

Migration, human capital and social capital: lessons for the EU neighbouring countries¹

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Purpose: The European Union and its European Neighbourhood are mutually dependent. In the next decades, the European Union (EU) will need to import foreign labour in response to different challenges. The geographical proximity, economic, cultural and historical links with EU Neighbouring countries make them an important potential source of labour force and, moreover, they are the main countries of origin and transit of legal and illegal migration towards Europe. The purpose of this special issue is to analyse the impact of different EU policies on future migration flows, and to evaluate the current effect of immigration from neighbouring countries on EU labour markets.

Design/methodology/approach: The articles in this special issue combine different macro and micro approaches, and have been produced in the context of the 7th Framework Programme EU-funded SEARCH project. The main objective of this project is to strengthen the integration process by analysing current and future trends in several areas covering trade, migration or institutional reforms among others. The first three articles focus on the analysis of the determinants of migration flows, the next four are related to immigrants' integration and the last one explores the trade-migration link.

Findings: The evidence gathered in this special issue is of interest to academics and policy makers. For instance, at the aggregate level there is a need to coordinate EU migration policies with reforms in other areas such as labour market institutions or welfare systems, but also to take into account developments in immigrants' countries of origin. Policy should focus on assessing the skills levels of immigrants and providing assistance in transferring their skills, but also on providing better information of the current needs in the EU labour markets.

Originality/value: The special issue adds to the literature on the determinants of migration and on the integration of immigrants into EU labour markets. These articles contribute to a better understanding of the complex link between the European Union and the Neighbouring countries. They also leave open many questions that should clearly stimulate future research.

Keywords: Migration, European labour markets, European Neighbourhood Policy, Labour market institutions, Immigrants' integration, trade-migration link.

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Editorial to the special issue

The free movement of workers is one of the fundamental principles upon which the European Union was once founded and, somehow, it is also present as a future goal in the bilateral negotiations with most neighbouring countries. As recognised in the Europe 2020 strategy, the European Union (EU) has a clear demographic challenge for the next decades. The EU will need to import foreign labour in response to gloomy demographic forecasts, in the context of ageing populations, low birth-rates, and prospects of a collapsing social security system, but it is also necessary to remain competitive in a global scenario and this means that we have to attract and retain the more skilled migrants.

As highlighted by Ramos and Suriñach (2013), this also requires improving the current control over migration flows and this is one of the reasons why the European migration policy was integrated into the European Neighbourhood Policy (ENP) from the very beginning. According to statistical data from the World Bank Development Indicators, the population of the EU neighbouring countries plus Russia is nowadays above 400 million people. While in the sixties of last centuries, the population in the South ENC (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Syria and Tunisia) was around sixty million people, a similar figure to the population in East-ENC (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine), nowadays it is substantially higher: 204 million people vs. 75 million. The Russian population has also experienced a very important growth moving from 250 million people in 1960 to 420 million people in 2010. As previously mentioned, this demographic evolution sharply contrasts with the situation in the EU. In fact, their geographical proximity, economic, cultural and historical links make them an important potential source of labour force and, moreover, they are the main countries of origin and transit of legal and illegal migration towards Europe.

The Sharing Knowledge Assets: InteRregionally Cohesive NeighBorhoods (SEARCH)² is a project financed by the European Union under the Seventh Framework Programme for Research and Technological Development in the 'Socio-economic sciences and the humanities' area (FP7-SSH-SSH-2010.2.2-266834). The SEARCH consortium consists of 19 partners from different European and Neighbouring countries and the main objective of the project is to strengthen the integration process by analysing current and future trends in several areas covering trade, migration or institutional reforms among others. In this editorial, we summarise and comment on the eight articles published in this special issue. Seven of the articles have been produced in the context of Work Package 3 of the SEARCH project focused on migration while one of them (Artal-Tur et al. 2015) was presented at the SEARCH Final Academic Conference organised by IEMed and UB-AQR and held on February 10th-11th 2014 in Barcelona. The first three articles focus on the analysis of the determinants of migration flows, the next four are related to immigrants' integration and the last one explores the trade-migration link. From our perspective, these articles contribute to a better understanding of the complex link between the European Union and the Neighbouring countries, while they also leave open several questions that could clearly stimulate future research on the topic.

There are many theoretical hypotheses and models concerning the determinants of migration. Gravity models were initially based on Newton's gravity law, but recent contributions have also provided the microfoundations in the context of migration analysis (Grogger and Hanson, 2011). These models have been widely used in the empirical analysis of migration due to their relatively good forecasting performance (Fertig and Schmid, 2000 or Kim and Cohen, 2010; among others). In particular, migration stocks or flows between two countries are supposed to increase with their size and decay with the distance

² <http://www.ub.edu/searchproject>

between the two countries. Usually, the most representative variable of the size of countries is population. Therefore, it is expected that migration be a positive function of population size of the host and home country and a negative function of distance (which controls for migration costs). Usually gravity models are enlarged with additional variables related to different pull and push factors (see, for instance, Ortega and Peri, 2013). In particular, these factors are related to demographic, geographic, social, cultural, economic and political characteristics of both origin and destination countries. Usually time fixed effects and different specifications of origin and destination country fixed effects are usually included in the specification to account for time-invariant unobserved heterogeneity. The importance of adding country fixed effects in the gravity model specification is noted by Bertoli and Fernandez-Huertas Moraga (2013), who argue that specifications without fixed effects may suffer biases due to the Multilateral Resistance to Migration.

The first three articles of this special issue follow this approach. In particular, the article by Cicagna and Sulis (2015) adds to the previous literature on the determinants of immigration flows considering the labour market environment in destination countries. Using data on migration flows for a sample of 15 OECD countries over the period 1980-2006, they specify and estimate different panel data versions of the gravity model to analyse the effect of unemployment and labour institutions such as employment protection legislation, coverage of unemployment benefits, minimum wages, union power and tax wedge on migration flows. They allow for interactions of these institutions with migration entry laws, as both affect equilibrium wages and employment in destination countries, influencing mobility decisions of immigrants and they find strong and negative effects of unemployment, employment protection and migration policy on flows. The negative effect of migration policy on flows is larger in countries with high than in countries with low employment protection. Positive effects are found for minimum wages, unemployment benefits and union power. The main implication of their analysis is that labour market institutions and migration policies may have an important degree of interaction that could be explicitly taken into account when coordinating reforms in either direction. This is particularly relevant from the point of view of ENP as, according to Cicagna and Sulis (2015), mobility agreements between countries should also consider the heterogeneous effects of policies on migration flows in order to better regulate such flows.

The second article estimates the impact of the agglomeration economies as a pull factor of international migration between the EU and the countries involved in the ENP. Few works have analysed the role of urbanisation on international migration flows and Royuela (2015) estimates a gravity model considering migrations flows to and from 197 countries covering the period running from 1960 to 2000. He finds that increasing urbanisation matters more as a pull factor than improvements in GDP per capita. The interpretation of these results may be linked with the existence of opportunities arising in cities. Moreover, immigrants not only look for monetary outcomes from migrating, but also non-economic territorial features. This result is relevant as increasing internal urbanisation rates in EU neighbouring countries can probably increase internal migration flows and act as a substitute to international migration flows.

The third article, Beenstock et al (2015), is also related to the role of geography in explaining migration flows. In particular, they use a cross-section specification of the gravity model to investigate the determinants of immigration to the EU14 from three main geopolitical groups between 2000 and 2010. The groups considered include EU Neighbouring countries, accession countries or candidates to join the EU, and mainly Eastern European countries which joined the EU during the study period. Apart from income differentials, unemployment rates and other standard variables hypothesized to determine immigration, the authors focus their attention on welfare-chasing as well as measures to enforce immigration policy. They find that immigration to EU14 countries varies directly with the change in social spending per head, but not the level. This means that more generous countries in terms of welfare benevolence do not necessarily attract more immigration, but when it becomes more benevolent it attracts more immigration,

and when it becomes less benevolent it deters immigration. According to the authors, this difference between levels and changes has not been sufficiently stressed in the literature. Their results also show the relevance of economic inequality as a pull factor: as immigrants are positively selected, they seek countries with higher levels of inequality as this will provide them with greater returns to their skills. Last, migration flows are very sensitive to unemployment rates, so the authors expect that emigration rates from Neighbouring countries to the EU will fall by more than a half because of the Great Recession.

The impact of the Great Recession is one of the topics covered by the second group of articles that focuses on the labour market integration of immigrants. Motellón and López-Bazo (2015) analyse if the rate of employment dismissal in the Spanish labour market is higher for immigrants from EU neighbouring countries than for the native-born and the immigrants from other developing countries. With this aim they use micro-data from the Labour Force Survey before and during the Great Recession in Spain in order to compute the rate of job loss for the natives and the two groups of immigrants. An empirical model for the probability of employment dismissal, controlling for the decision to participate in the labour market, is next estimated to check if the immigrant-native gap vanishes when controlling for differences in human capital and occupational, sectoral, and territorial allocation of jobs. This traditional approach is complemented with a new proposal based on the decomposition of the gap using a method that does not impose the same response to the observed characteristics in the three demographic groups under analysis. They find that immigrants from neighbouring countries face a higher rate of employment dismissal. The gap with respect to natives and even to other immigrants increased during the crisis. Most of the gap can be explained by their lower endowment of human capital and, particularly, by their allocation in certain occupations, sectors, and territories.

But even high qualified workers can also have difficulties to integrate in their new labour markets. In line with recent literature such Aleksynska and Tritah (2013) or Piracha and Vadean (2013), the starting point of the research by Nieto et al (2015) is that the imperfect transferability of human capital acquired in origin countries forces immigrants to accept jobs requiring lower qualifications than those they have acquired, making them formally overeducated. But, this situation, also known as vertical mismatch, is compatible with horizontal mismatch, that is related to the match between worker type or field of education and that which is required by their jobs. Using microdata from the 2007 wave of the Adult Education Survey (AES), Nieto et al. (2015) calculate different measures of the incidence of skill mismatches for native and immigrant workers and analyse the differences in the probability of each type of skill mismatch between natives and immigrants using probit models in a first stage and in a second stage, the decomposition method by Yun (2004) is used to identify the relative contribution of characteristics and returns to explain the differences between the two groups. Their results show that immigrants are more likely to be skill mismatched than natives. The difference is much larger for vertical mismatch, wherein the difference is higher for immigrants coming from non-EU countries than for those coming from other EU countries. They also find that immigrants from non-EU countries are less valued in EU labour markets than natives with similar characteristics—a result that is not observed for immigrants from EU countries. These results could be related to the limited transferability of human capital acquired in non-EU countries and suggest that specific programs to adapt immigrants' human capital acquired in the home country are required to reduce differences in the incidence of skill mismatch and better integration into EU labour markets.

Chepureenko (2015) also considers the situation of high qualified immigrants providing an interesting case study on the role of foreign scientific foundations in the cross-border mobility of Russian academics. The methodology is based on a combination of a quantitative survey carried out between 2004 and 2005 and two interviews of Russian alumni of the Alexander von Humboldt Foundation (Germany)

carried out in 2005 and in 2012, respectively. Combining information from these different datasets, the author concludes that for Russian elite researchers participating in academic mobility, a 'brain circulation' effect rather than a 'brain drain' effect dominated academic mobility. Coming back to the home country, affiliation with foreign foundations reduces the dependence of Russian elite researchers on hierarchical structures within the national state science system and promotes their career, showing the benefits of short-term temporary migration for high-qualified workers, a formula that has been recently proposed at the EU level.

Since Gans (1992) and Portes and Zhou (1993), the literature on immigrants' integration and assimilation has not only analysed the situation of the first-generation of adult immigrants but also on children and the second-generation of immigrants. The article by Di Liberto (2015) uses Italian data on language standardized tests for different levels of schooling in order to investigate if the observed gap in educational attainments in first generation immigrants tends to lower the longer their stay in Italy and if younger children tend to catch up faster than their older schoolmates. Her analysis confirms the presence of a significant gap between natives and immigrants students in school outcomes for all grades, with first generation immigrants showing the largest gap. Further, the comparison between both first and second generation immigrant students and the results across the different grades suggest that the significant gap observed in the first generation is mainly due to the negative performance of immigrant children newly arrived in Italy and that interventions at younger ages are likely to be more effective. She also finds that the immigrant students' area of origin play a role in their schooling performance, suggesting that cultural differences affect children from different origins differently.

The last article of the special issue by Artal-Tur et al (2015) focuses on the trade-migration link. Since the seminal contribution of Gould (1994), several studies have concluded the existence of a trade creation effect of migration. Different channels have been suggested in the literature: the preference of immigrants for home products and the "network" channel, through which trade is enhanced due to the better knowledge of immigrants of, both, their home and the new market. The article by Artal-Tur et al (2015) focuses on two case-studies, France and Egypt, which provide new insights on how proximity affects the trade-migration link. In particular, the authors explore if migrants ethnic networks promote and help to deal with market heterogeneity in international markets. The results obtained from the estimation of extended gravity trade equations show that additional trade effects are found for countries sharing closer ties. Networks of migrants appear to help firms to deal with fixed trade costs, also generating some market heterogeneity that at the end influences the trade-migration linkage. Characteristics of migrants, such as their level of schooling, also seem to matter, interacting with proximity issues, and resulting in specific trade effects. In this way integration processes between countries would be showing some positive externalities in the side of trade flows, particularly if migratory policies try to attract high qualified workers.

Summarising, the evidence gathered under the SEARCH project and that has been partially collected in this special issue provides an interesting set of results from the academic and the policy perspective. From a policy perspective, the obtained results have shown, for instance, that at the aggregate level there is a need to coordinate migration policies with reforms in other areas such as labour market institutions or welfare systems, but also to take into account current developments in the immigrant's origin countries. At the individual level, policies should focus on assessing the skills levels of immigrants and provide assistance in transferring their skills to new markets. It is also necessary to provide transparent, clear and concise information of "real" job opportunities in the EU labour markets to potential immigrants in their origin countries in order to avoid the dramatic situations that we have seen during the Great Recession. In fact, migration policy needs to be shaped according to the economic cycle. From an academic perspective, several questions that could clearly stimulate future research on the topic remain still open.

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