

fondazione **RODOLFO DEBENEDETTI**

“Convergence in the Baltics”

# **Recent Migration Trends: Lessons for the Baltics**

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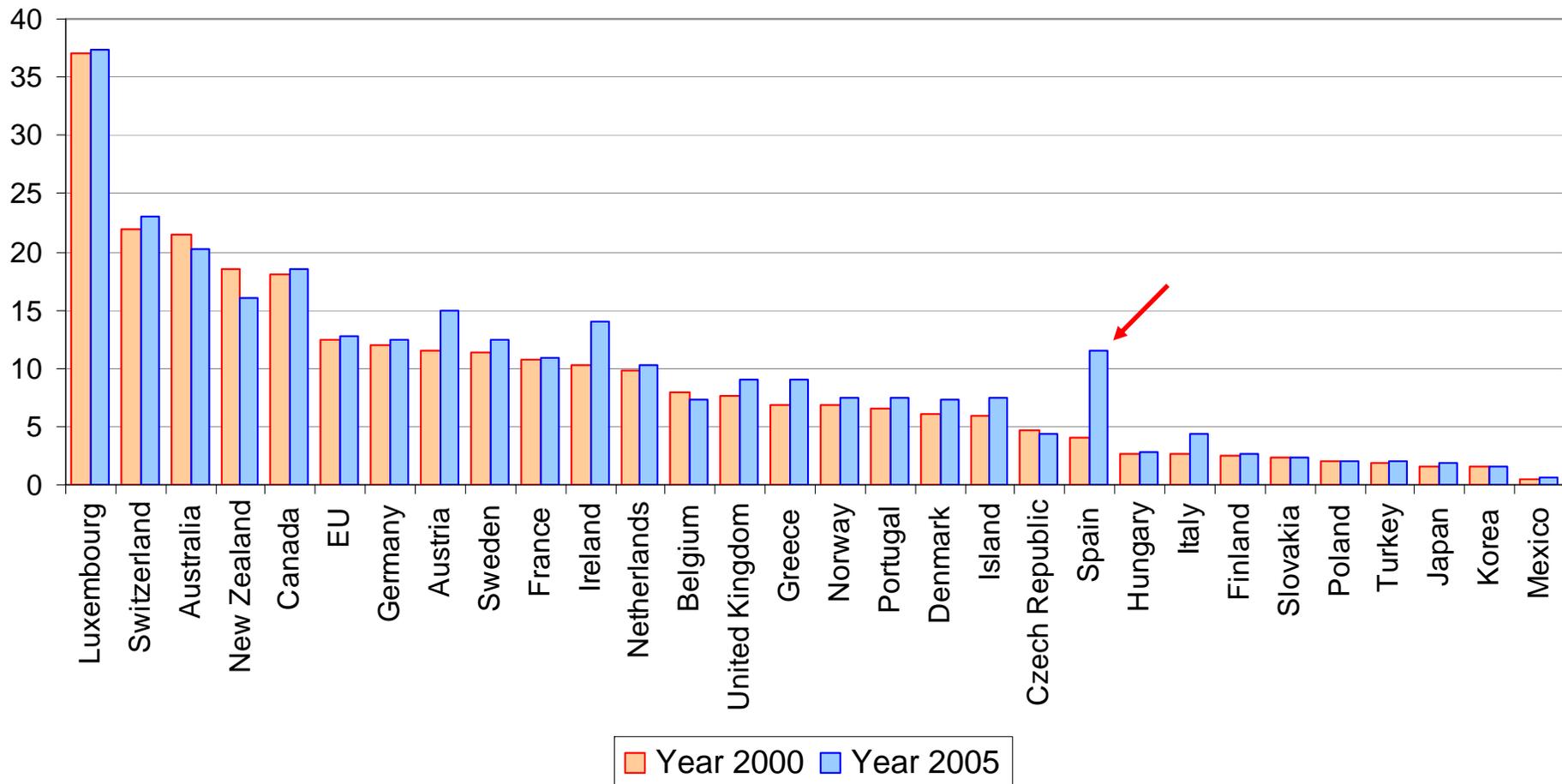
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# Outline

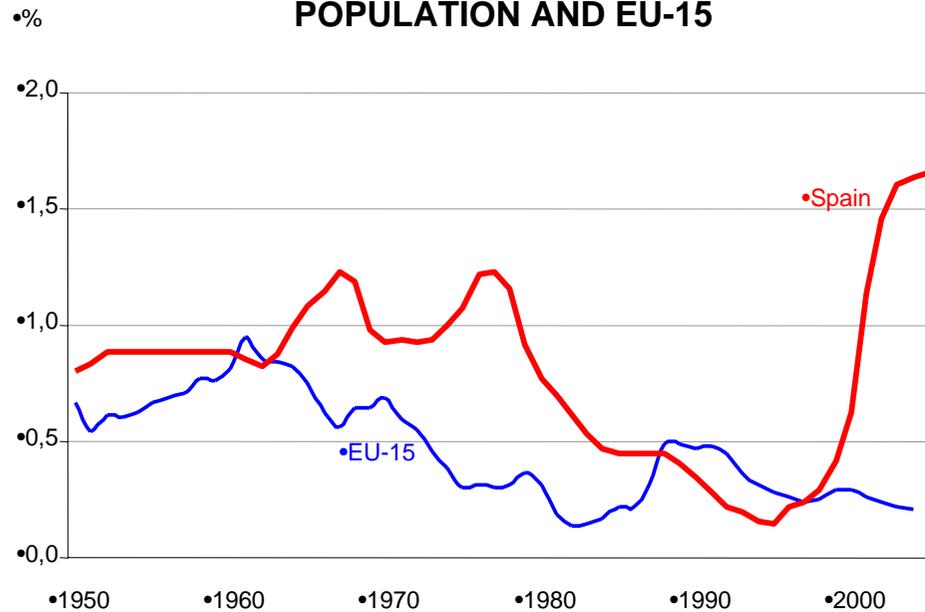
- Migration, unemployment and overheating. Lessons from a large recipient (Spain) and a large sender (Poland).
- Brain drain and brain gain. Should the Baltics be worried?
- Tackling irregular migration in “transit countries” like Latvia
- Migration policy at the borders of the EU: how to deal with free-riding in border controls?

# Indeed a large recipient (stock of immigrants % population)

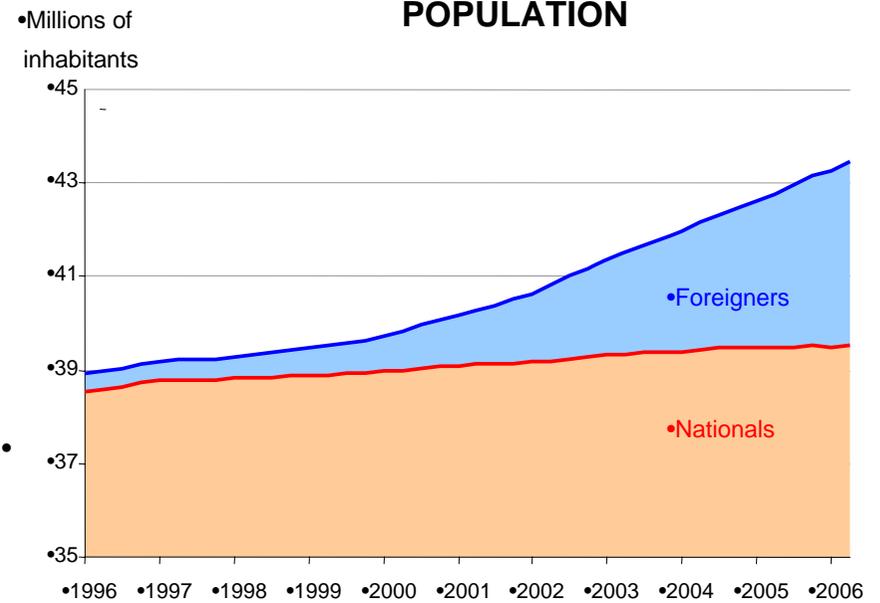


# A demographic shock

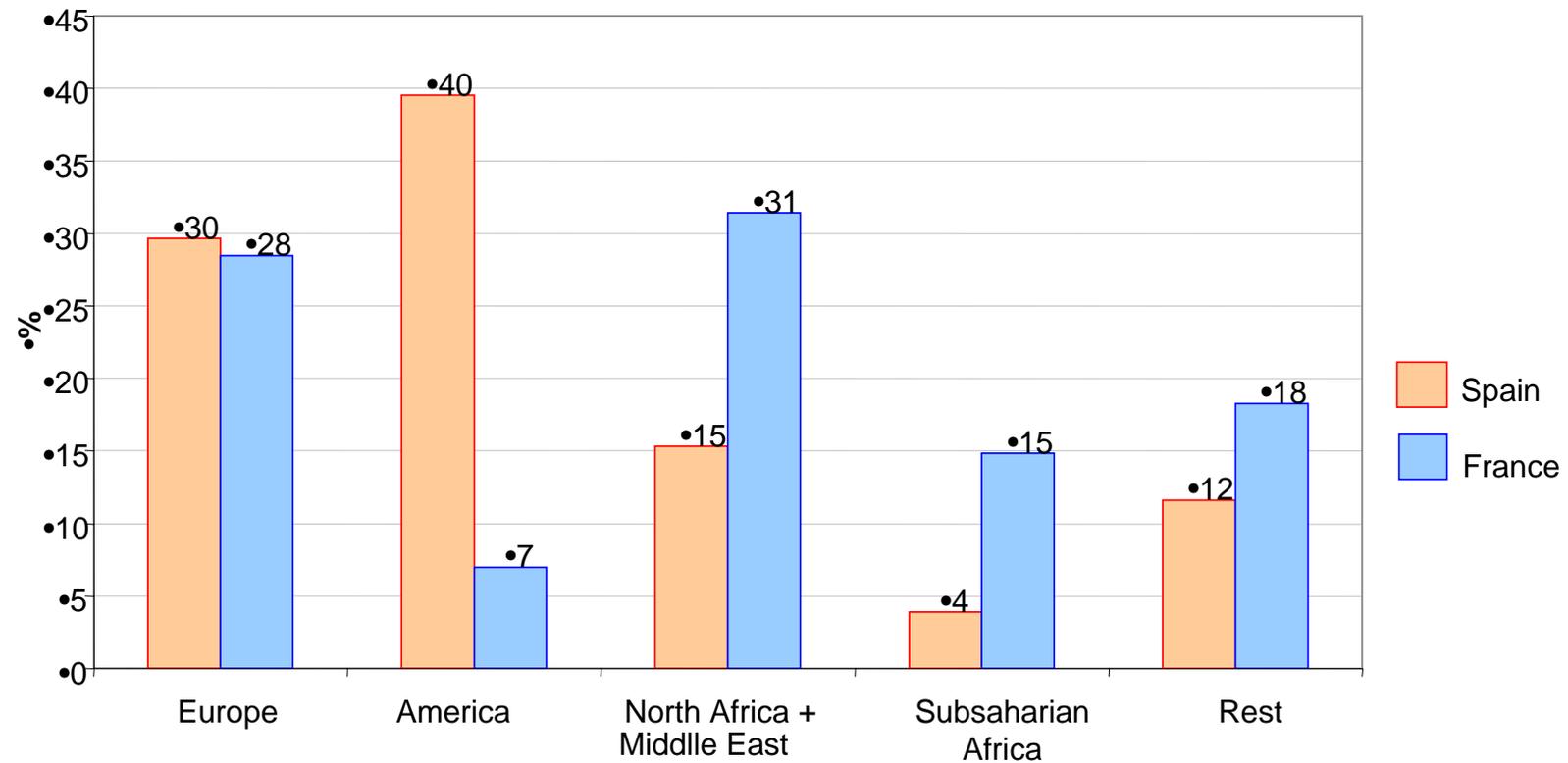
**GROWTH RATES OF the SPANISH POPULATION AND EU-15**



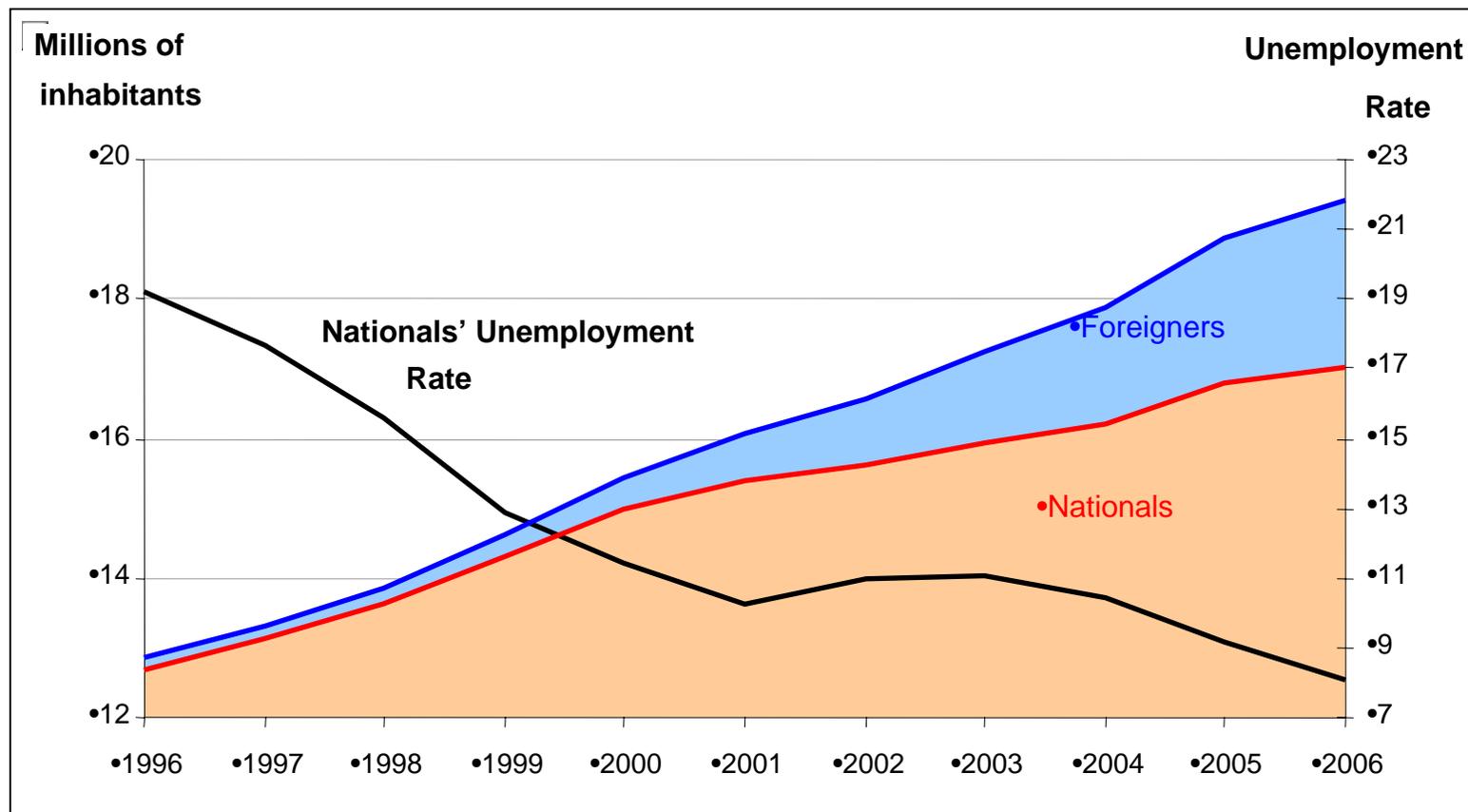
**EVOLUTION OF THE SPANISH POPULATION**



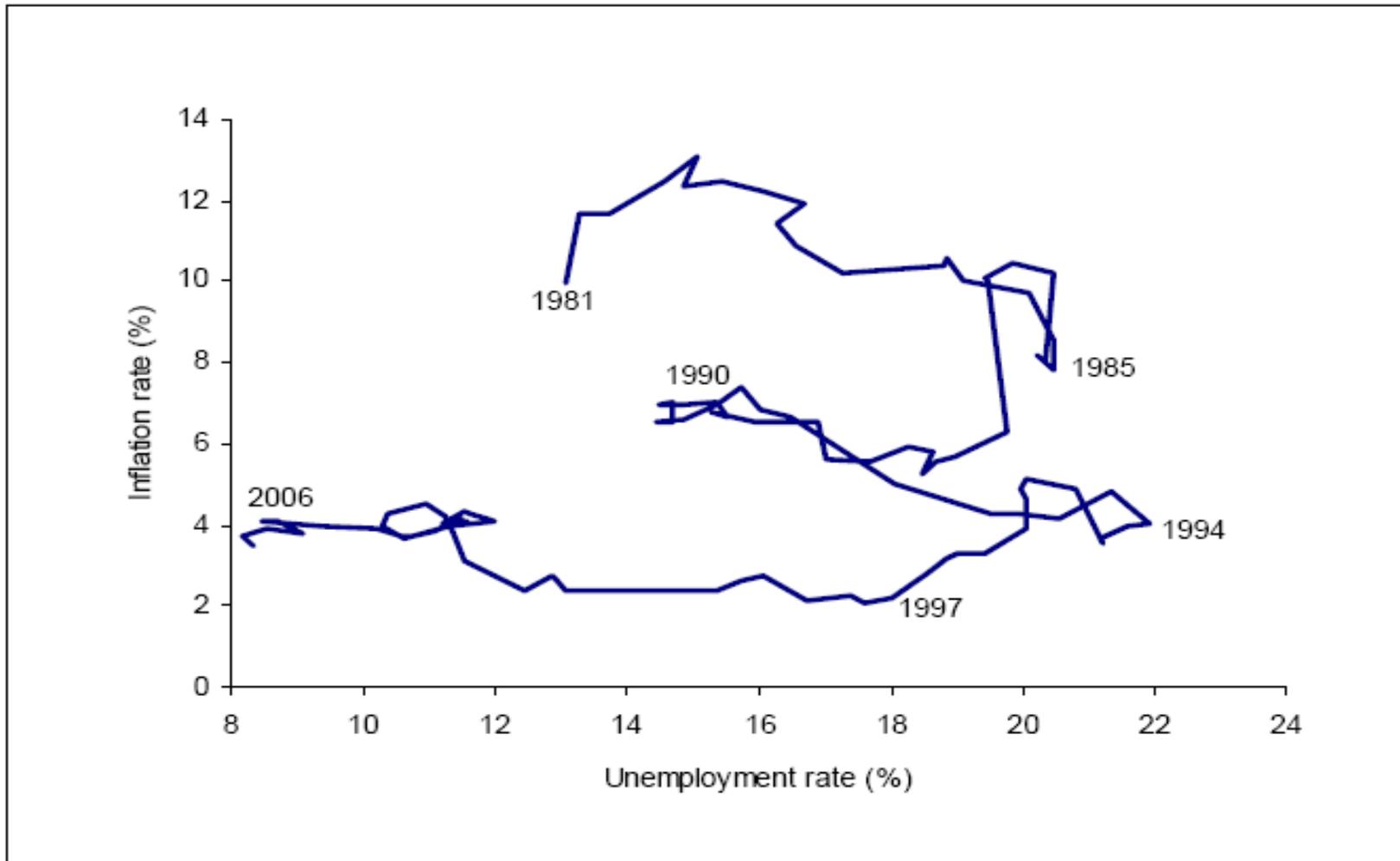
# Coming from Eastern Europe and Latin America



# Unemployment declining among natives. 50% of the jobs due to immigration



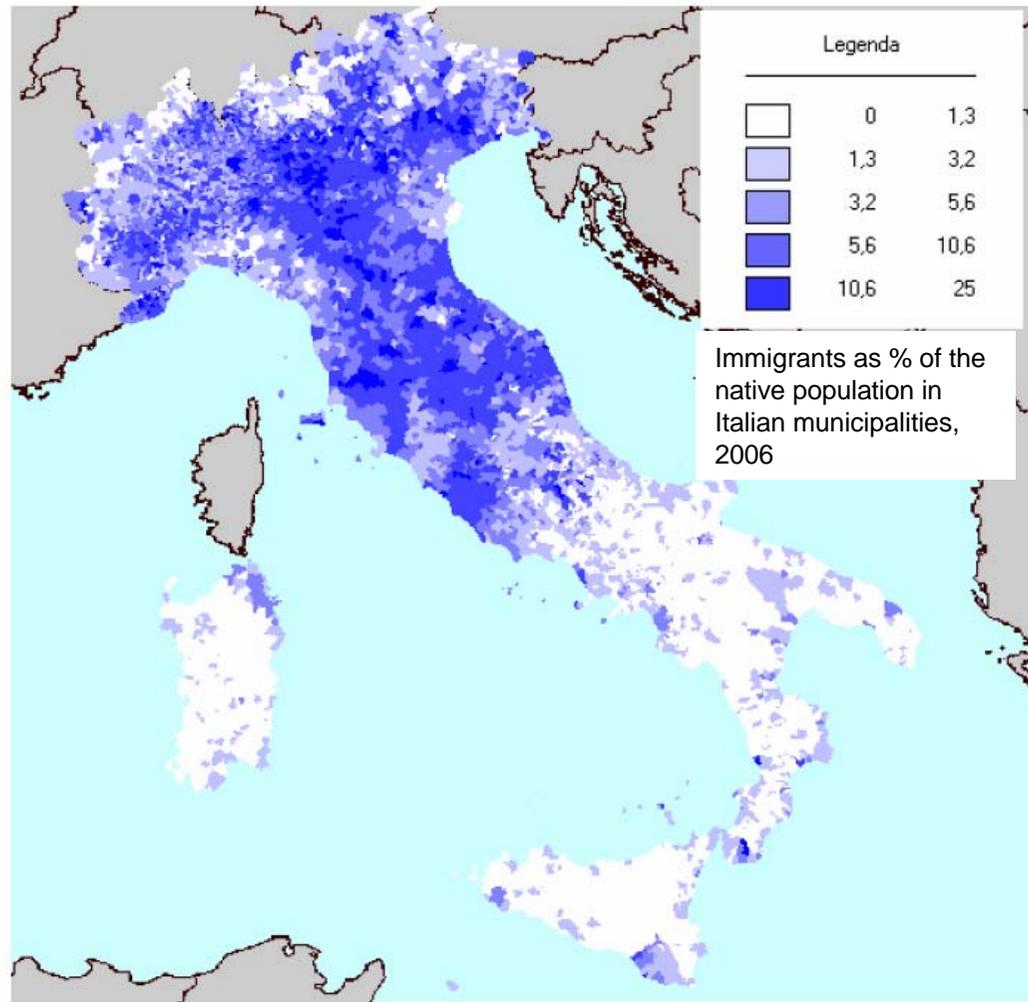
# And a flatter Phillips Curve



# Why?

- Lower bargaining power of immigrants vis a vis natives
- Lower value of leisure (Bentolila, Dolado and Jimeno, 2007)
- Labor market segregation/dualism between temporary and permanent workers (not necessarily)
- and perhaps above all.....

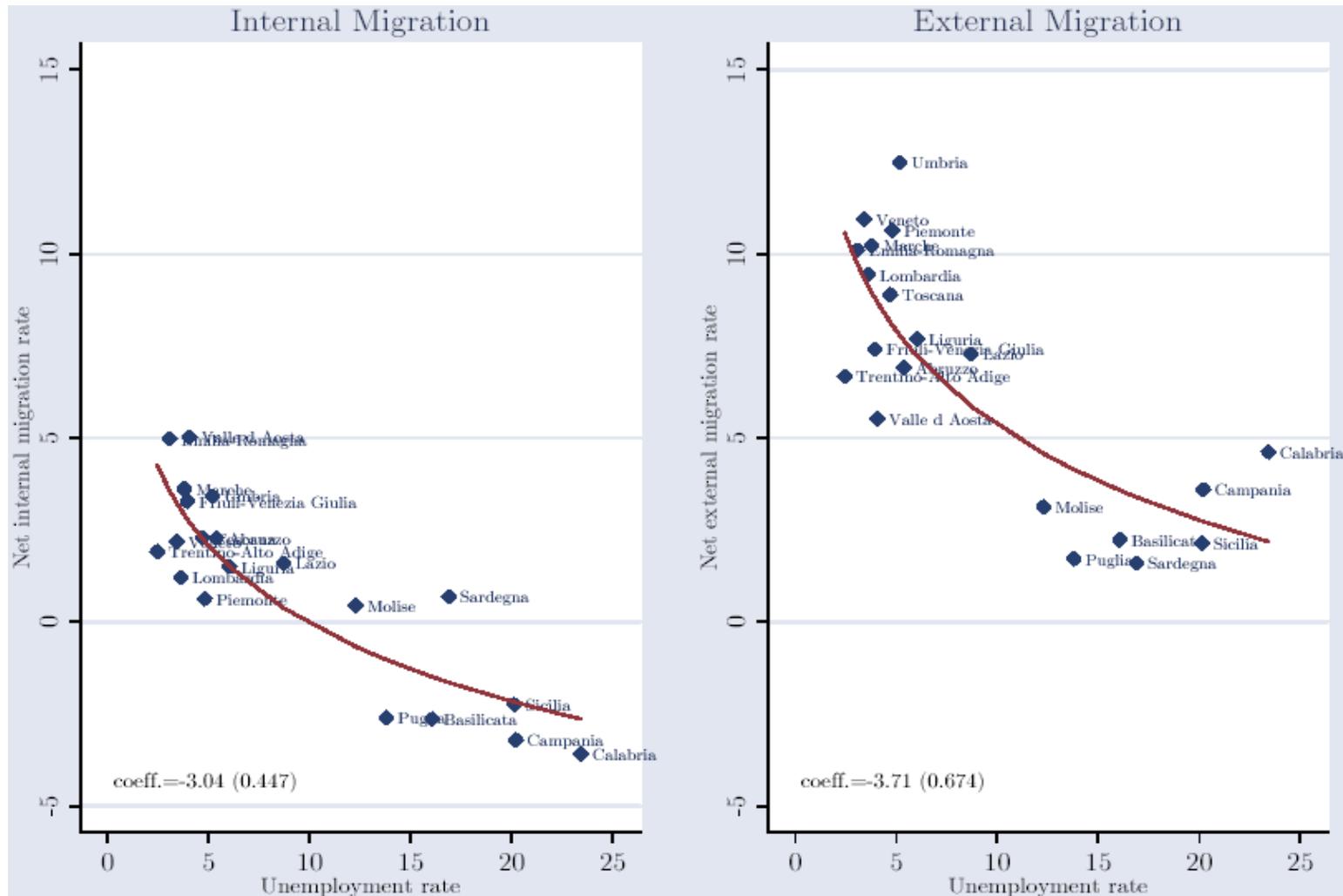
# Greasing the wheels effect



# Migration is a substitute for low internal mobility

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# A large sender

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**Top 10 source countries for immigration, 2000 and 2005**  
OECD Europe

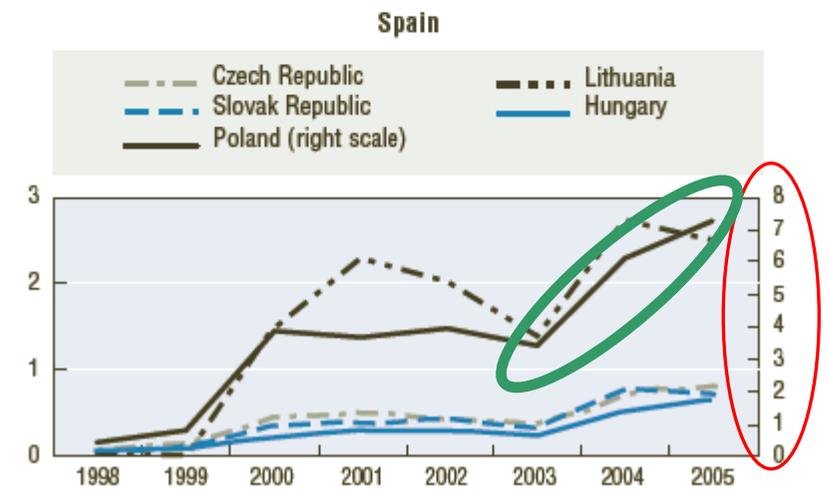
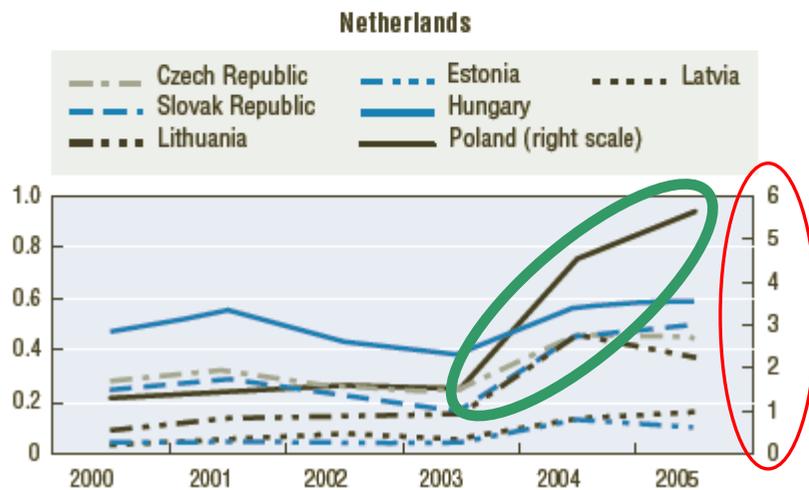
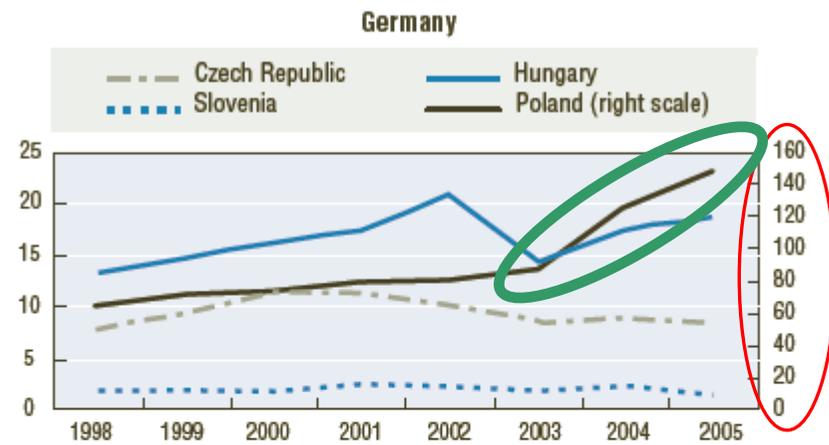
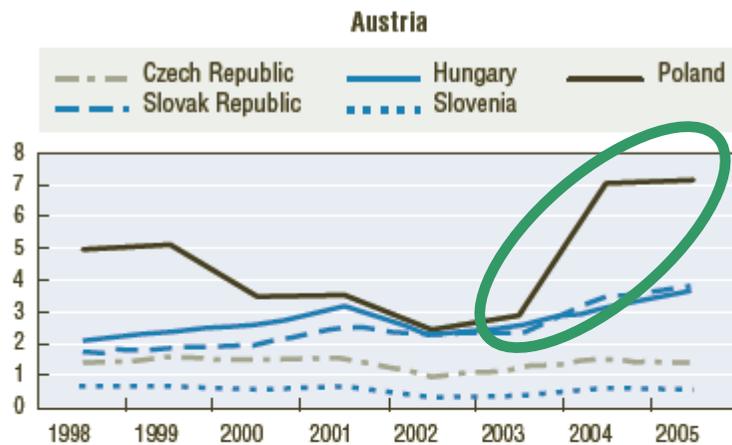
Thousands			
2000	2005		
Morocco	96	Poland	324
Ecuador	95	Romania	202
Poland	94	Morocco	128
Bulgaria	81	Bulgaria	82
Turkey	79	Germany	77
Romania	76	Ukraine	70
United States	64	Turkey	66
Germany	61	United Kingdom	65
France	60	Russian Federation	54
Italy	56	France	49

Source: OECD International Migration Outlook 2007

# After the accession, sharp increase of flows to the EU15

Migration from new EU member countries to selected OECD countries, 1998-2005

Thousands



Poland on **right hand** scale

# Macro developments

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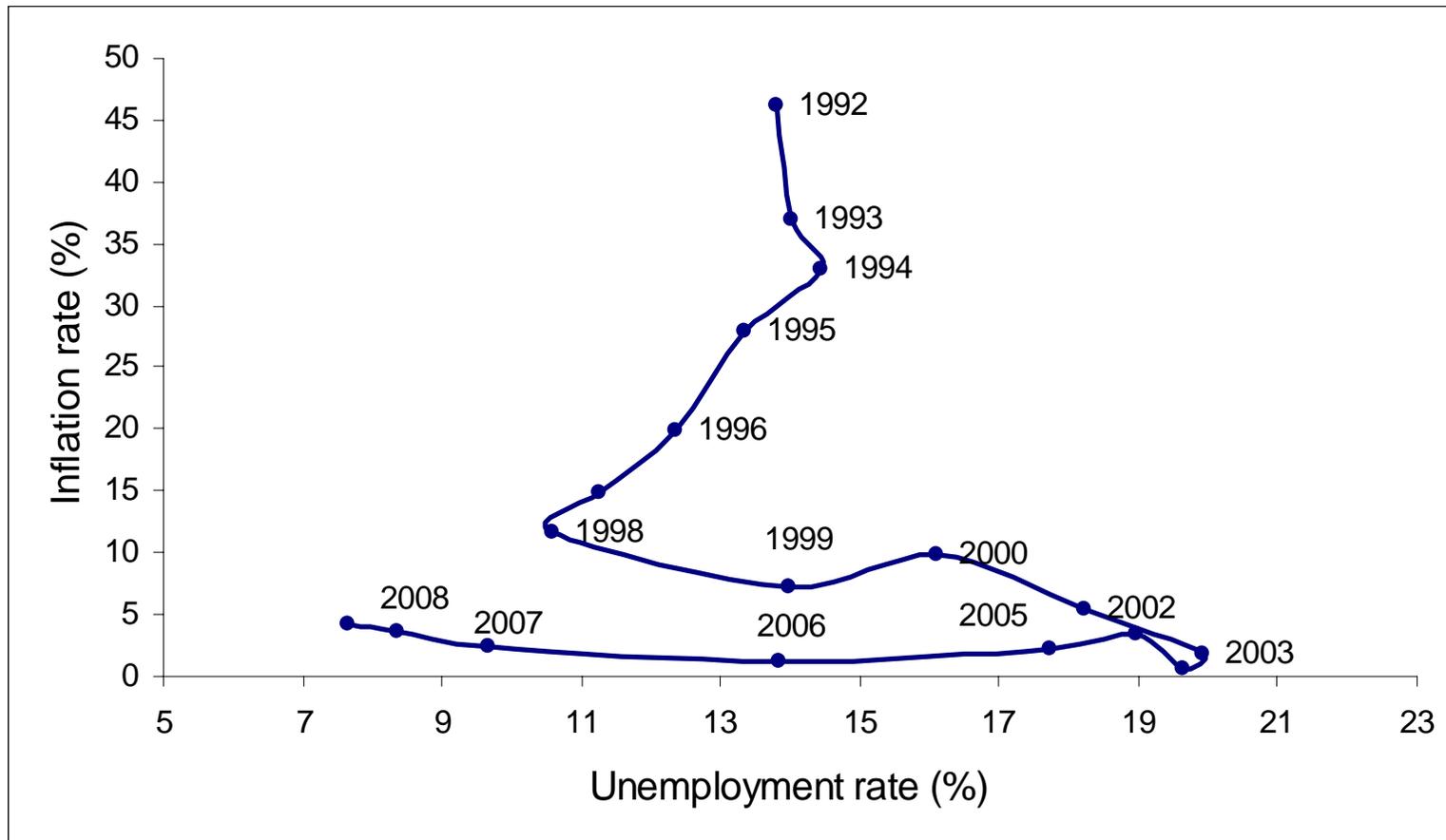
## Macroeconomic, demographic and labour market indicators

Macroeconomic indicators	1995	2000	2004	2005	Average	
					1995-2000	2001-2005
Real GDP (growth, %)	7.0	4.2	5.3	3.2	5.4	3.4
GDP/capita (growth, %) – level in US dollars	6.8	5.3	5.3	3.3	5.6	3.5
Employment (growth, %) – level in thousands	0.9	-1.5	1.3	2.3	-0.4	-0.2
Unemployment (% of labour force)	13.3	16.1	19.0	17.7	12.9	18.9
Components of population growth	1995	2000	2004	2005	Average	
					1995-2000	2001-2005
<i>Per 1 000 inhabitants</i>						
Total	0.8	-0.3	-0.4	-0.4	0.3	-0.5
Natural increase	1.2	0.3	-0.2	-0.1	0.7	-0.1
Net migration	-0.5	-0.5	-0.2	-0.3	-0.4	-0.4

# A flatter Phillips Curve also in the sender?

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Source: OECD Economic Outlook Dec 2007. 2007 and 2008 are projections

# Lesson # 1

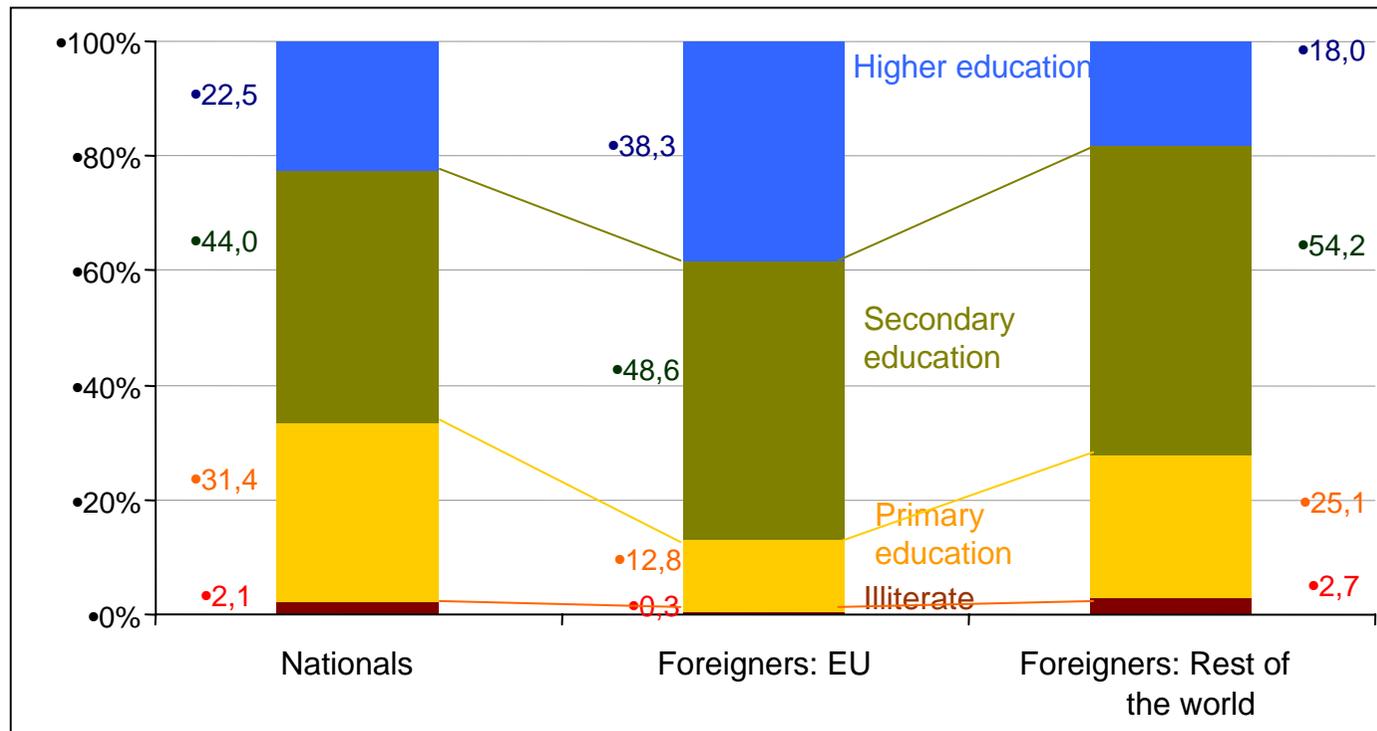
- Large immigration to “rigid Europe” reduces unemployment and inflationary pressures at the same time.
- Large outflows from the NMS, involving negative population growth, reduce unemployment and potential output, but without apparently increasing inflationary pressures. Is it because it involves relatively low skills?

# Outline

- Migration and overheating. Lessons from a recipient and a sender.
- Brain gain and brain drain. Should the Baltics be worried?
- Tackling irregular migration in “transit countries”
- Cross-country coordination: migration and welfare access

Brain gain in the old-EU is limited:  
it is in the stocks more than in the flows

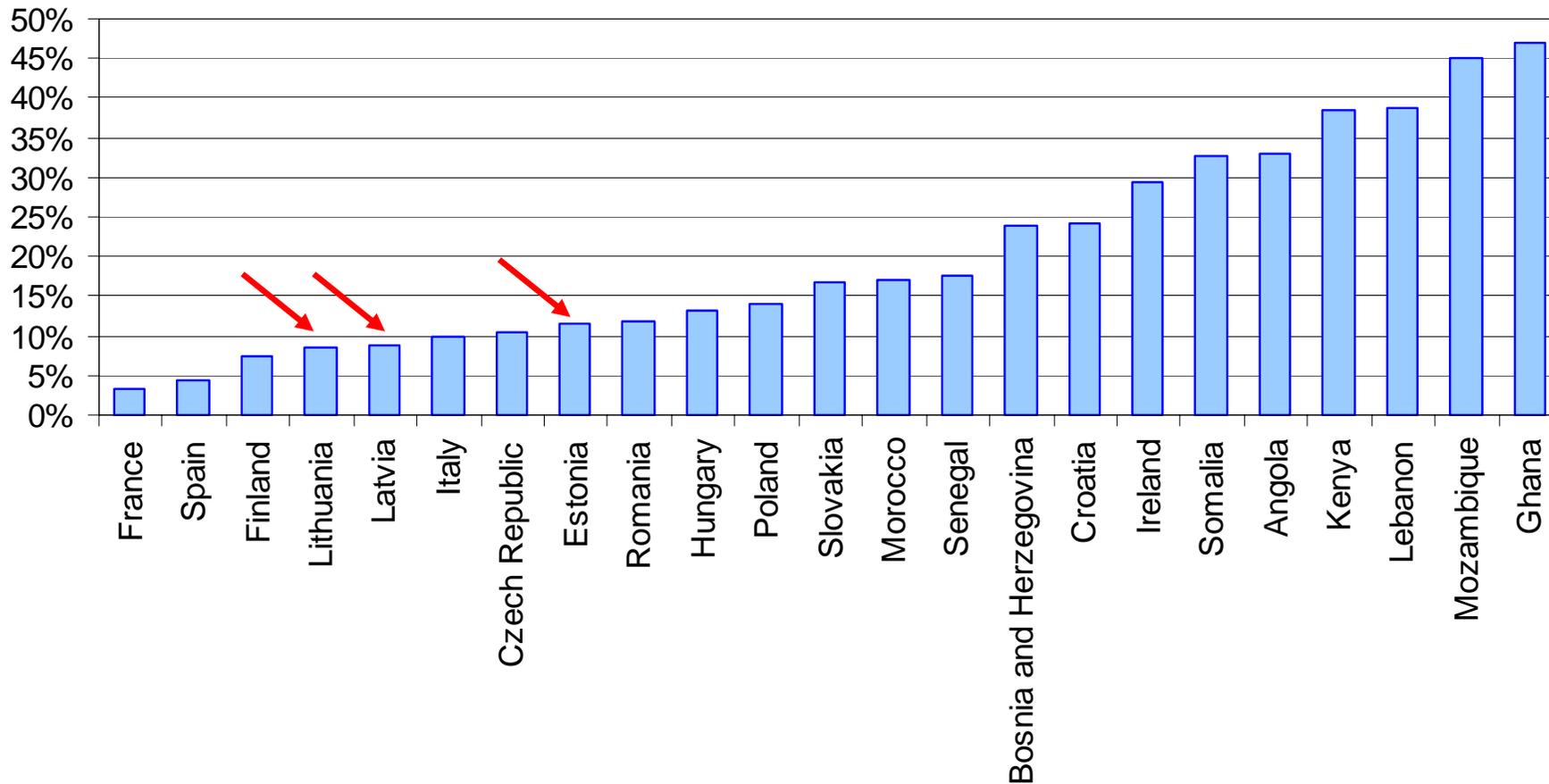
EDUCATIONAL ATTAINMENT BY NATIONALITY



Young natives are more educated than young migrants

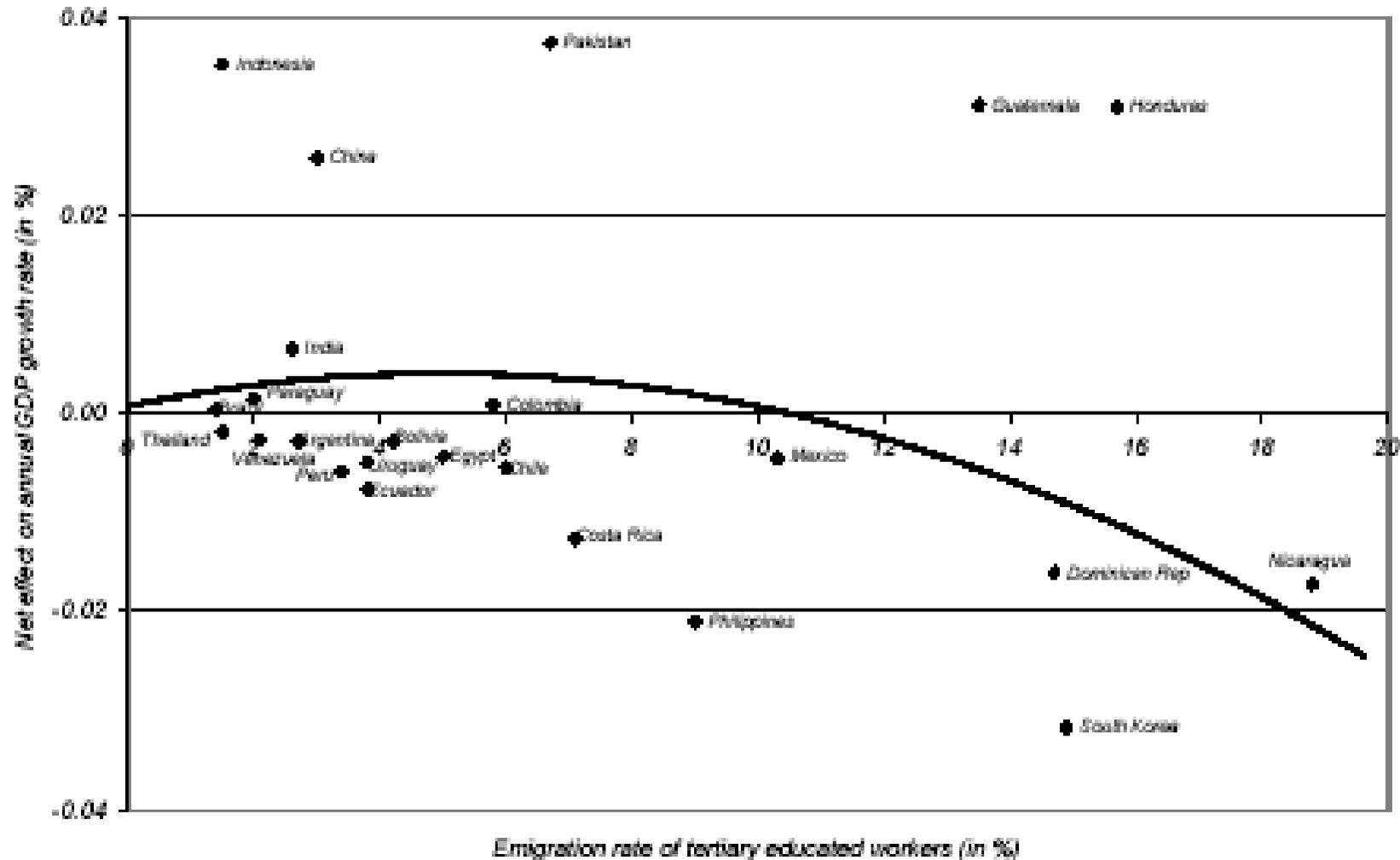
# Also brain drain from the Baltics is rather small

High skilled emigration rate (2000)



Source: International migration by educational attainment (1990-2000), F. Docquier, A. Marfouk

# and low brain drain is not harmful to growth



Source: Docquier – Rapoport (2004)

# Why?

- More investment in human capital in the source country
- Remittances (but also income effect)
- Return migration
- Technology transfer
- Less discrimination and corruption in the sender (Docquier – Rappoport, 2007)

# Lesson # 2

- Unsurprisingly some “brain gain - brain gain effects” in East-West European migration, but less than expected
- Brain gain is not behind the “Spanish miracle”
- Brain drain (except for the small numbers of very highly skilled) is unlikely to harm growth potential of the Baltics, that can invest on return migration and immigration

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# Are the Baltics attracting the “wrong type” of migrants?

- So far large transit and irregular migration
- But fast growth in the Baltics is bound to change significantly the picture: more East-East, and less transit migration
- Should the Baltics continue to adopt highly restrictive migration policies?
- Are, in any event, border controls effective?

# East-East illegal migration

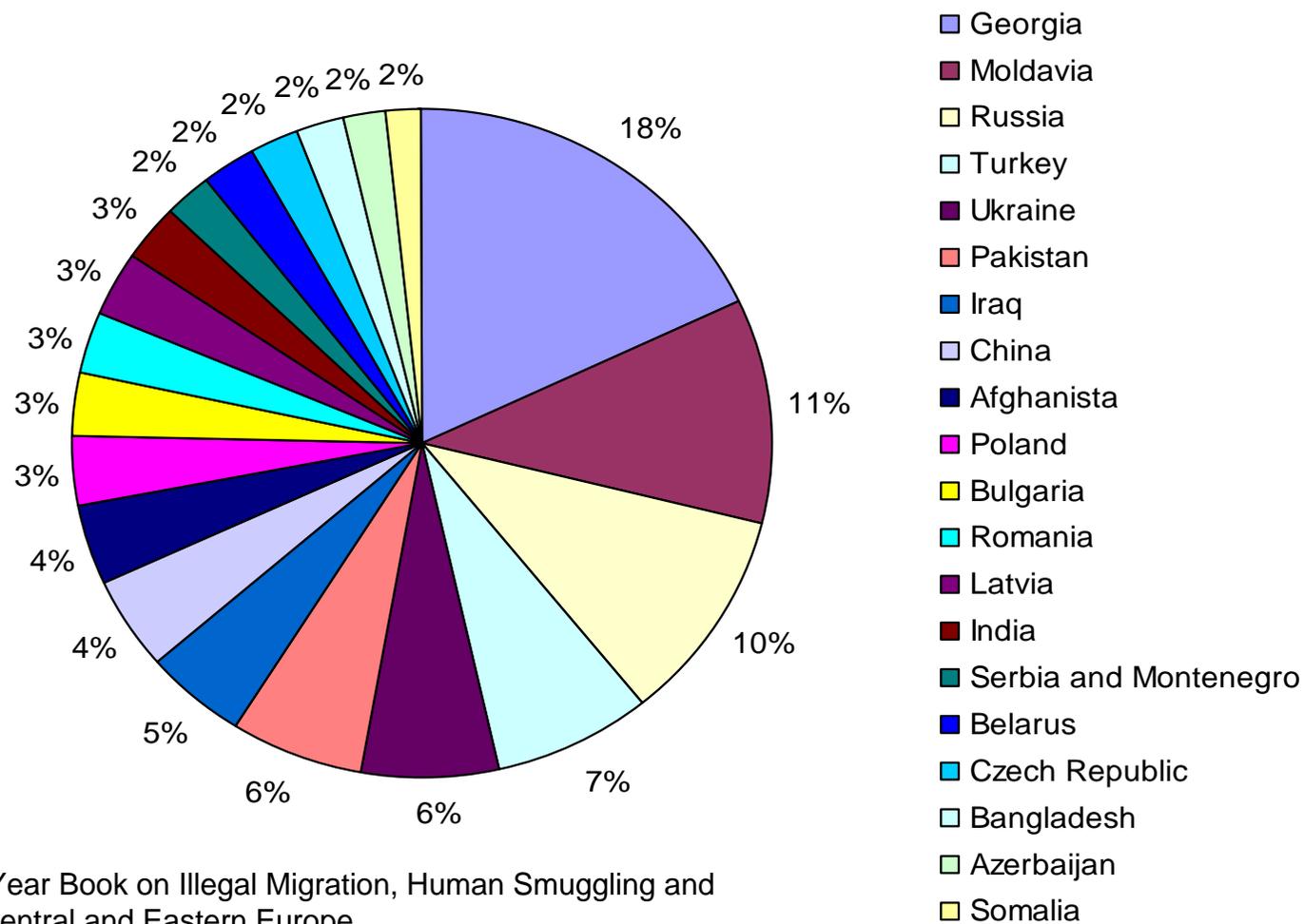
**Number of border violation related apprehensions by place of apprehension (2001-2003)**

Place of apprehension	2001	2002	2003	Change 2002 / 2001, %	Change 2003 / 2002, %
Armenia	n.a.	15 765	18 990	n.a.	20
Azerbaijan	7 640	8 299	3 846	9	-54
Bosnia and Herzegovina	n.a.	390	957	n.a.	145
Bulgaria	5 962	6 451	5 133	8	-20
Croatia	17 416	5 861	4 214	-66	-28
Cyprus	182	725	3 726	298	414
Czech Republic	23 834	14 741	13 206	-38	-10
Hungary	16 637	15 976	13 533	-4	-15
Latvia	7 838	9 737	8 566	24	-12
Lithuania	1 355	797	803	-41	1
Poland	5 219	4 269	5 063	-18	19
Romania	31 992	3 084	2 133	-90	-31
Serbia and Montenegro	1 278	823	855	-36	4
Slovakia	15 548	15 235	12 493	-2	-18
Slovenia	20 883	6 896	5 018	-67	-27
Turkey	92 364	82 825	56 219	-10	-32
Ukraine	12 558	9 600	9 602	-24	0
Total	260 706	201 474	164 357	-23	-18

Source: 2003 Year Book on Illegal Migration, Human Smuggling and Trafficking in Central and Eastern Europe

# Where do they come from?

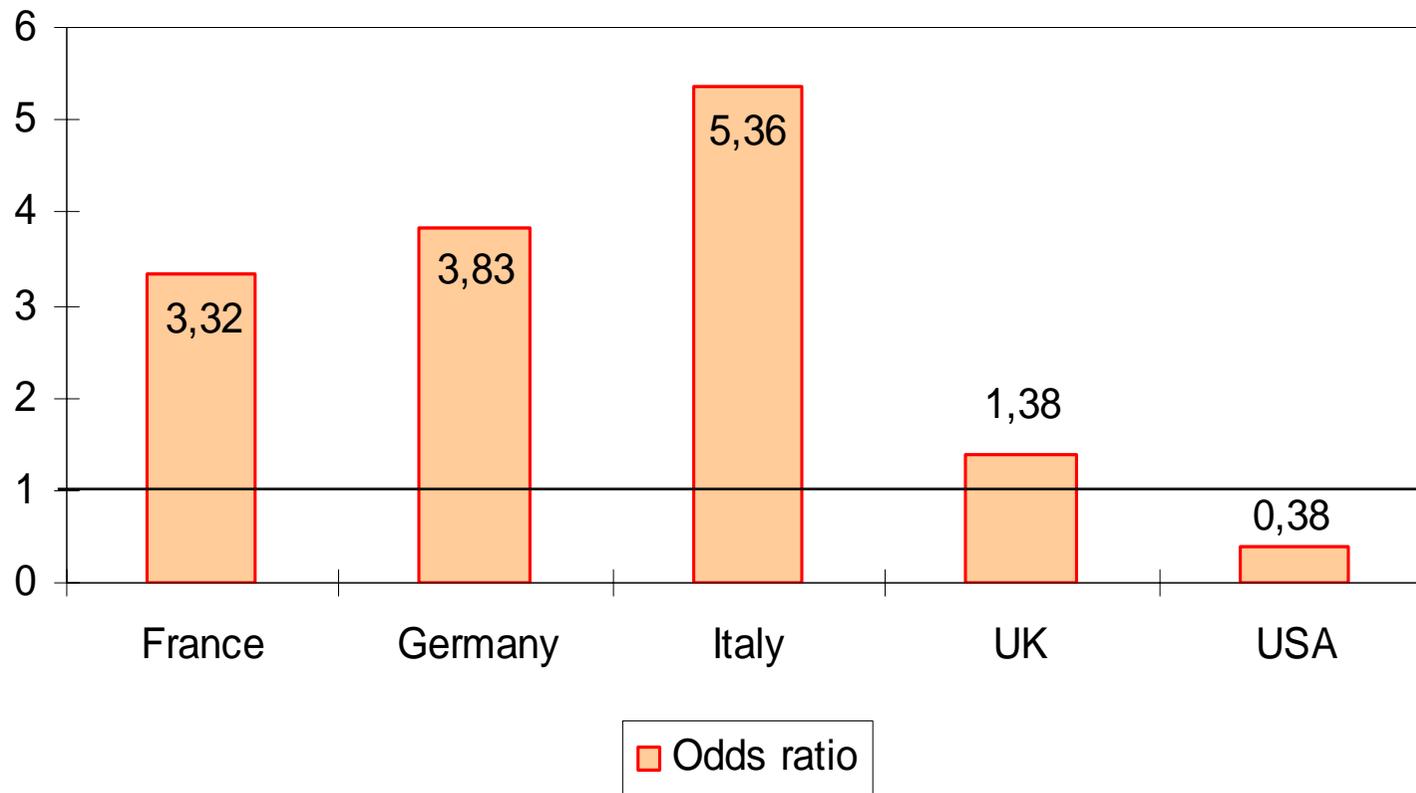
irregular migration to Central and Eastern Europe. The most important 20 countries of origin (2003)



Source: 2003 Year Book on Illegal Migration, Human Smuggling and Trafficking in Central and Eastern Europe

# Assimilation problem

## Migrants' relative risk of detention



# Coping with irregular migration

- Worksite inspections are rather effective. Irregular migrants go to work everyday while they cross the borders just once.
- But in a transit country, border controls may be more effective
- However they are costly! Estimated cost for apprehension in the US is 190000 US\$ (1998)

# Lesson # 3

- Irregular migration may be an even more serious issue for the Baltics if it becomes a permanent rather than transit population
- Repressing irregular migration requires:
  - more realistic migration policies
  - more worksite inspections
  - border controls, but are costly

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# The EU ipocrisy

- Coordination only of policies vis a vis illegal immigration
- However, coordination of policies on *irregular* migration is impossible in presence of different policies for *legal* immigration. Two sides of the same coin
- Will the EU ever succeed in coordinating policies on legal migration to the EU?
- If so, which EU-wide migration policy is likely to be adopted? Good for the Baltics to know

# Why a co-ordination problem

- Public opinion is more against migrants in countries with “rigidities” and generous welfare.
- Institutional asymmetries make it more difficult to co-ordinate inducing *tightening* of migration policies because of spillovers of migration across jurisdictions

# Welfare abuse and welfare magnets

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- Little evidence of strictly “*welfare abuse*”
- Access to welfare of migrants is largely explained by individual characteristics
- In most countries no evidence of an additional effect of the migrants status on welfare access.
- Assimilation out of social welfare
- *Welfare magnets*: estimates (DeGiorgi and Pellizzari) that 1 std deviation increase in generosity of welfare payments (~3,000 € per year) increases probability to move by 3%, but
- No effect of welfare on skill composition of migrants

## Migration policies are getting increasingly selective

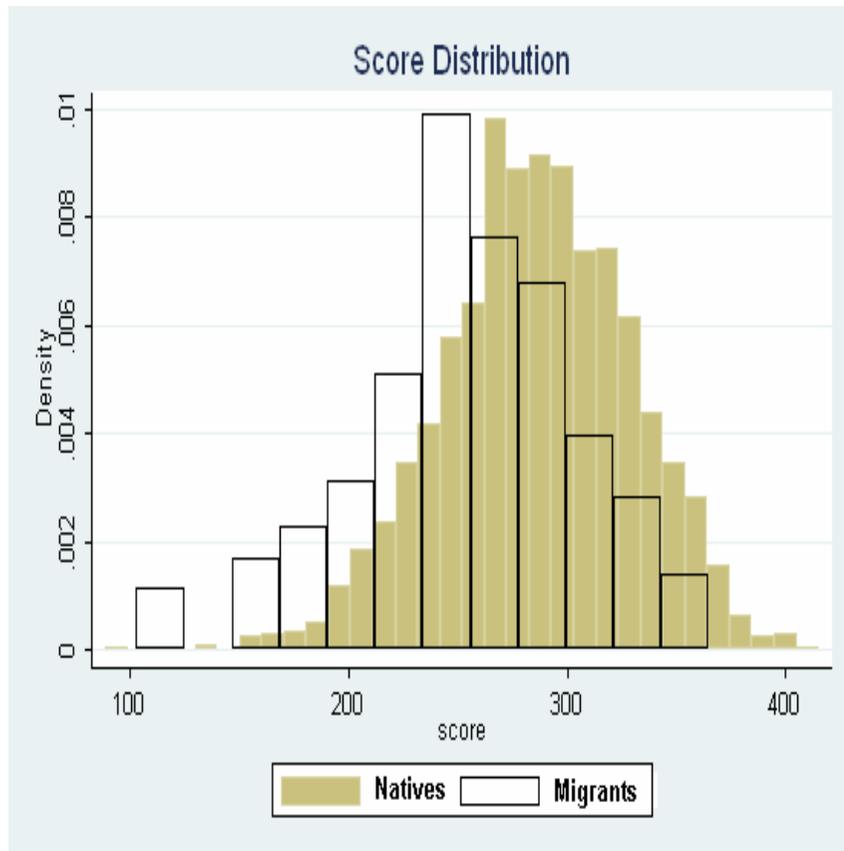
- Tightening of migration policies towards the unskilled: increase everywhere in index of strictness from 1990 to 2004
- While race to attract highly skilled migrants
- Explicit point systems in a increasing number of countries (Canada since 67, Australia since 84, New Zealand since 91, Switzerland since 96)

## A EU-wide point system?

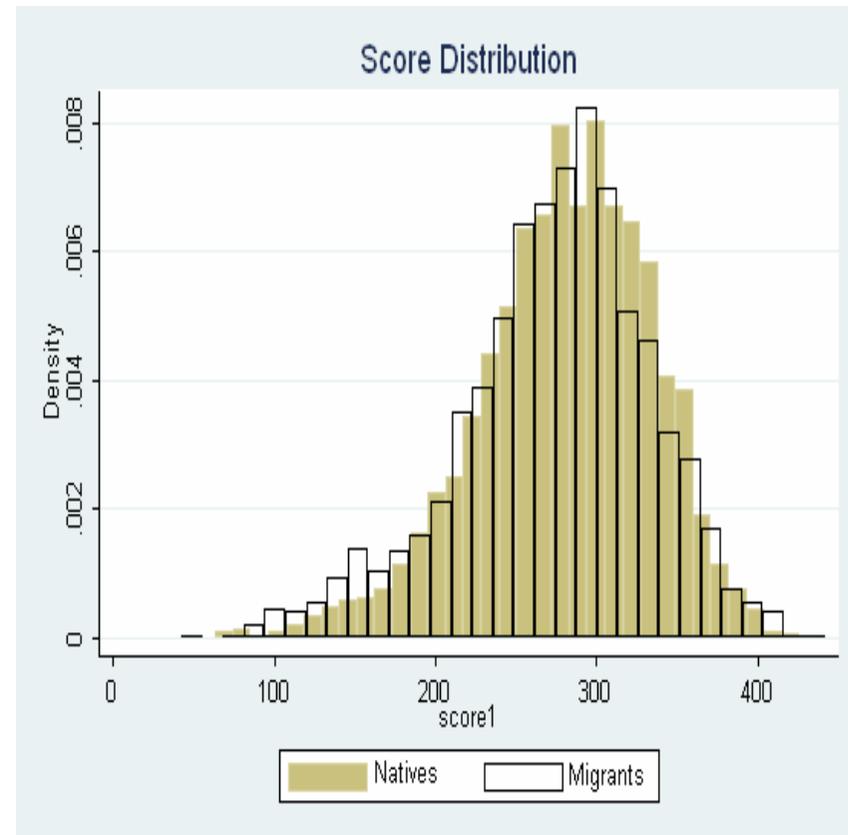
- Less diversion of migration flows.
- Skilled migration is better for rigid countries.
- Simplification of policies (including asylum).
- Issues: enforcement.

# Point systems and skill composition of migration (IALS scores)

Germany

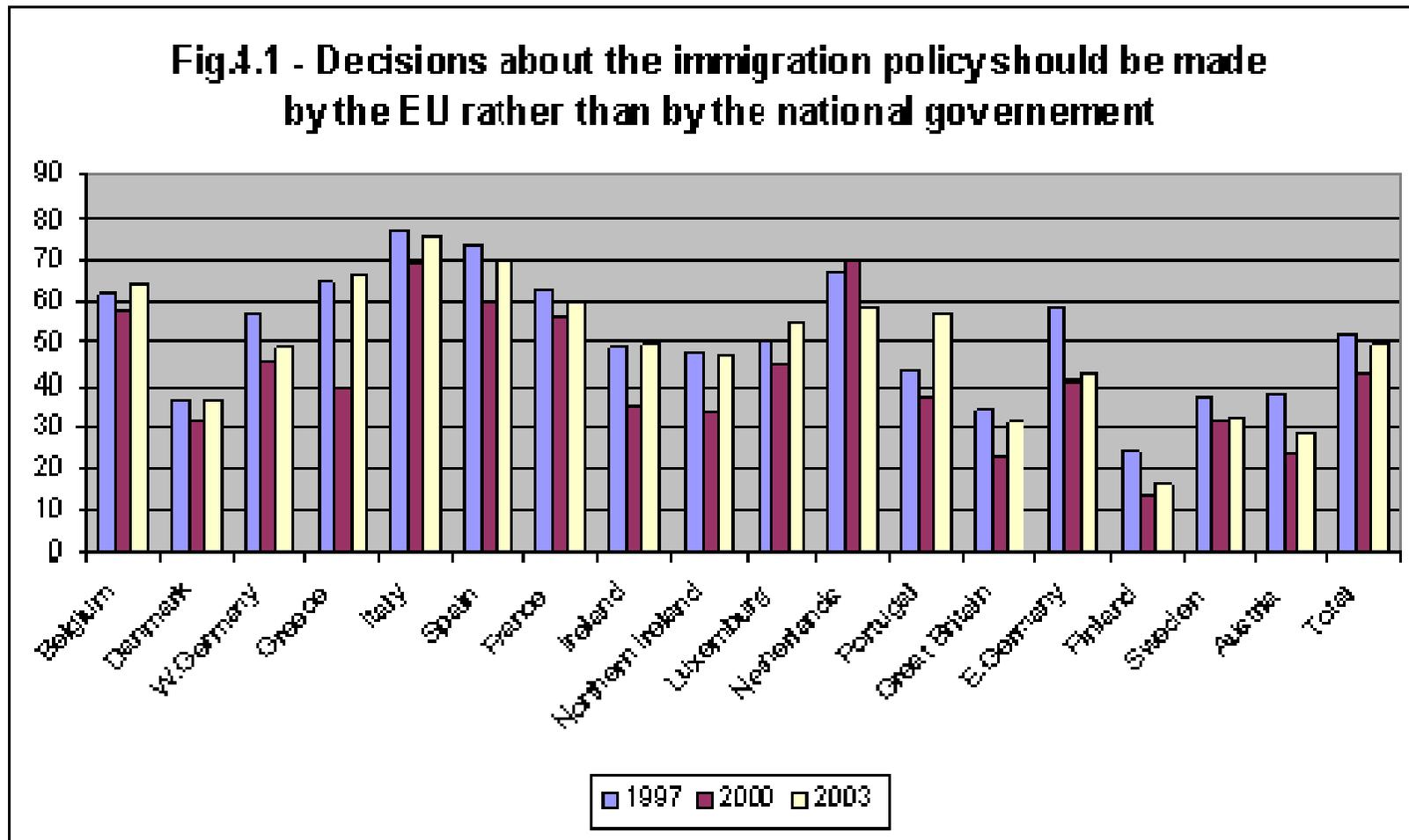


New Zealand



# The support for policy coordination

**Fig.4.1 - Decisions about the immigration policy should be made by the EU rather than by the national government**



# Final remarks

1. Do not worry too much about brain drain and, in any event, little to do about it.
2. Baltics should plan on attracting migrants from non-EU Eastern countries and invest in return migration
3. Adopting a too restrictive migration policy is not helpful. It results in vicious circle of irregular migration, crime and pressure for restrictions
4. More worksite inspections. Border controls are a matter for the EU as a whole
5. Think about adopting an explicit point system. It is more transparent. And it would mean being ahead of Europe.