However, these demographic changes are only a minor factor in this development. Most of these programmes have been prompted because of an apparent shortage of highly skilled workers, which has resulted not necessarily from a decline in the workforce but more from an increased demand for highly skilled labour. This shift in relative demand has arisen because of the boom of the 'new economy', accelerating technological progress, and a reorganisation of the working environment in many firms.

Therefore, almost all migrant-receiving countries differentiate strongly between the immigration of high- and low-skilled labour, with typically only highly skilled workers being eligible for permanent work/residence permits, while the legal immigration opportunities for low-skilled workers are being tightened more and more. The OECD (2002) and IOM (2003) have examined several Western European initiatives aimed at attracting those with higher skills into the information technology and health sectors. This skill-based entry system is, in fact, currently the main mode in which non-EU citizens can come to live and work in the EU; an employer is granted a permit for a foreign worker if it can be shown that no appropriate native worker can be found. The conditions under which foreign workers are employed must be identical to those of native workers with respect to payment and general working conditions.

In the United Kingdom, there has been a decision to reduce the skills demanded of well educated workers, such as less post-graduation work experience being required, to enable employers to gain access to a wider range of work permits. Work permits can now be applied for electronically, which reduces transaction costs. Furthermore, if a foreign worker changes employers but stays in the same field, he/she does not have to apply for a new work permit.

In Germany, the "Green Card" scheme was established in August 2000 to induce highly trained computer-related workers to come to Germany for a limited 5-year period. Those that did arrive under this entry scheme were mainly from India, Russia, the Ukraine and Central Europe.¹⁶ As in the United Kingdom and Germany, France also established a system in January 2002 to induce highly skilled workers from

outside the EU to live and work in France. The French Labour Ministry handled the approval procedure and, if the foreign applicant was successful, the employer's application was approved by the Labour Ministry and Ministry of the Interior promptly. Finally, the United States has several times increased its annual quota of H1B-visas (temporary visas for high skilled workers).

The introduction of the "Green Card" scheme for IT specialists in Germany sparked a heated debate on immigration policy. This debate resulted in the establishment of an Immigration Commission, whose remit was to produce a report with recommendations for more coherent and comprehensive German immigration legislation. The Commission published its final report in July 2001. It proposed that Germany should officially acknowledge that it is an immigration country. One of the main arguments of the commission for the need of increased immigration to Germany was the looming demographic challenges.¹⁷ There were several practical recommendations of the commission, the main ones being as follows. A coherent and flexible migration policy should be introduced that would allow the immigration of both temporary and permanent labour migrants, by applying a points system similar to the ones used in Australia and Canada. Measures should be introduced to foster the integration of immigrants. The German asylum procedure should be speeded up, while recognising Germany's obligations with respect to the Geneva Refugee Convention and the European Human Rights Convention. Finally, measures should be implemented to combat illegal immigration.

This report by the commission formed the basis for a new German immigration law, which passed through both chambers of parliament but was then blocked by the Federal Constitutional Court in December 2002 due to an error of formality committed in the second chamber. After some additional negotiations, the German government and the opposition agreed upon a new immigration law, which passed the German Federal Council in July 2004.

Apart from the fact that all these initiatives are driven mainly by economic considerations associated with the boom of the 'new economy', and the perception of increased global competition for highly skilled labour, the main policies differ between countries. Whereas the European countries and the United States focus mainly on the temporary inflow of highly skilled workers, Australia, Canada and New Zealand have increased their quotas for permanent migrants selected according to their respective point systems.

¹⁶ See Bauer and Kunze (2004) for a detailed description of the German "Green-Card" initiative.

¹⁷ Recently, for example, the Unabhängige Kommission "Zuwanderung" (2001) (Independent Commission on Migration), set up by the German government in 2000 in order to make recommendations on more coherent immigration legislation for Germany, stated: "We need immigration to Germany because the population here is getting older: life expectancy is increasing while the number of children born per family remains low and the number of births is decreasing".

By implementing these measures to ease migration flows, the countries are in line with some of the recommendations of the international institutions, such as, for example, the recommendations of the European Population Conference (United Nations, 1994). These new opportunities are being exploited by many Asian migrants as well as by individuals originating in the CEE and CIS countries. However, this is creating potential problems of a brain drain in those regions. In addition, the emigration of mainly young workers from those countries may also contribute to an accelerating ageing process in those countries.

Even though the ageing process in many countries of the region may suggest an increasing need for unskilled labour, especially for personal services such as in the health care sector, the general policy direction is still towards preventing the immigration of this type of worker. This trend is leaving unskilled migrants with only the possibility of irregular immigration or the (mis)use of existing asylum systems. A disturbing side effect of this, together with increased efforts to tighten border controls and increasingly tight restrictions on asylum, is that the trafficking of human beings is becoming more profitable.

Italy could serve as an example of the increasing difficulties facing low-skilled workers if they wish to move to and work in Western European countries. Italy approved tougher laws dealing with migrants in June 2002 (OECD, 2003, p. 203). Non-EU foreigners are fingerprinted and if a foreigner becomes unemployed, his residence permit is revoked, requiring him or her to leave within six months (previously one year). An Italian employer is required to provide an unemployed migrant worker with housing and pay their repatriation costs if their contract is terminated; these burdens clearly discourage the recruitment of low-skilled foreigners. In addition, foreigners leaving Italy are no longer able to reclaim their pension contributions made under the social security system.

It should be noted that both illegal immigration and human trafficking very often imply severe violations of human rights. International organisations, such as the UNHCR and *Human Rights Watch*, often point to the fact that the asylum policy of the EU, and the CEE countries that want to join the EU – and even the traditional immigration countries – falls short of the standards embodied in the UN Convention on the Status of Refugees and UNHCR's interpretation of that convention. They also criticise the many policy initiatives of the EU concerning immigration; these focus almost exclusively on combating illegal immigration in the form of smuggling and trafficking, but they fail to

recognise the victim protection rights of persons who are trafficked into the EU.¹⁸

The performance of migrants

Any reliable assessment of the economic impact of migration necessitates an understanding of how immigrants contribute to the economy of their destination. It is certainly different if immigrants are among the top performers in the economy or whether they constitute a persistent economic underclass. Thus, the process of economic assimilation of migrants into their destination country has been a central concern in much of the migration research (Bauer and Zimmermann, 2002). The focus of this literature has been on the relative wage dynamics of migrant workers throughout their labour market career. Much less attention has been placed on other indicators of economic and social assimilation, such as their welfare dependence or their accumulation of savings.

This section will provide a brief survey of the existing literature on the economic performance of immigrants. A more detailed overview of the literature is provided by Borjas (1999) and Bauer and Zimmermann (2002). As we will see, it has been demonstrated in numerous studies that skills play a dominant role for immigrant performance. These may be acquired either in the formal curriculae of secondary or tertiary education and vocational training, or informally by practical work experience, or by an individual's exploitation of their intrinsic personal talents such as cognitive ability or motivation.

The labour market assimilation of immigrants

Following the seminal study by Chiswick (1978), the economic literature usually discusses the labour market assimilation of immigrants within the framework of human capital. In general, migrants acquire productive capacity in their origin country, but only part of this human capital can be transferred to the labour market at their destination. Therefore, migrants arriving at their new home possess a lower earnings capacity than comparable natives. However, as time passes in their new residence, they tend to acquire the lacking human capital, such as the language of their new country. Their low initial earnings capacity implies that the opportunity cost of studying is relatively low, making substantial human capital investments likely. Over time, as the human capital of migrants increase, their earnings assimilate towards those of comparable natives.

¹⁸ See, for example, the statement of Elizabeth Andersen "Fix it First: A Human Rights Agenda for Extending EU Asylum and Migration Policy" on the occasion of the CEPS/ERA/Sitra/Transcrime Conference *Extending the Area of Freedom, Justice and Security through Enlargement: Challenges for the European Union* (<http://www.hrw.org/press/2002/08/euasylum0820.htm>).

Most empirical analyses of the economic assimilation of immigrants are based on United States data (see Borjas, 1999, for an overview). Overall, the results of these studies are mixed; however, the majority tends towards the conclusion that immigrants approach comparable incomes of natives over time. Most empirical evidence on the assimilation of migrants in Europe use German data.¹⁹ For guest-workers, the existing studies suggest an initial earnings gap with respect to natives and only very slow convergence – or none at all – of their earnings up to those of similar natives. In contrast to guest-workers, the empirical evidence on the labour market performance of ethnic German immigrants suggests that there is neither an initial earnings gap nor an assimilation pattern. Studies in the United Kingdom tend to conclude that there is no earnings disadvantage for white immigrants, but that non-white foreign-born immigrants earn substantially less than white natives. With regard to their earnings assimilation over time, the results are not conclusive.²⁰

Winter-Ebmer (1994) found that guest-workers in Austria displayed an earnings disadvantage and had a flatter experience-wage profile than natives. Immigrants who arrived in Sweden during the labour recruitment period in the 1960s appear to have performed quite well in the Swedish labour market (see for example Ekberg, 1994). Recent immigrants to Sweden, however, appear not to be assimilating to the earnings of otherwise comparable natives (Edin et al., 2000). Assimilation studies for other European countries are rather rare, which could be explained either by the lack of appropriate data or the lack of experience of substantial immigration.

Four main lessons can be learned from recent assimilation studies (Bauer, Lofström and Zimmermann, 2000). First, the skill endowment of migrants and their investment into the specific human capital of the receiving country, such as language abilities, are important factors for a fast assimilation into the labour market of the receiving region. Second, country-of-origin differences and admission criteria have a strong influence on the labour market performance of immigrants. Third, nearly all countries had recently experienced a decline in the so-called ‘quality’ of immigrants, as measured by the average on-arrival immigrant-native wage gap. This holds true both for countries which focus on family reunification, as well as countries with a selective immigration policy. In almost all cases the decrease in the ‘quality’ of the migrants is related to a change in the country-of-origin mix of the immigrants. The evidence indicates that it is, in

particular, migrants from different cultural backgrounds and schooling systems, compared to those of the receiving country, that are responsible for the quality decrease. Examples are Mexicans and Asians moving into the United States, Asians into Canada and New Zealand and refugees into Europe. Fourth, even though all countries are facing a decrease in the ‘quality’ of immigrants, the assimilation of immigrant labour earnings up to the level of wages of native workers is seen only in those countries that are selecting their migrants according to labour market characteristics, such as in Canada and New Zealand.

The empirical controversies remaining are mainly of a technical nature. Most existing econometric analyses on the relative labour market performance of migrants depend for their interpretation on a crucial assumption, namely that wages perfectly reflect productive capacity. However, wage differences can only be used as a perfect measure of disparities in economic productivity if the labour market functions without any trace of discrimination and there are no legal barriers to wage parity. On the other hand, explaining most wage differentials as a reflection of discrimination is also a flawed argument – there may well be migrant-native differences in productive capacity even when formal characteristics are controlled for. Both interpretations rest on empirically untestable assumptions, i.e. they are assumed to hold true to allow the interpretation of reduced-form wage dynamics in terms of either assimilation or discrimination. Therefore, the decisive problem is: what is the valid identification assumption? This question cannot be answered unequivocally and should remain a matter of economic reasoning alone.

Similar interpretation difficulties pertain to the role of cohort effects, or the observed decrease in immigrant quality. It has been argued adamantly by Borjas (1987, 1991) and discussed intensely by subsequent analysts (see e.g. LaLonde and Topel, 1991) that the inherent productive capacity of immigrant cohorts to the United States varies drastically over time. Specifically, the extent of this variation and its link to changes in the legal framework are at issue. Again, a fundamental problem in the identification of causal effects arises, since the process of economic assimilation, the variations between different cohorts, and the effects of a changing wage distribution cannot be identified separately without identification assumptions. Based on the literature, we can only conclude that the country-of-origin composition of recent migrants has become more diverse. This pattern is also associated with a strong decline in the relative education levels of migrants compared to natives for some destinations. The evidence on the distribution of other traits is inconclusive, however, and this issue promises to remain controversial for years to come.

¹⁹ See, among others, Dustmann (1993) and Schmidt (1997). An overview is provided by Bauer et al. (2004) and Bauer and Zimmermann (1999).

²⁰ See Hatton and Wheatley Price (1999) for a survey of the literature on migration into the United Kingdom.

The welfare dependence of immigrants

One of the most contentious issues in the context of immigration and immigration policy regards the welfare state. Indeed, Borjas (1999) places the debate on immigrants' welfare dependence on an equal footing with the 'classic' topics of their labour market performance and their impact on the labour market. The concern over this problem reflects legitimate reservations about the fiscal and political viability of a welfare state which potentially acts as a magnet to migrants, yet is being underwritten by a native electorate.

Existing studies have either focused on the United States (Blau, 1984, Borjas and Trejo, 1991, and Borjas and Hilton, 1996) or on Canada (Baker and Benjamin, 1995). However, neither the empirical results regarding trends in immigrant welfare dependence, nor the institutional arrangements shaping the environment for immigrants' welfare use, are easily translated to the context of other countries in the region. Most of all, the historical developments governing the size and composition of immigrant inflows to the countries have been quite distinct.

An interesting piece of evidence for the case of the United States is provided by the study of Levine and Zimmerman (1999). They utilise the quasi-laboratory nature provided by the differences in welfare system generosity in the various US states to approximate as closely as possible to an appropriately designed experiment. In sum, they find little evidence for the welfare magnet hypothesis. Unfortunately, despite its importance for the assessment of the impact of immigration, the empirical literature for Europe is rather scarce, with Riphahn (1998) and Fertig and Schmidt (2001a) for Germany being two studies out of a small list of exceptions. In particular, the latter study suggests that, although the population of non-citizens in Germany does indeed display relatively large welfare dependence, this relative pattern is turned on its head when one compares genuinely comparable individuals.

Thus, the current apparently high welfare dependence of migrants is a result of the guest-worker recruitment policy of the late 1960s and early 1970s – which was mainly seeking to attract unskilled workers and their families. Thus today's high welfare dependence is not a reflection of low intrinsic qualities among migrants per se, but rather of the continuing importance of formal skills in the German labour market. If this pattern holds true for all future immigration, the message for immigration policy is clear and unmistakable: pursuing a deliberate and systematic immigration policy which balances human rights and the country's human capital requirements is the best option to assure that future immigrants will not become clients of the welfare system in any disproportionate fashion.

The descendants of immigrants

The European migration experience of the 1960s and 1970s was dominated by labour migration from Europe's South to Western and Northern Europe. Since then, the ethnic composition of immigration to Europe has changed dramatically. Europe as a whole has become a net receiving region, and the geographic, economic and cultural distances to the immigrants' countries of origin have increased significantly. As a consequence of the continuous influx from these different sources, many European societies today contain large immigrant populations. Moreover the children of immigrants are a sizeable fraction of the younger European population. A casual glance at the low economic status of second-generation foreigners might suggest that we are currently seeing a process of transition from immigrant communities to persistent ethnic minorities.

Yet, despite its relevance for all European countries almost no research has targeted the question of their integration into society, neither comparing their integration with their fathers' generation nor comparing their performance with natives of the same age, nor are the potential consequences of different policies regarding their integration fully understood. One exception was a symposium published in the *Journal of Population Economics*, which addressed the interplay between immigrant economic attainment across generations and the economic and regulatory environment (Card and Schmidt, 2003). From an empirical and a theoretical perspective, the symposium covered two connected themes, (i) the skill acquisition, entrance into the labour market, and subsequent labour market success of second generation foreigners, and (ii) return migration and integration policy.

As outlined already above, the question of wages and standards of living dominates the existing economic literature on migrants. The general understanding is that the 1960s and 1970s saw fairly good economic integration of immigrants into the receiving economies. In Europe, this process of assimilation weakened in the post-1970 period. The unsatisfactory performance of the descendants of immigrants accounts for a substantial part of this deterioration. In contrast to the European countries, the successful performance of second-generation immigrants in the United States labour market can mostly be traced to their disproportionately high educational endowments. These differences suggest that investment in human capital and their subsequent transition from school to work differentiate the children of immigrants and comparable natives or first-generation immigrants.

The available papers overwhelmingly identify parental education as an important factor for the educational attainment and, subsequently, the economic performance of second-generation foreigners. This result

should be the basis for any educated immigration policy. A receiving country which manages to attract immigrants with a high education profile will tend to experience well integrated and economically successful generations of these immigrants' children. In addition, several papers have demonstrated that there is also an important feedback from the second to the first generation. In their location decision, potential migrants are concerned with their children's future opportunities. Thus, if immigration policy attempts to generate a favourable composition in the influx of first-generation immigrants, it should offer sufficient integration opportunities for those migrants' children.

Impact of migration

The third area of migration research is concerned with the impact of migration on the economy and population of both the receiving region and the sending region. As discussed earlier, there is also a third group of countries involved – those that experience transit migration. To the extent that transit migrants enter the labour market of the transit regions in order to obtain the financial resources to move on, all the considerations of the impact of migration on the receiving country in principle also apply to these transit countries. Therefore, we will only differentiate between sending and receiving regions for the rest of this section. In addition, following the pattern in the economic literature on the impact of migration we also do not explicitly differentiate between economic and non-economic migrants. Finally, to our knowledge there exist no studies on the economic impact of migration for the Central and Eastern European countries of the region. Therefore, concerning the economic impact on receiving countries, this section concentrates solely on North America and the EU. However, the discussion on the economic effects of migration on the sending region in principle also applies to the sending regions of the Central and Eastern European countries.

In the first subsection we provide a brief survey of the existing literature on the economic impact of migration on the receiving region, taking microeconomic and macroeconomic perspectives into account. The following subsection provides a brief survey of the so-called 'brain drain' discussion pertaining to the consequences of international migration for the sending countries. Note that we have already covered some other important issues on the effects of migrants on natives in the discussion on the effects on migrants on the welfare system in the last section, and the fiscal contribution of immigrants in the second section.

The economic impact in the receiving region

The empirical assessment of relative individual economic performance appears to be straightforward as a conceptual issue. It is a matter of direct comparison of an

appropriate outcome measure, e.g. wages or employment success, between the individuals under study – migrants – and a control group – natives. By contrast, the more general economic impact of immigration unfolds in an indirect fashion via market reactions, and is therefore much more complex as an object of investigation.²¹

Conceptually, immigration increases the relevant labour supply – with the first problem for any empirical strategy arising being the question of what exactly is 'relevant' – the local labour market, the skill group, etc.? The consequences, in terms of employment and wages for this relevant group (as for all other groups of labour; unskilled native workers being the most prominent case in the public debate) are first of all a matter of their own elasticities of demand and of the elasticities of complementarity with all other production factors, such as, for example, capital. Migration that reacts to imbalances of supply and demand of specific skills is likely to be beneficial on two accounts. Firstly, since it reacts to skill shortages, it is unlikely to crowd out comparable native labour. And secondly, skilled workers often tend to be complementary production factors to unskilled native workers, improving their labour market prospects as well.

The additional labour supply is, however, only part of the story, since product demand, and thus labour demand (on all other sub-markets) tend to be affected positively. On balance, it might not be the case at all that immigration harms any group of native workers, even if migrants are a close substitute to native workers. In fact, the matter is entirely empirical. Nevertheless, even at the theoretical level many facets relevant for the real world might complicate the analysis, for instance the necessity to account for an increasing variety of products via immigration, or the consequences of institutionalised wage rigidities (Schmidt et al., 1994).

The main empirical problem with this line of research is to isolate immigration-induced shifts in labour supply, so they can be treated as if they were set in an ideal experiment, in other words as exogenous. Several strategies can be found in the literature regarding the definition of the appropriate sub-market. All these analyses face the common problem of non-experimental empirical research: the extent of immigration does not vary randomly across time and space, as in a laboratory experiment, but is rather the outcome of systematic forces. Specifically, more attractive destinations typically generate a larger influx of immigrants. Comparing the relevant economic outcome measures across regions, for instance native employment rates, would typically confuse the impact of immigration with the underlying reason that makes the area particularly attractive.

²¹ See Friedberg and Hunt (1995), and Bauer and Zimmermann (2002) for a survey of the theoretical and empirical literature.

Two main approaches have been used to estimate the impact of immigration on the labour market of natives. Several studies have estimated a production function to calculate the elasticity of substitution between immigrants and natives. Most existing studies, however, look at the labour market effects of immigration on natives by estimating a reduced-form wage or unemployment equation, in which the share of immigrants in a region or an industry is the main explanatory variable of interest. To circumvent the potential difficulties of isolating immigration as a cause, most authors rely on instrumental variable estimations. Another approach to avoid biases in the analysis of the wage and employment effects of immigration is to analyse *natural experiments* in immigration, where the timing and the location of immigration is not economically motivated. These natural experiments provide interesting evidence on the labour market effects of immigration, because they utilise events that resulted in exogenous migration flows that were as close as possible to an appropriately designed experiment. Examples of such studies are Card (1990), who investigated the migration of Cubans to Miami around the May 1980 Mariel boatlift, Hunt (1992), who looked at the repatriation of Algerians to France resulting from Algerian independence in 1962, and Carrington and De Lima (1996), who investigated the return of colonialists from Africa to Portugal after the revolution in 1974. All of these studies suggest only a negligible impact of immigration on natives.

Existing empirical evidence on the economic impact of immigration suggests that the derivation of robust qualitative results is a difficult, if not hopeless task, given the nature of the data material, and the inherent heterogeneity of the phenomenon. As a tentative summary, it seems apparent that any displacement effects of additional migration are small in magnitude, with zero being a plausible point estimate. Reviewing the North American literature on this issue, Friedberg and Hunt (1995, p. 42) conclude: "Economic theory is equivocal, and empirical estimates in a variety of settings and using a variety of approaches have shown that the effect of immigration on the labour market outcomes of natives is small. There is no evidence of economically significant reductions in native employment". Reviewing the European literature, Bauer and Zimmermann (2002) come to a similar conclusion. So far it has not been possible to quantify any of the potentially positive demand side effects working via goods markets, let alone indirect (positive) effects of increasing the variety of products and services, or (negative) effects of excessive crowding on the housing market.

Recent theoretical work has made substantial progress in providing explanations for the link between migration and economic growth in the receiving

country.²² In a simple neoclassical growth model – where production is a function of labour and human capital, which are internationally mobile, and physical capital which is immobile; where there is no trade between countries; and where exogenous technological progress is the principal driving force of economic growth – the human capital endowments of migrants turn out to be a decisive factor favouring economic growth. The key is whether immigrants bring enough human capital along with them to compensate for the attenuation of physical capital in the receiving country. From this perspective, immigrants with little human capital endowment slow down per capita growth, while immigrants with a sufficiently high endowment of human capital will speed up per capita growth. His argument would be even more significant for models of endogenous growth.

Compared to the theoretical literature, there are only a few empirical studies on the link between immigration and growth. Overall the results of these empirical studies come to conflicting results (Friedberg and Hunt, 1995). Barro and Sala-i-Martin (1992), for example, find that for the United States and Japan migration has a positive, though small effect on growth. However, the empirical results of Blanchard and Katz (1992) and Dolado et al. (1993) are at odds with those of Barro and Sala-i-Martin (1992). They conclude that migration is negatively related to the convergence between regions. The lack of evidence and the conflicting results indicate that much more research is needed on this important issue.

The economic impact on the sending country

After a few decades of relatively limited attention to the issue, recent years have witnessed an intense debate on the extent and the consequences of so-called 'brain drain' migration. This can be explained by various factors, such as the growing importance of highly skilled migration, together with increased competition by industrialised countries for highly skilled labour, by the growth of the 'new economy' and the internationalisation of the internal and external labour markets of multinational firms. An additional reason is the increasing demand for workers in the health care sector resulting from an ageing population in many developed countries (see also the discussion in the second section of this paper).

Despite the intensity of the debate, the precise nature of the migration of highly skilled labour is far from well understood. While the growth of highly skilled migration seems indisputable, we do not know whether this trend will accelerate further. Similarly, the prevalence of temporary migration might also increase. Beyond the necessity of predicting these trends into the future, their effects are relatively unclear. Despite a large

²² A detailed discussion of this issue is provided by Barro and Sala-i-Martin (1995). See also Rothgang and Schmidt (2003) and the survey by Friedberg and Hunt (1995).

set of theoretical contributions to the brain drain literature, it is not even apparent whether there is indeed a negative effect of the brain drain on the countries of emigration. The loss of educated workers may well harm origin countries in the short term, but the expansion of people's ambitions for future migration might also provide an incentive for increased accumulation of human capital in the form of education. This may be as beneficial as migrant remittances and the positive effect of return migration of skilled workers. Finally, the mobility of highly skilled workers may have considerable implications for the speed of technological diffusion, the location of new business ventures, and more generally on economic growth. Similarly, flexible labour may play an important role in alleviating the detriments of structural change and unemployment (Rothgang and Schmidt, 2003).

Static models of international migration, which dominated the earlier debate on the brain drain in the 1960s, were set in terms of perfectly competitive markets, with wages equal to marginal products and no externalities. In this basic framework, only negligible adverse welfare implications would arise for the non-migrants left behind (Grubel and Scott, 1966). However, with internationally mobile capital, this conclusion has to be modified (Berry and Soligo, 1969). When there are distortions in wage setting (Bhagwati and Hamada 1974, Schmidt et al., 1994), international integration of the skilled is likely to have negative welfare effects for unskilled workers in the sending country. If education is subsidised, then international integration of the skilled labour market imposes a cost on the sending country, as more workers acquire skills and then emigrate. Despite a weak empirical foundation – the analysis has focused on the distinction of skilled and unskilled workers at the aggregate level, but never at the level of individual agents or firms – the policy prescription emerging from this literature is clear-cut: developed economies, being the recipients of skilled workers, should compensate the sending LDCs by way of a 'brain drain tax' (Bhagwati and Hamada, 1974, McCulloch and Yellen, 1975). In contrast to the health care sector, there is evidence that more private investment in training in ICT skills would lessen the problem in the latter case.

However, static models do not take into account several dynamic aspects in the migration decision that are of special importance for the analysis of the effects of highly skilled migration. Some of the dynamic models of international migration emphasise that the possibility of later emigration encourages individuals in the sending regions to invest in education. In that case, the international integration of the skilled labour market might generate an excess of skill acquisition over the losses from emigrating skilled workers. Thus, positive externalities of skill acquisition also arise even for those not acquiring the skills (Beine et al. 2001, Stark et al., 1997, 1998, Vidal, 1998). A positive effect of integrating

international markets for skilled labour is that the marginal individual in education may see a positive probability for emigrating later on. Not all of the additional skilled workers do indeed migrate – in retrospect, they might have chosen not to invest in skills, since they did not migrate after all, but having done so they benefit their own country. However, it is extremely difficult to generate empirical evidence for these arguments, due to the simultaneous nature of education, migration and economic activity. Attempts have been made, for example, by Beine et al. (2001), Faini (2002), and Rothgang and Schmidt (2003).

Another important channel for a 'brain gain' effect is provided by return migration. Specifically, migrants returning to their origin may bring elements of productive capacity to the origin economy which they could only acquire abroad. This is most obviously the case for skills such as techniques, business strategies or modern forms of work organisation. Some of these aspects are acquired through simple observation; others require a longer exposure and the active accumulation of experience of their operation. Migrants frequently return to their origin country at an advanced stage of their career, but before ultimately entering retirement. Such return migrants often intend to start their own business, having acquired significant financial resources during their stay abroad. Indeed, the accumulation of these resources may have been their original incentive to emigrate (Dustmann, 1996). This argument applies particularly to origin countries with underdeveloped markets for venture capital.

Future prospects

Newly emerging concerns about existing migration flows

The UNECE region is facing several new concerns regarding the further liberalisation of migration flows. Some of these concerns are nurtured by the events of September 11, 2001 which initiated a debate about internal and external security issues. With the exception of the North American countries, these concerns have so far had only a small impact on immigration policies, although in practice, many countries have tightened their immigration systems. Most of the measures implemented after September 11 have been aimed at improving the control of persons entering a particular country, including stronger security measures at the borders and at domestic and international airports. Since tighter borders controls are only of limited value in preventing international terrorism, there is an ongoing debate in the major destination countries on the potential to improve their existing identification systems and to increase the effectiveness of information sharing and data exchange between the immigration authorities and the police. This exchange should ideally take place both within the

destination regions as well as between these regions and the sending countries.

A second important issue focuses on the growth of illegal migration and trafficking. Countries are affected by illegal migration in very different ways, determined largely by their geographical location. The United States, for example, is facing mainly illegal migration from Mexico, whereas the relative geographical isolation of Canada make illegal immigration and trafficking of migrants a rather negligible problem there. In Western Europe, it is mainly the Southern European states of Italy and Spain that are facing increasing problems with illegal immigration and trafficking. These countries are both major destination countries for illegal migrants, asylum seekers and refugees, as well as transit countries for migrants who aim to seek their fortune in Northern Europe. A prominent example of a country with increasing illegal immigration despite its limited geographical accessibility is the United Kingdom, which has faced an increasing influx of asylum seekers and illegal migrants via the Eurotunnel. Finally, many Central and Eastern European countries, as well as the Balkan states, have become major crossroads for illegal migrants seeking their way from East to West.

The major policy reaction to the increased inflow of illegal migrants has been the tightening of border controls. A number of countries have introduced stiff penalties for traffickers, including prison sentences; others (for example Italy and the Netherlands) have addressed the issue by granting victims some form of residence status while prosecuting traffickers; and a third group of countries (for example France, Greece, Portugal and Spain) have used regularisation programmes to change the status of irregular migrants.

In many Western European countries there are further concerns about the potential increase of East-West migration that may result from the enlargement of the European Unions with the accession of several Central and Eastern European countries. Existing studies on potential migration flows from the East to the West after an enlargement of the EU come to rather contradictory conclusions.²³ The structure of migration flows between the relevant CEE countries and the current EU member countries suggests that potential East-West migration flows will be largely temporary, whereas permanent migration from these countries will be largely directed towards the traditional immigration countries in North America, Australia and New Zealand (IOM, 1998). The discussion has also highlighted the very different views among the current member states concerning the freedom of labour mobility between the new and the old member states after enlargement. Some countries have asked to restrict the freedom of movement for a limited period of

time, as it was the case when Spain and Portugal joined the EU in 1986. However, others have promoted the immediate implementation of freedom of labour mobility between the new and the old members. In the end, Germany and Austria succeeded in negotiating transitional periods allowing them to protect their domestic employment markets for a maximum of seven years.

An issue that has received almost no attention in the media and in public discussions concerns the problems associated with ethnic migration. Again, this problem exists mainly for Europe. As already noted in the first section, there are ongoing large-scale migration flows within the CEE countries which were initiated by the fall of the Iron Curtain. In addition, many descendants of former migrants appear to be taking the opportunity to return to the country of their ancestors. So far, this type of immigration has occurred mainly into Germany. Germany received more than 2.5 million ethnic Germans from the former USSR, Romania and Poland in the 1990s. In the last few years, the inflow of ethnic Germans has decreased substantially, partly because of a tightening of the entry procedures and partly because there are not many ethnic Germans left in Eastern Europe (see Bauer et al., 2004, for a more detailed discussion).

Ethnic migration from people originating in Eastern Europe is also being experienced by Turkey, which is receiving ethnic Turks from Bulgaria, and Finland, which is facing immigration of ethnic Finns from the Baltic states and the former USSR. Much less is known about newly emerging flows of ethnic migrants into Ireland, Italy and Spain. Because of a change of the economic and/or political situation, persons of British origin living in Zimbabwe, South Africa and Hong Kong are increasingly returning to the United Kingdom. The economic crisis in Argentina has initiated increasing immigration from Latin America into Italy and Spain. Finally, the economic boom in Ireland has led to an increasing return of Americans of Irish origin into Ireland. Our knowledge about the size and persistence of these flows is rather rudimentary. Comprehensive data exists only for a few countries (for example Germany) and the governments of the destination regions are in many cases not interested in starting a broad discussion on this type of migrant.

Another concern regarding future migration originates from the development of the 'new economy' and the globalisation of labour and goods markets. Specifically, the observed increasing flows of highly skilled migrants have been associated with the emergence of skill-biased technical change in the developed labour markets, which in turn is frequently viewed as a consequence of the rising diffusion of information and communication technologies (ICT) and, more generally, of the radical re-structuring of the organisation of work. Prominent example of migrants of the new economy era

²³ For a discussion of the different views, see views Bauer and Zimmermann (1999), Fertig (2001), Sinn (1999, 2002) and Fertig and Schmidt (2001).

are programmers from countries like India moving in response to employment opportunities to developed countries, and venture capitalists all over the world being attracted by profit prospects to destinations such as the United States. Migration is also being caused by the internationalisation of multinational firms' internal and external labour markets. If, as often argued, there is indeed a trend towards a relentlessly increasing international demand for skilled labour, caused by the further diffusion of ICT, then advanced economies may even intensify their efforts to attract such workers away from their origin countries. An intensified competition between developed countries for highly skilled workers, which is already being manifest in the various new immigration initiatives described above, may cause a serious brain drain.

The developments that are directly or indirectly associated with the production and use of ICT technologies have fundamental consequences for core questions of migration and may well shape the migration streams of the future. Most importantly, increasing wage premiums for skills may lead to an acceleration of highly skilled migration. Yet, although in the recent past the importance of highly skilled migration has increased markedly, it is far from clear whether the development and diffusion of ICT will lead to a dramatic increase in international migration of the highly skilled. The emergence of the new economy makes physical migration of people less important, as business can be done across space in a completely new way.²⁴

Policy options on migration: control or management?

Apart from the traditional immigration countries (United States, Canada, Australia and New Zealand), most countries in the region have not considered themselves as immigration countries, even though many of them have experienced large immigration flows. Because of this attitude, European countries have generally followed a 'zero immigration' policy for the last three decades. Immigration policies have mainly focused on entry control and the regulation of permission to stay and to work in the country. These policies, together with a tendency of solving new migration-related problems in a rather ad hoc way, have led in many countries to a system of very complicated institutions. These range from a plethora of different types of entry, residence and work permits; regulations determining access to state benefits; and other regulations concerning repatriation and re-immigration.²⁵

Often, there is no coordination between the government agencies which deal with different migration-related issues. In many countries, for example, the ministry of interior or justice is responsible for the entry and stay of foreigners, whereas the ministry of labour deals with issues concerning work permits. The spread of responsibilities across different agencies and the lack of cooperation has frequently resulted in inconsistent legislation. It has further been argued that the lack of opportunities for legal immigration is the main explanation for the increasing number of illegal migrants and associated issues such as increased exploitation and trafficking of migrants and the misuse of existing asylum systems. Finally, since most countries in Europe have not considered themselves as being immigration countries, there has been a widespread lack of integration policies, which has resulted in additional social and economic problems concerning not only first-generation but also second- and third- generation immigrants.²⁶

Overall, it has to be concluded that the present system of migration control has proved to be inefficient in dealing with the new migration problems that have been developing through increasing globalisation (i.e. increasingly integrated international economies and labour markets), and also in relation to the demographic challenges that many countries in the region will face in the coming decades. Many governments in the region are now realising that they will have to change their migration policy and that these changes will require a more comprehensive approach to managing migration in order to reap the potential gains of migration without incurring too many of its potential costs. It has further been argued that such a comprehensive policy could contribute to reducing xenophobia. For example, it has been observed that xenophobia tends to be lower in countries that have developed a comprehensive migration policy, such as, for example, Canada (Bauer, Lofström and Zimmermann, 2000).

Following the proposals of the United Nations (1994) and the IOM (2003), such a comprehensive approach towards efficient migration management should include, among others, the following basic elements: (i) opportunities for both temporary and permanent immigration, including labour migration programmes; (ii) effective border management to increase security, to combat illegal migration, together with smuggling and trafficking, and to sustain the integrity of the asylum system; (iii) integration of immigrants into the society and economy of the host country; (iv) recognition and respect of the rights of all type of migrants, and (v) measures that address the main causes of emigration, including investment and development aid to foster the development of the sending regions and a foreign policy

²⁴ See Rothgang and Schmidt (2003) for a more detailed discussion of these issues.

²⁵ See, for example, Bauer et. al. (2003) for a detailed description of the current German institutions concerning entry, residence and work permits for foreigners, which can be considered as representative of many European countries.

²⁶ See, for example, Fertig and Schmidt (2003) and the literature cited therein.

that aims to avoid massive new flows of refugees. In addition, a comprehensive migration approach should be flexible enough not only to react to gradual changes but also to unexpected short-term changes in migration trends and the economic and social environment.

To establish such a comprehensive policy it would be necessary to increase the cooperation of national agencies that deal with migration issues, increase international cooperation in order to share information on migration-related issues, harmonise migration policies, and improve the availability of information on migration legislation and data on migration. The German discussion on a new immigration policy of the last two years could serve as a good example of this changing attitude towards immigration policy. The report of the Immigration Commission, which has been described in more detail above, incorporated most of the elements needed for a comprehensive approach to migration management.

In addition, many countries realise that more international cooperation is necessary for the effective management of migration, even though these attempts are still in their infancy. One by-product of the events of 11 September 2001 has been an increase in cooperation in and debate on potential strategies to improve existing identification systems. There has also been an increase of the effectiveness of information sharing and data exchange between the immigration authorities and the police within the potential destination regions, as well as between these regions and the sending countries.

Until a few years ago, there was no attempt in coordinating migration issues across countries, even though integrated goods and labour markets have a strong need for a coordinated migration policy. A good example is the EU, because the abolition of interior borders resulted in a dependency of each member state on the immigration policy of the other states. Once a foreigner enters EU territory, the further migration of that person can no longer be controlled. As a result of free labour and product markets within the EU, individual member countries are unable to follow independent migration policies without potentially affecting other members. The tightening of asylum regulations in many European countries since the early 1990s has shown that the implementation of tighter asylum and immigration laws in one country automatically leads to an increase of asylum seekers and immigrants in neighbouring countries. This is a good example for the interdependence. Therefore, the EU should consider a unified migration policy.²⁷ Development of a unified immigration policy is, however, just in its infancy.

Since 1988, the migration policy of the EU has been marked by two different developments. First, since the original Treaty of Rome in 1957, internal migration within the EU has been steadily liberalised, concluding in Article 8a of the Single European Act. This Act required the achievement of the free movement of people, capital, goods and services by 1 January 1993, implying the abolition of controls on the interior borders of the EU. Second, with respect to immigration from outside the EU, there have been increasing efforts to establish a unified, though generally more restrictive policy. The development towards a joint EU migration policy started with the Schengen Accords of June 1985 (Schengen I) and June 1990 (Schengen II), and the accord of Dublin on 15 June 1990, continuing with the Maastricht Treaty of 1992 and the Amsterdam Treaty of 1997, which came into force in 1999.

The latest milestone of this process could be seen in the special meeting of the European Council in Tampere (Finland) in October 1999, where the Heads of State and Government agreed upon a programme of action including the development of a common EU policy on asylum and migration. So far, the main objectives of these initiatives are as follows: to eliminate internal border checks, to establish consistent and tighter external border controls, to have a unified visa policy, and to coordinate the different national asylum policies and measures to fight illegal migration. Furthermore, the objectives include the drafting of joint norms regarding the acceptance of asylum seekers, and defining the rights and conditions under which immigrants of one EU member country can reside in another member country.

Apart from the development of an increasingly integrated goods and financial market within NAFTA (the North American Free Trade Agreement, covering the United States, Canada and Mexico), a similar development cannot be observed in North America. The objective there is rather to restrict migration, especially between Mexico and the United States. Furthermore, it is unclear whether the NAFTA agreements have reduced or increased migration between the associated countries.

International cooperation in the field of migration has also occurred with regard to regulations concerning temporary migration.²⁸ Germany, for example, has signed bilateral agreements with several CEE countries concerning the admission of temporary workers (Bauer and Zimmermann, 1999). The following goals were at the core of those bilateral agreements: (i) to bring the CEE countries up to Western European standards; (ii)

chapter 14) for a detailed description of the common migration policy within the EU.

²⁸ A detailed discussion of the characteristics of and the legislation on temporary migration in Australia, Canada, France, Germany, the Netherlands, Switzerland, the United Kingdom and the United States is given by OECD (1998).

²⁷ A general analysis of migration policy issues is given by Straubhaar and Zimmermann (1993) and Zimmermann (1995). See also IOM (2003,

solidarity with the CEE countries; (iii) to impart skills to firms and workers with modern technology in order to foster economic development in the countries of origin; (iv) to decrease the immigration pressure from those countries; and (v) to promote economic cooperation with those countries.

Finally, there has been strong cooperation between the EU and those CEE countries that are in the process of joining the EU. However, this cooperation cannot be seen as a step towards a more comprehensive management of migration flows. The aim of this cooperation, which concerns mainly the introduction of Western standards with regard to border controls and asylum laws, can be seen rather as an attempt to create a 'buffer zone' along the Union's eastern border. This buffer would shift part of the problem of dealing with irregular migrants and asylum seekers eastwards by promoting the creation of asylum laws according to Western standards and the 'safe third country' concept. Accordingly, the vast majority of cooperative measures between EU member states and the associated CEE countries concentrate on restrictive measures for fighting illegal immigration rather than on the promotion of humanitarian standards in dealing with immigrants (Subhan, 1998).

Overall, even though many major receiving countries realise the need for a more internationally cooperative migration policy, any progress in international cooperation seems to happen rather slowly. Together with apparent problems in developing comparable institutions between existing institutions in the different countries, one reason for this slow development may be because of the increasing worldwide competition for highly skilled labour. Other reasons are historical migration links and ethnic migration flows, which many countries are unwilling to discuss in an international setting.

Future of migration in the region

Assessing migration potential and predicting future migration streams are among the most relevant, yet least well understood, topics of migration research. Multiple push and pull factors are responsible for observed migration flows, including for example, economic and social disparities between countries, ongoing migration networks, various population and ageing trends, environmental impetuses, reduced costs for transportation and information, as well as various political factors, including armed conflict and the violation of human rights. Theoretical models and empirical studies of the determinants of migration are only able to capture a subset of the various factors determining human migration. This may be because models that aim to describe as many determinants of migration as possible would become far too complicated, or because the

paucity of the available data material, and the interrelationship between the different factors of migration makes a precise estimate and identification of historical relationships between demographic, economic, social and political determinants difficult.²⁹ The usual approach taken in economic analyses is to fit ad hoc specifications to historical, aggregate-level data, and, for the purposes of prediction, to extrapolate from these estimates on the basis of auxiliary information. However, as already mentioned earlier, no stable relationships have emerged from studies on the determinants of migration whatsoever, which limits the reliability of this type of forecast.

Even if these problems could be solved, the usefulness of precise estimates of historical relationships between demographic and economic determinants and the resulting migration streams would be rather limited. A second and conceptually more severe difficulty is the identification problem that has to be solved satisfactorily for any valid extrapolation, irrespective of the available data points. Intellectually, the forecasting problem arises because the future will be different from the past, while the key to its solution lies in finding sufficient aspects of stability to be able to learn from the past (Fertig and Schmidt, 2001b). Changes in the various determinants of human migration are not only gradual both across time and space; there may also be abrupt changes which are very hard to predict. The overall migration experience in the last decade has further shown that migration flows do not necessarily always occur between the traditional origin and destination regions. Migration is increasingly taking place between two regions that do not share a common migration history.³⁰

With these caveats in mind, the following description of potential future migration flows should be seen as speculative, because the institutional, economic and demographic factors that form the basis of these trends could change rather rapidly. For the same reason, we refrain from quantifying potential future migration flows and, in most cases, from characterising the composition of migration flows into labour migrants, family migrants, asylum seekers or refugees, nor as permanent and temporary migrants.

The current economic and demographic developments suggest that migration pressures will increase. The observed globalisation process is resulting in fast economic growth in many potential sending regions, especially in Asia (for example China, India, Taiwan, Viet Nam) and some countries in Africa (for

²⁹ See, for example, Bauer and Zimmermann (1997), Greenwood (1985), Massey et. al. (1993), and Molho (1996) for surveys of different migration theories and the existing empirical evidence.

³⁰ Fertig and Schmidt (2001) provide a more detailed discussion about extrapolations of future migration flows using aggregate-level studies of the determinants of migration.

example South Africa). Because of this economic growth and the associated increase in living standards, these countries may become destination regions for international migrants. More importantly however, the increased incomes associated with this process will enable many individuals residing in these countries to finance their move to western countries. Even though economic theories predict that the globalisation process tends to reduce income differentials between countries in the long-run, it is unclear whether income differentials between developed and developing countries will increase or decrease in the short and medium term. Hence, it may well be possible that globalisation will lead to increased migration pressure on the UNECE region. This process may further be accelerated by cheaper information and transportation costs.

At the same time, the demographic developments in many countries of the region and the associated ageing process of the population will result in an increasing demand for immigrants. Given the accelerating process of technological progress and the necessity to concentrate on the production of high-tech products and knowledge in order to be able to compete with low-wage countries in Asia, Africa, Latin America and parts of Eastern Europe, much of this increasing demand will concentrate on highly skilled labour. As already described, the increasing competition for highly skilled migrants can already be observed and it can be expected that this competition will further increase in the future. At the same time, this development suggests that a coordinated development of migration policies will be hard to realise, at least as far as skilled labour is concerned. Nevertheless, the ageing population in most countries of the region will also increase the demand for personal services (especially in the health sector), and hence demand for low- and semi-skilled labour. Given the low status of most of the employment opportunities in the service sector for the elderly, and the relative paucity of young persons in the native population willing to enter this sector, there is bound to be future demand for especially young and middle aged health service workers from outside the region.

Finally, the globalisation process and the associated increase in the availability of information will most likely increase the portfolio of potential source countries of migrants – a process that has already been observed during the last few years. So far, migration flows occur mostly along established migration networks (such as, for example, those between Turkey and Germany or between Mexico and the United States). As information on the economic and social situation in the potential destination regions spreads, the relative importance of these traditional migration networks will decrease and new migration networks will be established.

There are other developments that will potentially increase the inflow of persons into particular countries.

Most importantly, even though the magnitude of the migration flows is very hard to predict, the enlargement of the European Union to include Central and Eastern European countries will most likely result in increased East-West migration, and will also increase migration flows into and between the new members of the European Union.³¹ Based on existing migration networks it is likely that the main destination countries for the migrants will be Germany and Austria. Similarly, it is rather difficult to forecast to what extent the increasing economic integration of Canada, Mexico and the United States within the NAFTA agreement will lead to a further increase of migration between these countries.

The development of future migration flows due to reasons other than economic and demographic factors are even harder to predict, because of the unpredictable development of existing and future armed conflicts and human rights violations. This also holds for environmental deterioration as a significant migration factor, even though this apparently does contribute to South-North migration flows.

³¹ See Fertig and Schmidt (2001) for a critical review of existing estimates of potential East-West migration after the EU-enlargement.

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