Social Protection & Labor
DISCUSSION PAPER NO. 1301
75529

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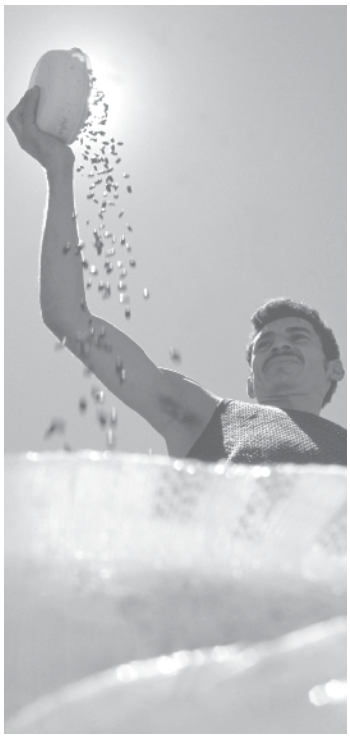
Lessons from the European Union

Martin Kahanec



February 2013

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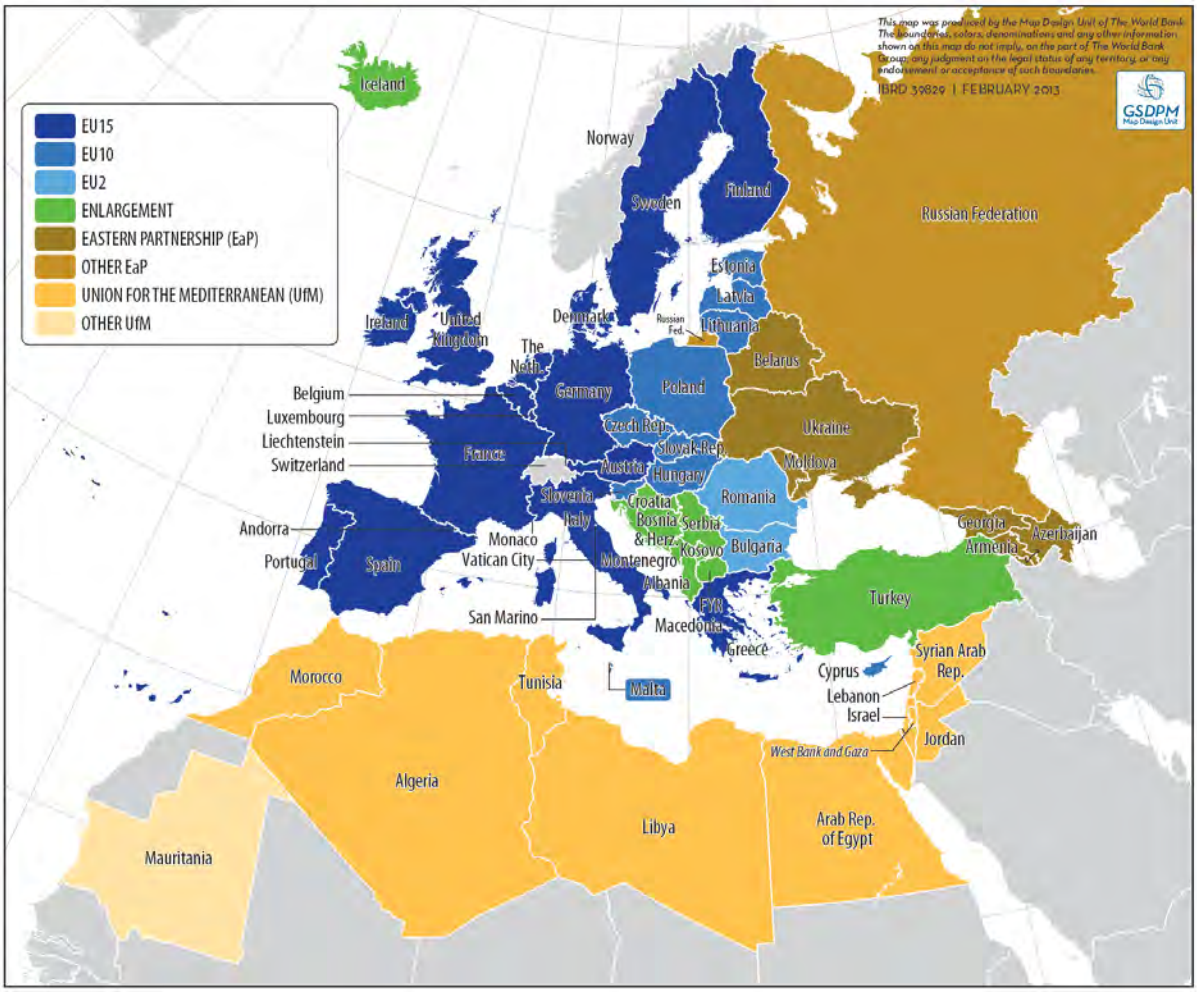

Skilled Labor Flows:

Lessons from the European Union*

February 2013

Martin Kahanec#

Central European University, Budapest

Institute for the Study of Labor (IZA), Bonn

Central European Labour Studies Institute (CELSI), Bratislava

Abstract

This study evaluates European Union (EU) experience of the mobility of skilled labor migrants after the 2004 and 2007 EU enlargements and from the European Neighborhood Policy (ENP) countries. The study concludes that migration generally improves the allocative efficiency of labor markets and there is little if any evidence of statistically significant or economically relevant negative aggregate effects of migration on receiving labor markets. While outflow of young and skilled workers may pose risks to sending countries' economic prospects and public finance, circular migration, brain gain, and remittances attenuate such risks, and have the potential to become powerful engines of convergence. Obstructive legislation and ill-designed migration policies impede migration and deprive sending and receiving countries of such potential benefits.

Keywords: migration, migration policy, skilled migration, labor market, European Union, European Union Neighborhood, ASEAN

JEL: F22, J61

[*] This paper was produced under the World Bank ASEAN Labor Markets program kindly funded by AusAid. Any opinions expressed in this study are my own and do not necessarily represent the opinion of the Bank. The author thanks Rita Almeida, Hana Polackova Brixi and Caglar Ozden for invaluable comments, Liliya Levandovska for excellent research assistance and contribution to Section III, and Ross McRae for an editorial and language check. I remain responsible for any remaining errors.

[#] Central European University, Department of Public Policy, Nádor u. 9, H-1051 Budapest, Hungary. Tel: +36-1-327-3097, Fax: +36-1-328-3450, kahanecm@ceu.hu

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Executive Summary

This summary presents the results of a study conducted by Martin Kahanec for the World Bank. The primary objective of this study is to evaluate the European Union (EU) experience of the mobility of skilled labor migrants and to draw lessons from this experience for the integration of Association of Southeast Asian Nations (ASEAN) members. The EU experience of free mobility is evaluated in two specific contexts: intra-EU migration after the 2004 and 2007 EU enlargements and migration to the European Union from the European Neighborhood Policy (ENP) countries. The study confines its attention to labor market aspects of skilled labor mobility.

Evaluation of the EU experience of skilled labor mobility

The EU single labor market is one of the most successful policy areas of EU integration and enlargement. Free labor mobility within the European Union provides for an increased allocative efficiency of human capital and labor across EU labor markets. The expansion of the free movement of workers to 12 new EU member states in the 2000s has indeed resulted in significant additional migration flows in the European Union. Although this has increased overall labor mobility in the European Union, it still remains below what is observed in the United States or even the Russian Federation. In spite of transitional arrangements, the 2004 and 2007 enlargements have significantly increased geographic mobility in the European Union. Given the slowdown of post-enlargement migration in the late 2000s and early 2010s, the increase was probably only temporary.

In spite of low intra-EU mobility rates, some EU member states are host to significant immigrant populations. Contrary to the overall perception immigrants in the European Union attain levels of formal education broadly comparable to natives; although there is significant variation across countries and immigrant groups with e.g. immigrants from ENP

countries in the EU15[1] generally attaining lower educational levels than the natives. However, with the exception of EU15 and EFTA migrants (migrants from countries party to the European Free Trade Agreement), their occupational status tends to be lower than that of natives, signifying a degree of downskilling. Downskilling may be a result of discrimination, language and institutional barriers, but it may also be a part of migration trajectory preferred by some migrants.

European migration is mainly driven by job- and family-related factors. Housing and local environment concerns are also significant for future moves. Among the main barriers to European mobility are transitional arrangements (which as of June 2012 still apply to Bulgarian and Romanian workers), linguistic and cultural barriers, as well as anxiety about finding a suitable job in the host country. EU10[2] migrants in the EU15 are on average positively selected vis-à-vis the source as well as the host populations. In contrast, EU2[3] migrants in the EU15 are less educated than the host as well as the source populations.

The European Union has progressed in harmonizing legislation in order to facilitate internal mobility. While there is some evidence that immigrants "grease the wheels of the labor market"[4] more than natives by allocating to sectors with labor shortages, there still remain significant barriers to labor mobility in the European Union that may jeopardize such a positive effect of migration. These include: transitional arrangements restricting migrants from the EU2; administratively complex transfer and exercise of social-security and health-insurance rights; complex cross-border taxation issues; practical difficulties with the recognition of foreign qualifications; and discrimination of migrants in access to business

[1] EU15 denotes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom

[2] EU10 denotes Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

[3] EU2 denotes Bulgaria and Romania.

[4] Borjas (2001).

services. Minimum wages and hiring and firing regulations interact with high-skilled migration in a non-trivial manner.

The ENP aims to promote mobility between the European Union and its "neighborhood" through improved labor markets access, investment possibilities, and intensified professional, educational and cultural exchange. The degree to which this goal has been achieved varies country by country. Mutual Recognition Agreements (MRAs) have achieved easier recognition of qualifications but difficulties with implementation persist.

Among the ENP countries, Algeria, Morocco and Ukraine top the list of source countries with the highest numbers of migrants in the European Union. As a share in the host population, Austria, Belgium, France, Greece, Germany and Italy, as well as the Baltic states and Slovenia, are host to the largest ENP populations. In spite of the high share of highly educated workers among emigrants from some ENP countries, the overall share of high skilled among ENP migrants in the EU15 tends to be relatively low. This is because the European Union is losing skilled migrants to the United States and other destinations. Irregular migration may negatively affect skilled immigration.

Skilled labor migration from ENP countries to the European Union is driven by a number of factors. These mainly include lagging economic development in the sending countries (low wages, high unemployment and rising prices), a gap in opportunities for personal and professional development after graduation between ENP countries and the European Union, and a gap in access to quality social and health-care services and to adequate social security programs between ENP countries and the European Union. High fertility rates (primarily in some of the countries south of the Mediterranean) cause migrants to seek employment abroad in order to support large families. Educational opportunities and the acquisition of language skills in the host countries are important pull factors for some migrants. On the other hand, corruption, territorial conflicts, poor governance and state protection policy in the sending countries are significant push factors. Bilateral agreements and facilitative

programs of individual member states create opportunities for skilled mobility from ENP countries. However, the shortage of skilled labor in the European Union has yet to be filled. The main barriers to mobility from ENP countries to the European Union include restrictive visa regimes and costly immigration procedures, non-recognition of academic diplomas and professional certificates, strict limitations on the possibility to stay in the host country for migrants who lose their job and a lack of information about labor market opportunities. Restrictive immigration management, including binding quotas, language barriers and negative attitudes toward immigrants further hinder migration flows.

The potential benefits of immigration include: effects on the distribution of earnings, improved allocative efficiency in the labor market, a better flow of ideas, knowledge and technology, goods and services, as well as capital, increased diversity of the labor force and positive effects on public finance. The scale and nature of these effects are determined by the scale and skill composition of migration flows, their temporal character, the speed of immigrants' adjustment in host labor markets and labor market institutions.

Although there is generally no evidence of significant and economically relevant negative effects of post-enlargement migration on receiving labor markets or welfare systems, there are some indications that post-enlargement out-migration has contributed to higher wages in the sending countries. However, the outflow of young and skilled workers poses risks to sending countries' welfare systems. These risks seem to persist in spite of the potential of remittances and brain gain to compensate for the loss of labor. Simulations indicate a positive effect of post-enlargement migration of around € 30,000 per migrant, based on aggregate per capita gross domestic product (GDP) of the European Union. In general, the redistributive effects on wages and unemployment appear to be rather small and probably not very persistent. Hence, although local and temporary redistributive effects cannot be ruled out, empirical evidence on the effects of migration on sending and receiving countries suggests that labor markets absorb immigrants rather seamlessly.

Lessons learned from the EU experience

The EU experience of skilled labor mobility offers a number of lessons. In view of the demographic challenges Europe faces, well-qualified migrants are very much needed. Empirical evidence shows that the hypothesis of negative wage or employment effects of migration in receiving countries is a myth; and so seems to be the hypothesis that migrants "shop" for welfare. And yet, European migration discourse is generally ill-informed and results in a "Fortress-Europe" approach to migration. Although some liberalization of immigration occurred in the early 2000s, the crisis of the late 2000s and early 2010s has reversed many of these efforts.

Paradoxically, discontent with the socio-economic integration of immigrants, Europeans are in a vicious circle and seem to discourage migrants with a higher probability of integrating – and attract those with lower one. Misinterpreting the lack of immigrant integration as something inevitable for immigrants and ignoring the available evidence about the effects of immigration, they form rather negative beliefs and attitudes regarding immigration. This leads to a political backlash against further immigration and an implementation of restrictive immigration policy measures. But it is precisely high-skilled immigrants that are more sensitive to such negative attitudes and policy, and may choose other destinations. It is not surprising then, that Europe attracts fewer high-skilled immigrants than its main competitors, such as the United States. Such negative selection results in substandard labor market outcomes of immigrants, which further fuels natives' negative attitudes and completes the vicious circle. It should also not be forgotten that negative attitudes is the quintessential barrier to immigrant integration, aggravating the situation.

This broad discrepancy between beliefs and evidence tells us that skillful management of beliefs and attitudes regarding immigration is absolutely vital for any migration policy to succeed. Given the sensitivity of the issue, the line between a vicious and virtuous circle may be thin. Therefore, a careful and transparent framing of migration policy is important. This includes a policy-making process based on rigorous analysis and careful interpretation

of available evidence. It also involves transparency of the process with respect to the stakeholders and society as a whole. Discrimination and xenophobia need to be specifically addressed.

From a practical perspective, harmonization of legislation, policies and institutions reduces the costs of migration. Although the European Union has done much in this regard, especially concerning free mobility in its internal market, many obstacles to mobility still remain. These are often nitty-gritty – yet decisive – details, such as recognition of past employment in another member state for unemployment benefit eligibility. Addressing such obstacles requires a thorough review based on dialogue with stakeholders. Hidden double taxation of spouses working in different member states and complex tax exemptions should also be avoided, as these are extremely difficult for migrants to manage.

Downskilling of immigrants into jobs at lower skill-levels is a specific issue that requires attention. Therefore, recognition of qualifications is of key importance for full utilization of migrants' human capital. General harmonization efforts and MRAs help in this regard. For migrants with often non-trivial migration trajectories, however, they often render the administrative and legislative landscape overly complex. A difficulty is that even in the case of sufficient formal harmonization, its implementation suffers from inadequate administrative resources. Any efforts to harmonize legislation, policies and institutions need to take good consideration of the possibility of non-trivial migration trajectories of migrants and their family members. Adequate administrative capacity to provide them with proficient service of state institutions needs to be ensured as well.

As internationalization of higher education is an important channel of skilled migration, harmonization of education is required. The Bologna Process has helped on the formal side, but gaps remain in its implementation. A specific problem is that employers are not always ready to quickly accept the new classification of degrees implemented within the Bologna Process and confusion abounds. An important policy area is communication and providing

information to potential employers of migrants. For international students, the transition from education to employment needs to be facilitated by granting them a sufficiently long period after graduation to stay in the country and search for a job, with also access to welfare and health services.

The family perspective is clearly very important for international migration. This especially concerns an adequate access of family members to social and health policies. In addition, access to the labor market should also be provided to tied family migrants. This is especially important for skilled migrants, as they may be more sensitive to limited work options for their spouses. To facilitate integration of permanent migrants, a transparent and predictable path towards citizenship should be provided.

Europe does recognize some of the challenges it faces in the domain of mobility management, and has come up with a number of new approaches. One of which is the European Blue Card, enabling the entry of skilled third-country nationals on relatively favorable terms. It has also implemented the European Health Insurance Card, facilitating health-care access to EU nationals in the whole of the European Union, and is considering the EU Professional Card, which would facilitate the recognition of professional qualifications in all EU member states. Professional associations are also actively trying to overcome the problems with the recognition of qualifications: for example, the European Federation of National Engineering Associations uses the European EngineerING Card, increasing the transparency and transferability of skills for engineers. While these efforts are commendable, the key lesson from the EU experience of free mobility of workers is that the creation of a single market must go hand in hand with the provision of labor market institutions covering the whole single market.

Europe is trying to achieve this by harmonizing national regulations and institutions. However, a more fruitful approach would be creation of new institutions, including health insurance, pension and social security schemes, operating at the EU level and unconstrained

by national borders. This is not a proposal for the creation of an unlikely “welfare union”, but rather a proposal for the liberalization of social, pension and health insurance for at least some types of workers and migrants in particular.

From the discussion above, it has also become clear that transparency and the provision of information are central to the success of migration policy. Migration inevitably involves informational gaps on the side of migrants who enter new host countries. In fact, returning migrants may also have difficulties re-adjusting to institutions in their country of origin. Given the fractionalization of EU institutional space by national borders, with each member state having its own (even if partly harmonized) regulation, it is desirable to provide migrants with one-stop information and service shops facilitating their integration into their new host country.

Finally, increasing the transparency of migration and more evidence-based migration policy making also involves evaluating implemented policies. This comprises data collection, rigorous independent policy evaluation, including dissemination of relevant statistical results to not only experts but also stakeholders and the general public, evidence-based policy design and implementation, as well as independent monitoring the whole process.

I. Introduction

There appears to be reasonable consensus – at least among labor market experts – that skilled immigration is desirable because of its economic benefits in the receiving countries.[5] As for the sending countries, the outflow of skilled labor, or brain drain, may hurt them in terms of gross domestic product (GDP) or ability to finance public goods and services. Brain gain and brain circulation may, however, mitigate or even overturn the possible negative effects of out-migration.[6] A better allocation of human resources and the broader effects of migration on productivity, investment, trade and knowledge transfer all improve the overall efficiency of sending and receiving labor markets.

When eight Central Eastern European countries (EU8)[7] along with Cyprus and Malta joined the European Union in 2004, the size of the EU internal market increased by 74.1 million citizens. An additional 29.5 million citizens joined the European Union with the 2007 enlargement, which included Bulgaria and Romania (EU2).[8] In effect, the eastern enlargement of the European Union, with its 2004 and 2007 waves, increased the size of the EU population by more than a quarter, 26.9 percent.

[5] See Kahanec and Zimmermann (2010a) and Chiswick (2011, pp. 2-3).

[6] Brain drain refers to the loss of skilled individuals due to out-migration. Brain gain in sending countries is understood to represent the increase in human capital as a consequence of either return migration of workers who gained additional human capital abroad or increased human capital of non-migrants who increase their investment in their own human capital as a consequence of out-migration of others. The latter effect may occur as a consequence of increased return to investment in human capital due to, for example, the scarcity of skilled labor domestically, the value of the option to utilize one's own skills abroad more efficiently, or remittances paying for better education to the children who remain behind. The return, or a sequence of migrations and returns, of skilled workers is called brain circulation. See Kahanec (2013) for a discussion about redistributive effects of migration.

[7] The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. The EU10 is the EU8, Cyprus and Malta.

[8] EU8+2 denotes EU8 and EU2 member states together. EU12 denotes EU10 and EU2 together.

As EU law guarantees the citizens of any EU member state the freedom of movement within the whole European Union,[9] the EU eastern enlargement was also a major experiment of removing barriers to migration between countries that, at the time of enlargement, differed economically, socially and politically. A critical evaluation of lessons learned from the recent EU enlargement can inform policy debates about liberalization of migration policies in other contexts.

The case is even more informative for the variation of liberalization policies it entailed. Given the large population, relatively high unemployment rates, lower GDP and standards of living, as well as little prior experience of migration during the Cold War, the expansion of the right of free movement to new member states from Central Eastern Europe sparked deep controversies – especially in the 15 pre-enlargement EU member states (EU15).[10] These controversies resulted in transitional arrangements effectively delaying full liberalization of the access of citizens from the new member states to EU15 labor markets for up to seven years, with evaluation after two and five years.[11] In the acceding countries

[9] The freedom of movement of workers is stipulated in Article 45 of the Treaty on the Functioning of the European Union. The Treaty on the European Union, Directive 2004/38/EC and the Case Law of the European Court of Justice extend this freedom to all EU nationals, as well as to their close family members, provided that they possess comprehensive health insurance and do not pose an undue burden for the public funds in the host country.

[10] Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom.

[11] Cyprus and Malta were exempt from transitional arrangements. Ireland, Sweden and the United Kingdom opened up their labor markets in May 2004, while Austria and Germany enforced restricted access, albeit somewhat simplified, until 2011. The other EU15 states had gradually liberalized access by May 1, 2009. As for the EU2, ten member states had opened up by January 1, 2009: Cyprus, the Czech Republic, Estonia, Finland, Latvia, Lithuania, Poland, Slovakia, Slovenia and Sweden. By January 1, 2012, Denmark, Greece, Hungary, Portugal, and Spain liberalized as well, with Austria, Germany, Belgium, France, Ireland, Luxembourg, Malta, the Netherlands and the United Kingdom still applying transitional arrangements as of February 2012. In July

some fears of brain drain surfaced, but the discussion about EU accession was framed rather positively.

With more than two million EU Schengen visas issued to citizens of European Neighborhood Policy (ENP) countries[12] in 2008 alone, mobility between the EU and ENP countries offers another interesting context to study high-skilled migration. In fact, a scrutiny of migration between the EU and ENP countries may shed additional light on the effects of a range of specific migration policies that have been implemented in this context, including various types of visa regulation, MRAs or skill-related mobility policies. Figure 1.1 depicts the political map of Europe.

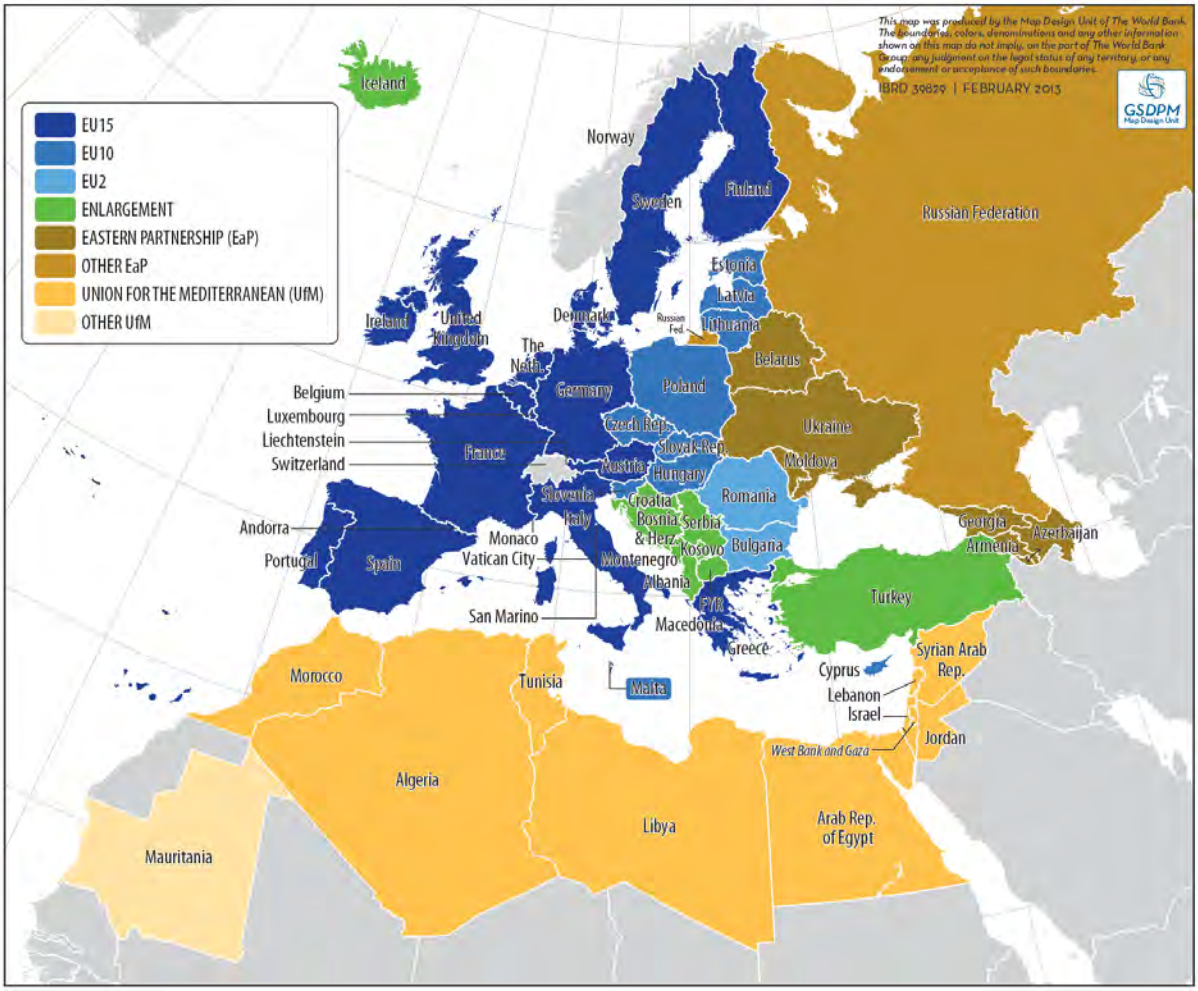
Labor mobility is particularly important in the context of EU economic and monetary integration. In fact, the viability of the European Monetary Union (EMU) vitally depends on the capacity of EMU economies to absorb economic shocks that affect member states differently. In a monetary union with wage rigidities and without fiscal union, as is the case in the EMU, mobility of workers may be an important mechanism of adjustment to such asymmetric shocks. The low mobility rates in the European Union, as compared to other single currency areas, such as Australia, Canada, the Russian Federation or the United States, thus signify a major deficiency in EU capacity to adjust to economic shocks and may potentially even derail the EU integration project.[13]

2011, the European Commission authorized Spain to close its labor market for Romanian workers again until the end of 2012.

[12] Including Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, the Lebanese Republic, Libya, Moldova, Morocco, the Occupied Palestinian Territory, the Syrian Arab Republic, Tunisia and Ukraine.

[13] Mobility rates are discussed in Section II.

Figure 1.1. The political map of Europe



Notes: "Enlargement" denotes the countries that are acceding (Croatia), candidate (Iceland, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey), with application submitted (Albania), or recognized as potential candidates by the European Union (Bosnia and Herzegovina, and Kosovo (UN Security Council resolution 1244)); Eastern Partnership (EaP) includes Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine); other EaP denotes the Russian Federation, which is covered by the EU-Russia Commons Spaces but not the European Neighborhood Policy (ENP); the Union for the Mediterranean (UfM) includes countries not belonging to the Enlargement group – Algeria, Egypt, Israel, Jordan, the Lebanese Republic, Libya, Morocco, the Occupied Palestinian Territory, the Syrian Arab Republic and Tunisia. It also includes Mauritania, which is a member of the UfM, but not the ENP, and is denoted as "Other UfM".

The first section of this paper evaluates the experience of the European Union with internal mobility of workers and its labor market effects in sending and receiving EU member states, with a specific focus on skilled migration. We review the institutional framework as well as key indicators of the free movement of workers in the European Union; we study the determinants of and remaining obstacles to internal labor mobility in the European Union; and we evaluate the potentials and challenges of the harmonization of legislation at the sub-EU level to facilitate skilled mobility in the European Union. Finally, we examine the role of EU labor market institutions in conditioning the flows of skilled migrants in the European Union.

The next section examines the role of a range of migration policies for skilled labor flows between ENP countries and the European Union, as well as the effects of such flows in those countries. Similarly as for internal mobility in the European Union, we first examine the institutional and political contexts of the ENP. We then review the patterns of skilled labor mobility between the European Union and the EU Neighborhood partner countries; study the determinants of skilled labor mobility between the EU and the ENP; evaluate the impact of the ENP on skilled migration into and within the European Union; and shed light on the remaining obstacles to internal mobility of the skilled EU labor force.

Section IV evaluates some of the key questions that drive migration policy debates around the globe, such as whether migrants displace resident workers from their jobs or whether they decrease their wages. Another perspective that we consider is that of the sending countries and the labor market effects of out-migration. We then draw lessons from the EU experience for Association of Southeast Asian Nations (ASEAN) members in Section V and conclude.

II. The experience of the European Union with internal mobility of skilled labor

II.a The free movement of people in the context of EU integration and enlargement

The expansion of the free movement of workers to 12 new member states in the 2000s has triggered significant migration flows, but geographic mobility remained low in the European Union.

Some EU member states are host to significant immigrant populations. With the exception of ENP migrants in the EU15, immigrants in the European Union generally attain formal educational levels comparable to natives.

With the exception of EU15 and EFTA migrants, their occupational status tends to be lower than that of natives, signifying a degree of downskilling.

Downskilling may occur because of a discrepancy between formal education and skills, discrimination, language or institutional barriers, but it also may be a part of migration trajectory preferred by some migrants.

The freedom of movement of workers is one of the four key pillars of the EU internal market, along with free mobility of capital, goods and services. This fundamental freedom enables EU nationals to move to another EU member state, seek and accept employment there, reside there with their family members and gain access to social benefits on the same terms as the nationals of the receiving country.

In spite of these legal provisions, the persistent cultural, social, linguistic and other barriers have kept internal mobility in the European Union rather low compared to the United States (Bonin et al., 2008). According to that study, the share of annual cross-border movers of the total EU population was just 0.1 percent in 2006. Looking at interregional moves

across NUTS2 regions (Nomenclature of Units for Territorial Statistics), the corresponding figure was 1 percent, still significantly below the 2.5-percent interstate annual movers observed in the United States. According to Gill and Raiser (2012), annual interstate mobility of the working-age population in the EU15 prior to the 2004 enlargement was just about 1 percent, compared to around 3 percent in the United States, 2 percent in Canada and Australia, and 1.7 percent in the Russian Federation.[14] There is, however, variation across the European Union with respect to this measure, with southern EU member states attaining annual interregional mobility of only about 0.5 percent, whereas France, Ireland, the Netherlands, Sweden and the United Kingdom exhibit much higher mobility rates of around 2 percent (Bonin et al., 2008). Although the recent EU enlargement increased the intensity of intra-EU migration, due to the abovementioned barriers, internal migration in the European Union can be expected to remain relatively modest in the foreseeable future.

Despite the relatively low intra-EU mobility rates, EU member states are an important destination for migrants from other EU member states as well as non-EU countries. In this section we use the 2010 wave of the EU Labour Force Survey (EU LFS) to document some characteristics of immigrant groups in the EU. Following the categorization of countries of origin available in the dataset, we examine stocks of immigrants from the EU15 and countries party to the European Free Trade Agreement (EFTA), EU12, European Union neighborhood (EUN) as a proxy for ENP, and immigrants from other origins. [15]

[14] Interregional mobility measures are sensitive to the definition of regions (and migrants), so a ceteris-paribus comparison of the European Union with other countries is hard to achieve.

[15] EUN denotes the European Union neighborhood broadly defined, including Albania, Andorra, Belarus, Bosnia Herzegovina, Croatia, the Faroe Islands, Kosovo (UN Security Council resolution 1244), Monaco, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, the Russian Federation, San Marino, Serbia, Turkey, Ukraine and the Vatican, and Algeria, Egypt, Libya, Morocco, Tunisia and recognized non-citizens. As the categorization of countries in the EU Labour Force Survey does not permit singling out ENP migrants, we use EUN as a proxy for ENP in this analysis. Other-origin immigrants include those not from the European Union, EFTA or EUN.

Figure 2.1 reveals significant and varied shares of foreigners in host populations across the European Union. Cyprus, Austria, Ireland and Belgium attract the largest numbers of immigrants from within the European Union or from its neighborhood. The largest shares of EU15+EFTA immigrants are in Ireland, Belgium and Cyprus; of NMS immigrants in Ireland and Cyprus, but also Italy, Austria and the United Kingdom; and of EUN immigrants in Latvia, Estonia and Slovenia.

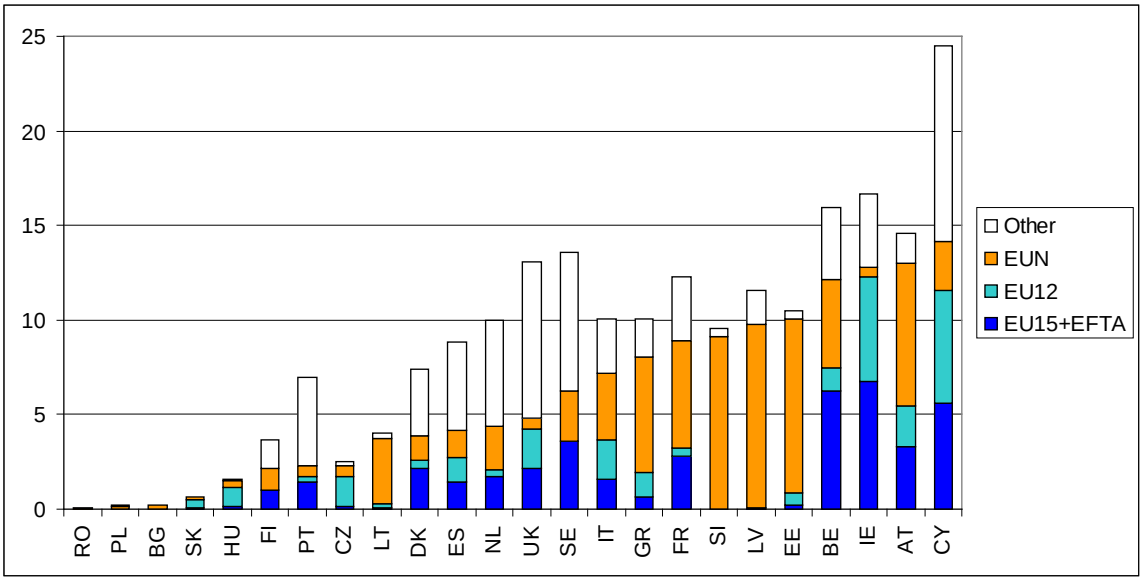
As a general pattern, we observe significantly larger shares of foreign populations in the EU15 than in the EU10 or EU2. However, there are notable exceptions: among the EU15, Finland, with a rather small foreign population; and among the new member states, Cyprus and Malta, with larger foreign populations. The Baltic states (Estonia, Latvia and Lithuania) also exhibit relatively large foreign populations, but these are mostly the people that (were) relocated during the times of the Union of Soviet Socialist Republics. (USSR).[16] Similarly, the high share of EUN immigrants in Slovenia dates back to migration within the former Yugoslavia, from which Slovenia seceded.

In Figure 2.1, we can also observe an interesting pattern for the Baltic states. Each of them inherited significant immigrant populations from the Soviet times. The relatively liberal naturalization regime in Lithuania apparently resulted in a rather small immigrant population when measured by nationality compared to that measured by country of birth.

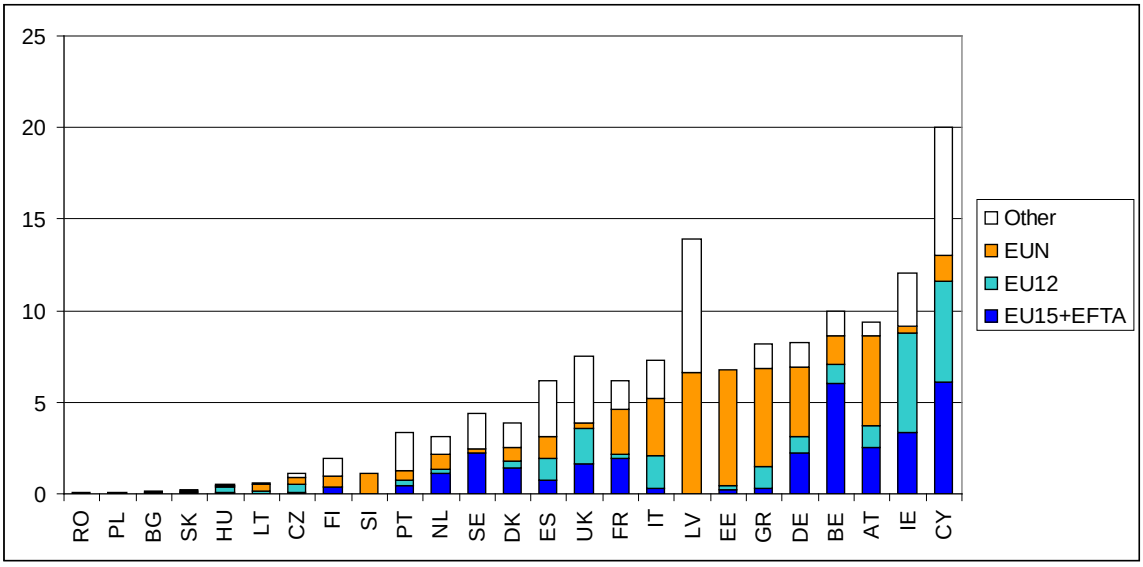
[16] Hazans and Philips (2010).

Figure 2.1. Immigrant shares across the European Union

i) Foreign-born



ii) Foreign nationals



Source: Author's calculations based on the 2010 wave of the EU Labour Force Survey (LFS).
Notes: Population 15-64 years of age. Sorted by share of immigrants from EU15+EFTA, EU12 and EUN combined. Country codes are as follows: AT – Austria, BE – Belgium, BG – Bulgaria, CY – Cyprus, CZ – Czech Republic, DK – Denmark, DE – Germany, EE – Estonia, EL – Greece, ES – Spain, FI – Finland, FR – France, HU – Hungary, IE – Ireland, IT – Italy, LT – Lithuania, LU – Luxembourg, LV – Latvia, MT – Malta, NL – Netherlands, PL – Poland, PT – Portugal, RO – Romania, SE – Sweden, SI – Slovenia, SK – Slovakia, UK – United Kingdom. *Immigrants* are people who were not born in the country in which they live. *Natives* are those born to mothers residing in the respective country.

In Estonia, many of the foreign-born naturalized, although the naturalization rate appears to be much smaller than in Lithuania. Latvia is an exception, being the only country in the European Union in which the foreign population by nationality exceeds that measured by country of birth.[17] This reflects the rather strict naturalization regime, which effectively denies citizenship to a large proportion of Russian speakers and even their Latvian-born descendants.

The late 1990s and 2000s witnessed generally increasing foreign populations in the EU15. However, these migrants came mainly from non-EU15 and non-EU27 countries, rather than EU15 member states (Bonin et al., 2008). This observation casts some doubts on the extent to which deepened EU integration increases intra-EU mobility. Those EU10 member states that started with larger foreign populations, with the exception of Cyprus, experienced a decline, mainly because of naturalization and out-migration of Russian speaking minorities from the Baltic states (Bonin et al., 2008; Kahanec and Zaiceva, 2009).

The gender composition of immigrant populations reported in Figure 2.2 varies across the European Union. Some of the most significant patterns include the under-representation of women from the EU15+EFTA in the Czech Republic, Estonia, Lithuania, Romania and Slovakia, possibly signifying a gender bias of migration tied to foreign direct investment. EU12 migrants are gender-balanced in some of the countries with the highest relative intake of post-enlargement migrants, including Ireland, Spain and the United Kingdom. A female bias is, however, present in Austria, Germany and Italy, which are also host to significant populations originating from the EU12. Women also dominate the stocks of post-enlargement migrants in Denmark, France, Greece and the Netherlands. Women generally dominate immigrant stocks from EUN countries, most significantly in Bulgaria, Cyprus, Hungary, Poland and Slovakia (although of these, only in Cyprus is the stock of these

[17] For Germany, we do not have data for foreign-born, so we cannot make the comparison.

immigrants more significant). The gender composition of other-origin immigrants fluctuates around parity without any clear pattern.

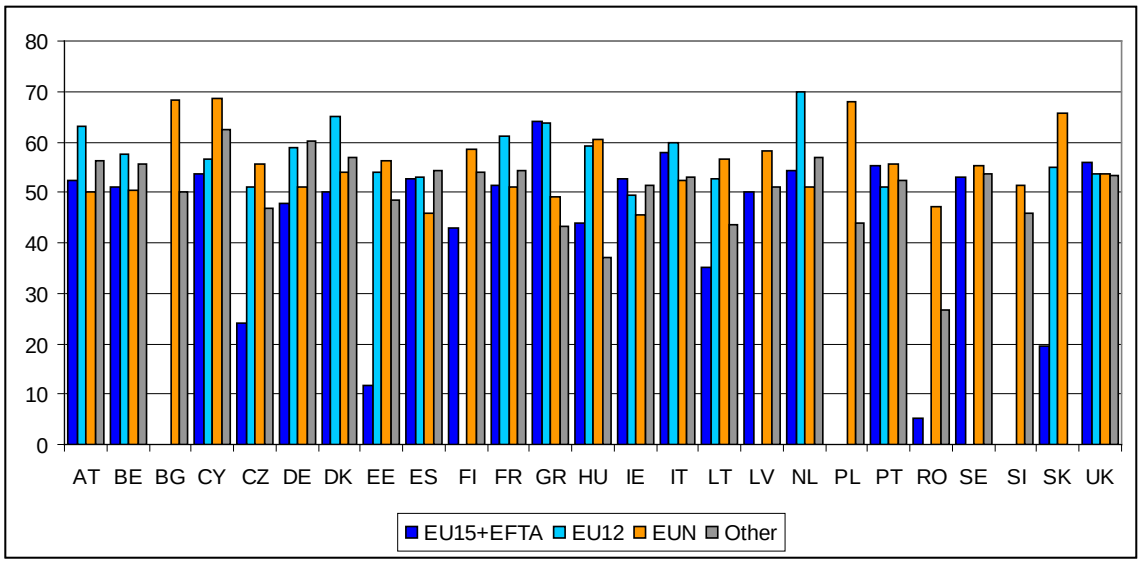
Years since migration play an important role for immigrants' adjustment in host labor markets.[18] Some of the most recent immigrants are those from the EU15+EFTA in Cyprus, Denmark and Slovakia; from the EU12 in a majority of EU15, including Cyprus, Ireland, Portugal, Spain and the United Kingdom; from the EUN in Cyprus, Ireland and Portugal; and from other origins in Cyprus, Ireland, Slovakia and Spain. These indeed are countries with a relatively short history of immigration in general (Cyprus, Ireland and Spain) or a short history of immigration from a given sending region (EU12 immigrants in the United Kingdom). Interestingly, some of the most mature immigrant populations are to be found in the east of the European Union, mostly in the Baltic states but also others. This finding may be explained by historical factors, such as migration within the USSR for EUN migrants in the Baltic states, within Czechoslovakia for EU12 migrants in the Czech Republic and Slovakia and, and within Yugoslavia for EUN migrants in Slovenia.

To elucidate the skill composition of foreign populations across the European Union, we plot the share of high-educated immigrants among various immigrant groups to the share of high-educated immigrants among natives (see Figure 2.3). The diagonal line represents equal shares of the high-educated among immigrants and natives. Panel i) shows that EU15 and EFTA immigrants in the European Union are more educated than natives in all EU member states except for France, Finland and Germany. EU12 immigrants are in general relatively well educated, with Denmark, France and the Netherlands receiving more educated EU12 migrants, while Greece, Italy and Portugal receive mainly low-educated EU12 migrants. Cyprus, Spain and the United Kingdom also receive relatively low-educated EU12 migrants with respect to their native populations. We see in panel iii) that EUN immigrants are generally relatively less educated than natives in EU15 member states,

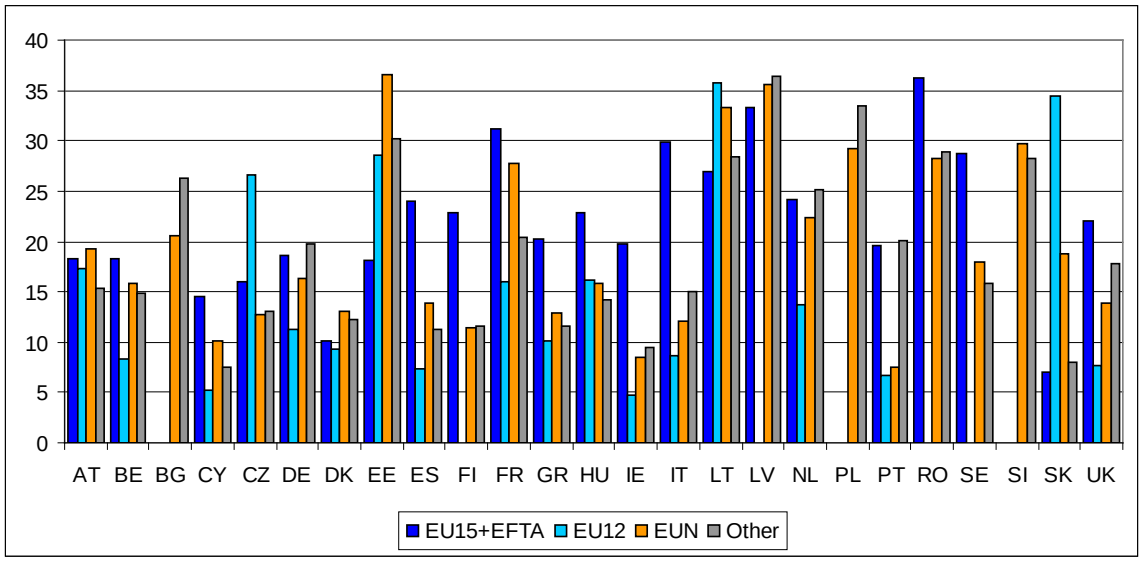
[18] See Kahanec and Zimmermann (2010b) for a review, and below.

except for Finland, Ireland and Portugal, and relatively more educated than natives in all EU12 member states bar Slovenia. In a majority of destination countries, immigrants from other destinations than those enumerated above are relatively more educated than natives.

Figure 2.2. Composition of immigrant populations across the European Union
i) Gender composition, women (percent)



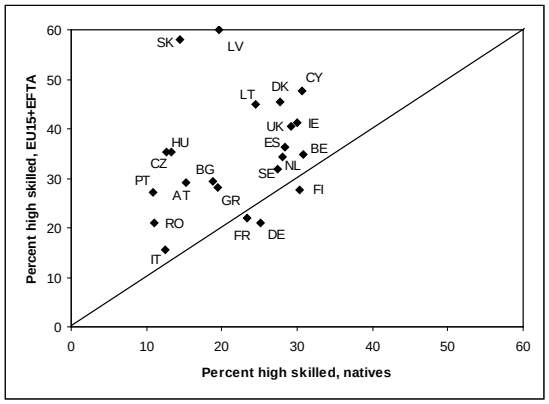
ii) Years since migration, group average



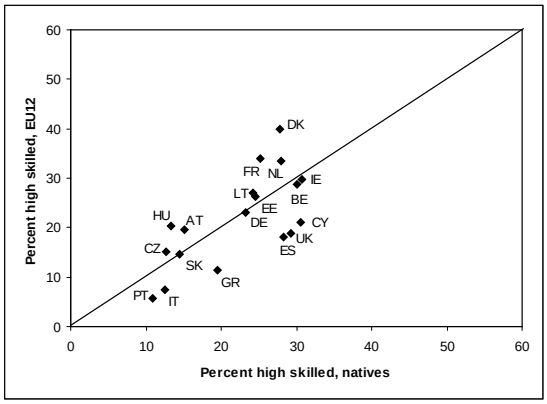
Source: Author's calculations based on the 2010 wave of the EU LFS.
Notes: See Figure 2.1. Immigrant definition based on nationality for Germany.

Figure 2.3. Educational attainment of natives and immigrants in the European Union

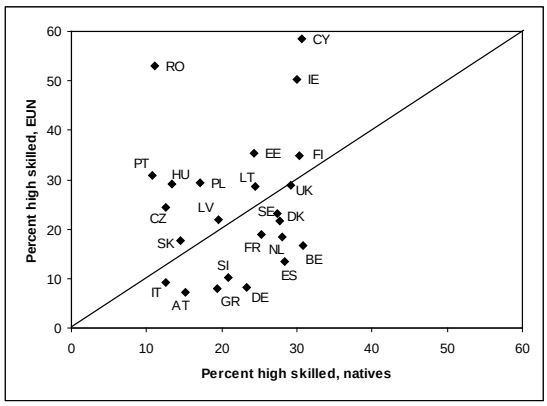
i) Percentage of high-educated EU15+EFTA immigrants and natives



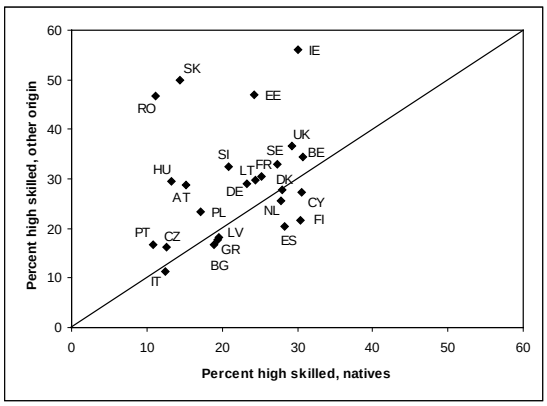
ii) Percentage of high-educated EU12 immigrants and natives



iii) Percentage of high-educated EUN immigrants and natives



iv) Percentage of high-educated other immigrants and natives



Source: Author's calculations based on the 2010 wave of the EU LFS.

Notes: See Figure 2.1. Immigrant definition based on nationality for Germany. High level of education includes International Standard Classification of Education (ISCED) 5 and 6 levels. ISCED 5 denotes first-stage tertiary programs with an educational content more advanced than those offered by secondary levels. They do not lead to the award of an advanced research qualification and must have a cumulative duration of at least two years. ISCED 6 denotes second-stage tertiary education leading to an advanced research qualification and requiring an original research contribution in the form of a thesis or dissertation. For further details, see UNESCO (1997).

Hard data thus reject the notion of generally substandard (formal) educational attainment of immigrants in Europe. However, imperfect adjustment manifested as downskilling into jobs of incommensurate skill level and the quality of education acquired abroad remain important issues for the evaluation of the skill composition of migrant populations.[19]

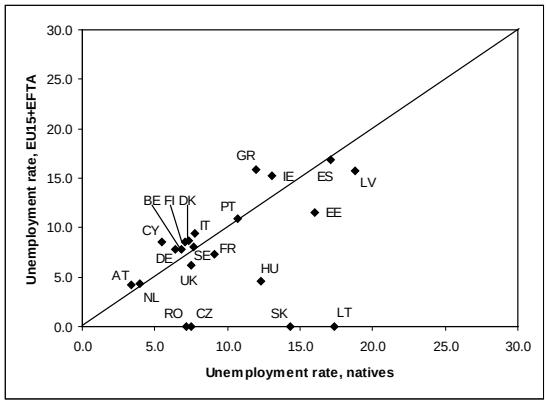
[19] See Kahanec (2013) for a review.

The labor market outcomes of various groups of migrants in the European Union are of key importance for the costs and benefits of increased labor mobility within the European Union and between other countries. Figure 2.4 presents unemployment rates for the EU15+EFTA, EU12, EUN and other-origin immigrant groups. Again, the diagonal line represents parity between immigrants and natives. We observe that EU15 and EFTA immigrants experience unemployment rates not too dissimilar to natives in the EU15 and lower in the EU12. The latter observation may be linked to migration of managers and professionals tied to foreign direct investment flowing into these countries. The general pattern for EU12, EUN and other-origin immigrants is that in the EU12 these exhibit similar unemployment rates as natives, while in the EU15 higher unemployment rates are observed for these immigrant groups. Overall, there is a positive correlation between the unemployment rates for natives and immigrants.

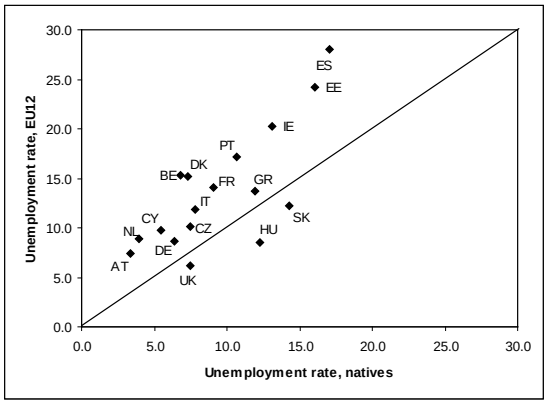
A complementary indicator to the unemployment rate is the participation rate, as it, among other things, captures the diversion of excess supply in the labor market to inactivity. Figure 2.5 shows that the EU15+EFTA immigrants have generally similar or somewhat higher participation rates than natives, except for Hungary, where they have significantly lower participation rate than natives, who themselves have very low participation rate. The EU12 immigrants generally exhibit higher participation rates than natives with a notable exception of Slovakia. While the variation of participation rates for EUN and other-origin immigrants across the European Union precludes any strong generalizations, higher participation rates relative to natives are generally observed in southern and eastern member states, whereas the opposite is true mostly in western and northern member states. Poland is a notable exception with very low participation rates of EUN and other-origin immigrants in absolute terms and also relative to natives.

Figure 2.4. Unemployment rates of natives and immigrants in the European Union

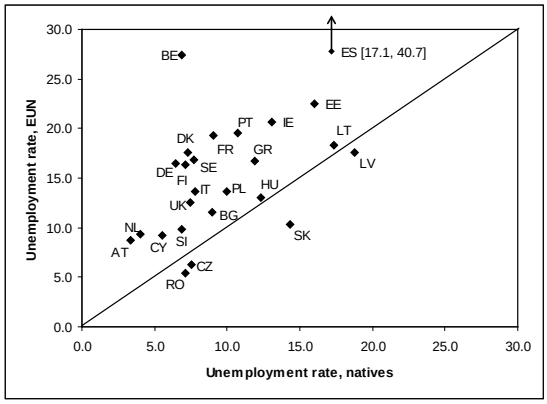
i) Percentage unemployed EU15+EFTA immigrants and natives



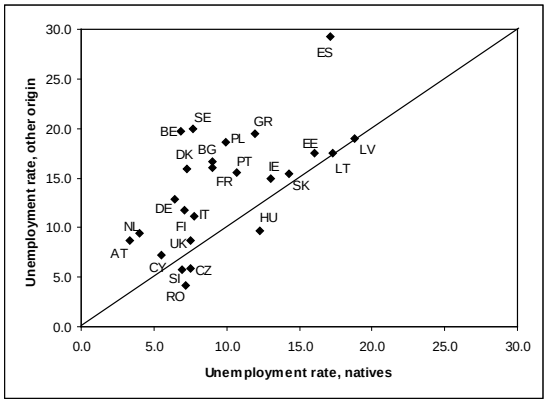
ii) Percentage unemployed EU12 immigrants and natives



iii) Percentage unemployed EUN immigrants and natives



iv) Percentage unemployed other immigrants and natives

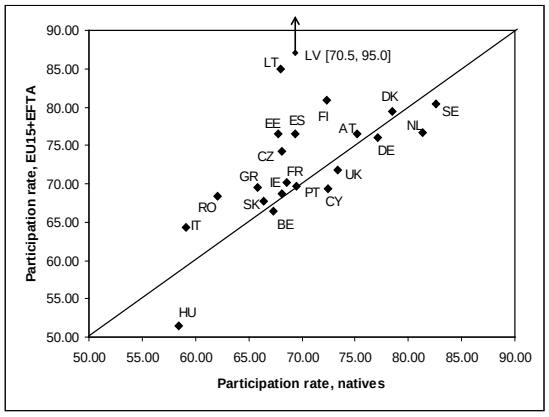


Source: Author's calculations based on the 2010 wave of the EU LFS.

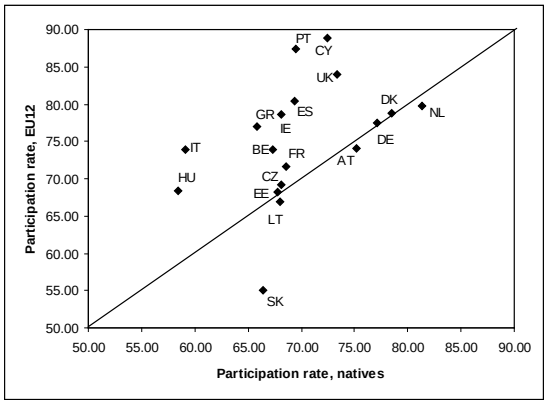
Notes: See Figure 2.1. Immigrant definition based on nationality for Germany.

Figure 2.5. Participation rates of natives and immigrants in the European Union

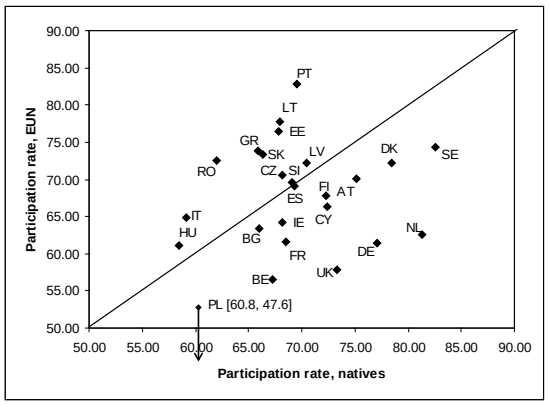
i) Percentage of active EU15+EFTA immigrants and natives



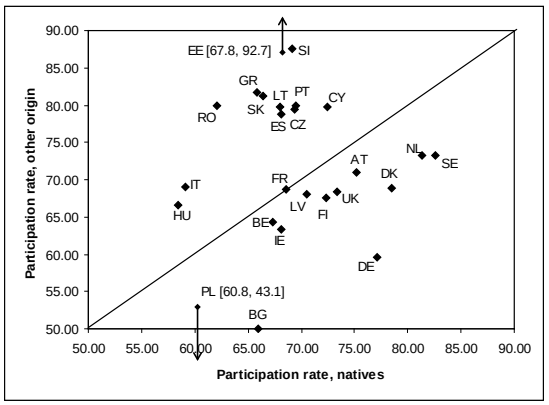
ii) Percentage of active EU12 immigrants and natives



iii) Percentage of active EUN immigrants and natives



iv) Percentage of active other immigrants and natives

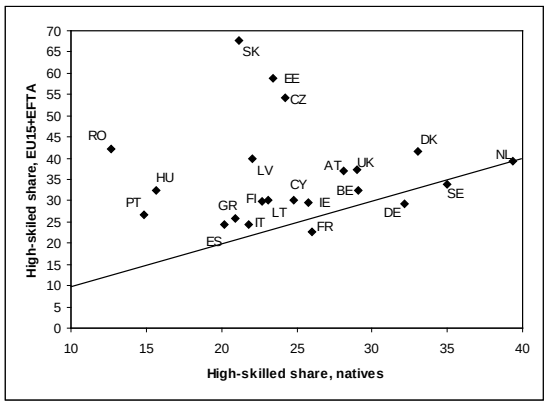


Source: Author's calculations based on the 2010 wave of the EU LFS.

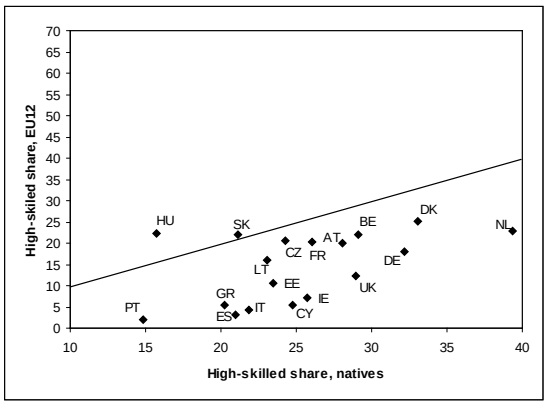
Notes: See Figure 2.1. Immigrant definition based on nationality for Germany.

Figure 2.6. Shares of high-skilled workers among natives and immigrants in the European Union

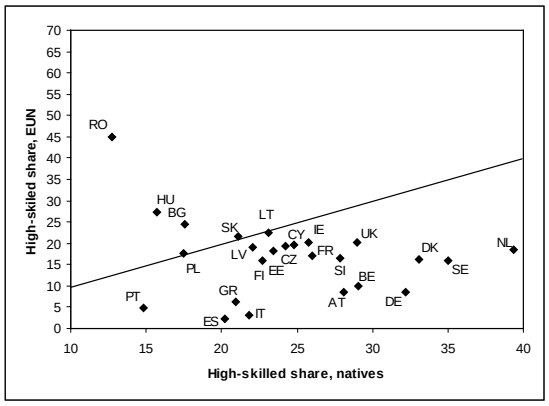
i) Percentage of high-skilled EU15+EFTA immigrants and natives



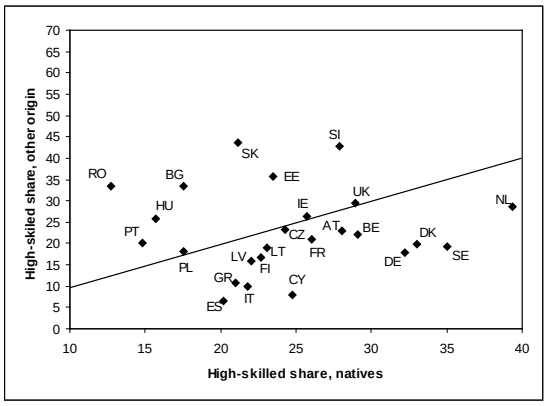
ii) Percentage of high-skilled EU12 immigrants and natives



iii) Percentage of high-skilled EUN immigrants and natives



iv) Percentage of high-skilled other immigrants and natives



Source: Author's calculations based on the 2010 wave of the EU LFS.
Notes: See Figure 2.1. Immigrant definition based on nationality for Germany.

Finally, we gauge labor market outcomes of the four studied immigrant groups and natives in Figure 2.6. We specifically examine the shares of high-skilled workers, i.e. those who fall into the top three one-digit International Standard Classification of Occupations (ISCO) codes (managers, professionals, and technicians and associate professional), in these five groups of people across the European Union. As above, the diagonal line signifies parity between immigrants and natives. The EU15+EFTA immigrants are generally, and especially in some of the EU12, the group with the highest occupational attainment among all immigrant groups and natives. EU12 migrants themselves generally work in less-skilled

occupations than natives. As most of them are fairly recent, this may signify imperfect adjustment and downskilling of relatively well-educated migrants (see Figure 2.3) into less-skilled occupations. EUN immigrants, with a few exceptions such as Bulgaria, Hungary and Romania, also fall short of natives in terms of their occupational attainment. The other-origin immigrants tend to work in less or similarly skilled occupations than natives, but there are a handful of exceptions mainly from the group of EU12 member states. Comparing Figures 2.3 and 2.6, it is apparent that all immigrant groups, perhaps except for those originating in the EU15+EFTA, suffer from significant difficulties transferring their skills to host labor markets.

An important aspect of European mobility is the extent to which the labor market potential of migrants is realized. The study by Kahanec and Zaiceva (2009) shows that in terms of earnings, immigrant men with citizenship of the host country suffer from a penalty of 5.3 percent beyond the observable characteristics vis-à-vis their native counterparts in the EU15; whereas immigrant men without citizenship are penalized by 7.4 percent in the EU15 and 8.0 percent in the EU8. Penalties of similar magnitudes are found for women.

Other authors confirm a significant earnings gap for immigrants from new EU member states in the EU15. In Germany, for example, migrants from EU8 member states who arrived after their countries' EU accession in 2004 work 1.8 hours a week longer than their colleagues from non-EU countries, but their hourly wage is on average 24 percent lower than that of natives, just as is the case for non-EU immigrants. While more recent EU8 immigrants earn less than the pre-enlargement immigrants from the same origin, signifying some labor market adjustment (or changing cohort quality), they work longer hours.[20] For Ireland, a country that hosts the largest relative stock of EU10 immigrants, substantial earnings gap of 18 percent is reported. Interestingly, this gap appears to be driven by

[20] Brenke, Yuksel and Zimmermann (2010).

earnings differentials among more educated workforce.[21] For the United Kingdom, similar patterns are reported, with recent EU10 immigrants working longer hours but earning about 13 percent less per hour than natives and 9 percent less than their pre-enlargement co-ethnics – indicating adjustment to host labor market's condition or worsening quality of immigrant cohorts.[22] A study on Spain shows that whilst adjustment in terms of employment probability in Spain seems to be hump shaped – with an employment penalty as high as 22 percent in the year of arrival, a 25 percent higher probability of employment for immigrants with five years since entry and about 5 percent penalty for migrants who have arrived more than five years ago – there seems to be little adjustment in terms of job quality. In particular, the probability of working in a manual job is consistently higher for EU12 immigrants than natives, decreasing only after five years since arrival.[23]

Segmentation of European labor markets also manifests itself in an uneven allocation of immigrants and natives across sectors. We look here at six countries with some of the largest relative populations of immigrants from the EUN countries and representing some of the archetypal integration contexts: Scandinavian social democratic (Sweden); liberal (United Kingdom); conservative corporatist welfare state (Austria, Belgium and France); Mediterranean (Greece) and Central Eastern European (Latvia). Figure 2.7 presents the differentials between the share of immigrants in a given sectors in all immigrants and the share of natives in this sector among all natives.

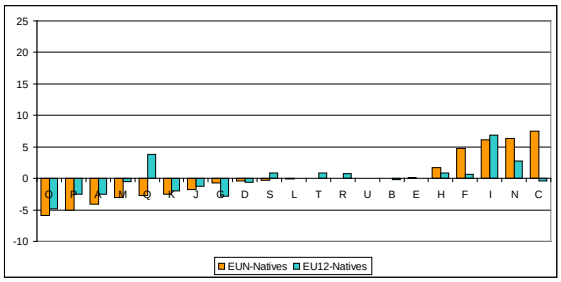
[21] Barrett, McGuiness and O'Brien (2008); see a review by Barrett (2010).

[22] Blanchflower and Lawton (2010).

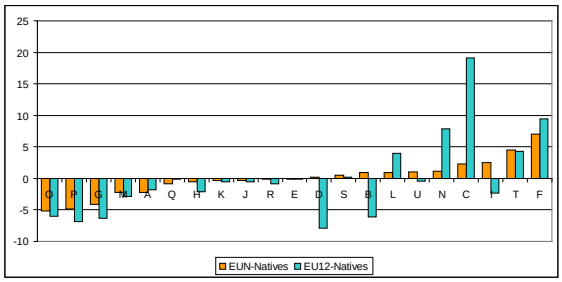
[23] de la Rica (2010).

Figure 2.7. Immigrant–native sectoral allocation differentials

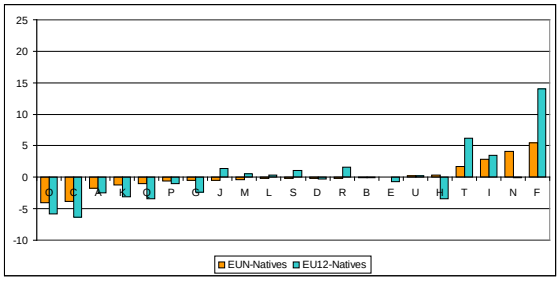
i) Austria



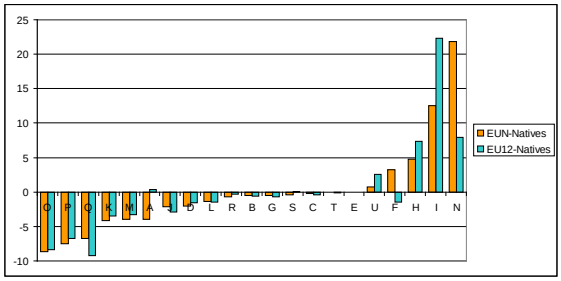
ii) Belgium



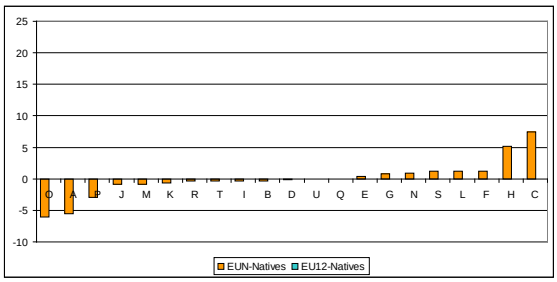
iii) France



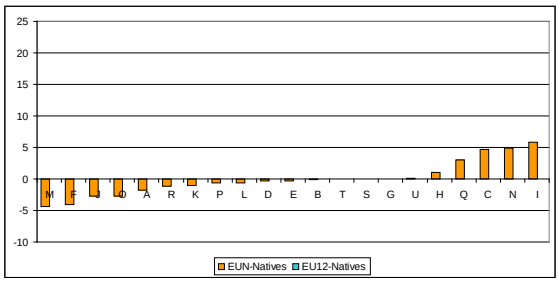
iv) Greece



v) Latvia



vi) Sweden



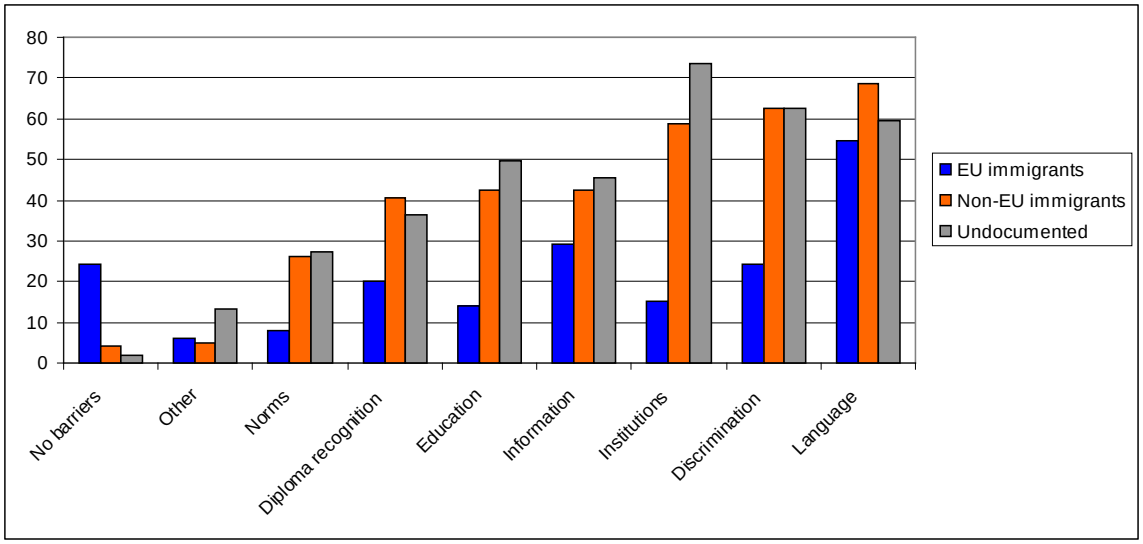
Notes: Percentage point differentials between the share of immigrants in a given sector among all immigrants and the share of natives in this sector among all natives. Ordered by differentials for immigrants from EUN countries. Own calculations based on the 2010 EU LFS. In Latvia and Sweden, the shares of EU12 immigrants are too small to calculate the presented statistics. Sectors are defined according to the NACE classification (Statistical Classification of Economic Activities in the European Community): A: Agriculture, forestry and fishing; B: Mining and quarrying; C: Manufacturing, D: Electricity, gas, steam and air conditioning supply; E: Water supply; sewerage, waste management and remediation activities; F: Construction; G: Wholesale and retail trade; repair of motor vehicles and motorcycles; H: Transportation and storage; I: Accommodation and food service activities; J: Information and communication; K: Financial and insurance activities; L: Real estate activities; M: Professional, scientific and technical activities; N: Administrative and support service activities; O: Public administration and defense; compulsory social security; P: Education; Q: Human health and social work activities; R: Arts, entertainment and recreation; S: Other service activities; T: Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use; U: Activities of extraterritorial organizations and bodies.

A distinct pattern arises across the studied cases. EUN immigrants are especially over-represented vis-à-vis natives in: accommodation and food service activities; administrative

and support service activities; manufacturing; construction; and transportation and storage. On the other hand, they are under-represented in: public administration and defense; compulsory social security; agriculture, forestry and fishing; education; professional, scientific and technical activities; human health and social work activities; and financial and insurance activities. This further corroborates immigrant–native labor market segmentation along the lines of Figure 2.6, with immigrants more frequently taking jobs in sectors that are less skill-intensive.

There generally is strong correlation between the relative distribution of EUN and EU12 immigrants, with a few notable exceptions. In Austria, EU12 immigrants are over-represented in human health and social work activities, whereas EUN immigrants are under-represented in this sector. This finding is mainly driven by the large numbers of EU12 women taking jobs in domestic care services in Austria. In Belgium, EU12 migrants work less frequently in mining and quarrying, electricity, gas, steam and air conditioning supply, and accommodation and food service activities; whereas EUN migrants are about as or somewhat more likely to be in these sectors compared to natives. While EUN migrants are somewhat more likely to work in manufacturing, real estate activities, and administrative and support service activities than natives, EU12 migrants are considerably more over-represented in these sectors. In France, EU12 migrants appear to be somewhat more segmented than EUN immigrants, over-represented especially in manufacturing and household production, and under-represented in manufacturing, transportation and storage, public administration and defense, and wholesale and retail trade. In Greece, segmentation based on foreign origin is the most pronounced compared to the other countries under scrutiny, with EU12 migrants significantly more frequently taking jobs in accommodation and food service activities than not only natives but also their EUN counterparts. In administrative and support service activities, EUN migrants are more over-represented than EU12 migrants.

Figure 2.8. Barriers to labor market inclusion



Source: IZA Expert Opinion Survey 2010, adopted from Kahanec, Kim and Zimmermann (2013)
Notes: Responses to the question: What are the most significant barriers preventing ethnic minorities from fully participating in the labor market? [no barriers; insufficient knowledge of the official language(s); insufficient education; lack of information about employment opportunities; discriminatory attitudes and behavior towards ethnic minorities; social, cultural and religious norms originating from within these ethnic minorities; institutional barriers, such as citizenship, or legal restrictions; institutional barriers related to recognition of foreign qualifications; other, please specify]. In percent of respondents, ordered by non-EU immigrants.

Some of the observed patterns of immigrant labor market outcomes in host labor markets may be due to barriers to their adjustment and access to social and labor market institutions. It has been argued that the generally negative attitudes towards immigrants, mainly those from outside the European Union, may underlie some of their difficulties with labor market adjustment.[24] Among the most severe barriers faced by immigrants are insufficient language skills; discrimination; institutional barriers, such as citizenship or legal restrictions; a lack of information about host labor markets; insufficient education; and difficulties with diploma recognition (Figure 2.8).

[24] See Constant, Kahanec and Zimmermann (2009) and Kahanec, Kim and Zimmermann (2013).

II.b The determinants of European mobility

The bulk of European migration is driven by job- and family-related factors. Housing and local environment are also significant for future moves.

Among the main barriers to European mobility are linguistic and cultural barriers, as well as anxiety about finding a suitable job in the host country.

Concerning the main drivers of mobility in the European Union, Bonin et al. (2008) analyze survey data to conclude that the two most important factors explaining past moves in the EU15, EU10 and EU2 alike are job and family related. Another important factor that is singled out is education related, concerning people who went to study, acquire training, or learn a new language abroad. When it comes to intended future moves, these are mostly related to housing and local environment, social networks, and work and income, in this order of significance, in the EU15. In the EU12, the same factors stand out, but work- and income-related factors constitute the most important group of factors followed by housing and local environment, with social networks coming in the third place (see Table 2.1).[25] Another study examines reasons why high-skilled migrants move in general.[26] Among the main factors are increased pay, carrier opportunity or better employment (each above 70 percent of respondents), as well as enjoying new culture or environment, learning a new language, and living in better climate or in a country with less crime.

[25] Bonin et al. (2008).

[26] Manpower (2008).

Table 2.1. Reasons for past and future mobility (in percent)

	EU15	EU12	EU27
		Reasons for past move	
Job related	40.5	58.6	42.3
Family related	32.2	32.2	30.6
Education related	14.7	12.2	14.5
Other	12.6	12.6	12.6
		Factors encouraging future move	
Work and income	47.9	84.7	58.7
Social network	52.8	37.3	48.3
Public facilities	17.2	18.2	17.5
Housing and local environment	71.2	57.0	67.1

Source: Adapted from Bonin et al. (2008), based on Euro-barometer 67.1.
Notes: Percentage of respondents indicating the respective factor (multiple responses possible). Job-related reasons include: "found a new job", "did not have a job but looked for a new one", "were transferred by employer"; family-related reasons include "accompanying partner or family", "went to be with family already living in new country" and "change in relation-ship/marital status"; and education-related reasons include "went to study, train or learn a new language abroad". Work- and income-related factors include "to have a higher household income", "to have better working conditions", "to have shorter commuting time"; social-network-related factors include "to be closer to family and friends", "to meet new people" and "receive better support from family and friends"; public-facilities-related factors include "better health care", "access to better schools", "better public transport"; and housing and local environment-related factors include "better local environment and amenities", "better housing conditions", "discover a new environment" and "better weather".

As for the macroeconomic factors, differentials in GDP per capita and growth rates, unemployment rates and the overall standard of living are the key drivers of international migration in the European Union.[27] Satisfaction with various aspects of life and work are also found to be important predictors of international migration, with lower levels of satisfaction correlated with a higher propensity to move. Together with a well-documented observation that several new EU member states from Central Eastern Europe exhibit relatively low levels of satisfaction with their life and job, this suggests that some of the east-west post-enlargement migration flows are due to different levels of satisfaction in the

[27] Bonin et al. (2008).

old and new EU member states.[28] Structural mismatches in EU labor markets also explain some of the observed migration patterns.[29] A history of previous migration from the same origin and existence of ethnic social networks in the destination country are consistently found to explain migration flows.[30]

At the micro-level, Bonin et al. (2008) show, using Eurobarometer data about migration intentions, that older people are less mobile than younger ones, women less than men, families less than singles (unmarried without children), low skilled less than high skilled, and employed less than unemployed. Past migration experience increases the propensity to move. Finally, this study also highlights the role of "national tastes and preferences" for migration, arguing that mobility rates vary across EU member states also due to factors beyond the observed differences in such areas as economic development, sizes of immigrant communities and proximity. These factors may include cultural or historical variables that condition current preferences or tastes for migration.

Identified in the study by Bonin et al. (2008), among the key hurdles to international migration in Europe are linguistic and cultural barriers, as well as worries about finding a suitable job in the destination country. Interestingly, in the same study differences in labor market institutions, housing market organization, or welfare provision and fiscal systems across the European Union do not transpire as significantly important for EU migration. Yet the authors argue that legal, recognition, portability and access barriers[31] in the labor

[28] Blanchflower and Lawton (2010) and Blanchflower, Saleheen and Shadforth (2007) discuss these effects in the context of post-enlargement migration to the United Kingdom.

[29] Kureková (2011)

[30] Hatton and Leigh (2011).

[31] Legal barriers include: those precluding entry of family members; recognition barriers those related to recognition of diplomas and qualifications. Portability barriers are those related to the portability of social security rights. Access barriers include those related to the access to the social security system, education and health care, among others.

market and in the domain of health care and social security, existing in spite of harmonization efforts, increase the pecuniary and non-pecuniary costs of migration and thus decrease migration propensities.

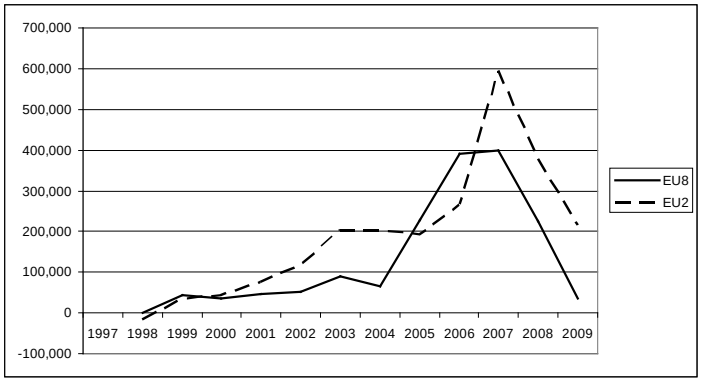
II.c The effects of recent EU enlargement on intra-EU migration flows

In spite of transitional arrangements, the 2004 and 2007 enlargements have significantly, but probably only temporarily, increased geographic mobility in the European Union.

EU10 migrants in the EU15 are on average positively selected vis-à-vis the source as well as host populations; this is not the case for EU2 migrants.

The 2004 and 2007 EU enlargements have changed the European migration landscape quite significantly over a relatively short period of time. The share of the working-age (15-64) EU nationals residing in another EU member state than their own increased from 2.0 percent in 2004 to 2.8 percent in 2010 (European Commission, 2011a). The post-enlargement migration flows from the new to the old member states began to subside in 2008 and the long-run effects of enlargement on EU mobility are, however, yet to unfold.

Figure 2.9. Net flows of EU8 and EU2 citizens to the EU15.



Source: Own calculations based on Holland et al. (2011) data.

Over the five year period following the 2004 EU enlargement, the number of EU8 and EU2 nationals in the EU15 increased by a factor of 2.5, reaching almost five million people in 2009, or 1.22 percent of the total EU15 population.[32] This increase in stock reflects significant increase in migration flows from the EU8 from circa 58,000 annually over the five-year period before 2004 to 256,000 annual migrants from 2004 to 2009, on average. Migration from the EU2 increased correspondingly from 129,000 to 330,000 annually, on average. Migration flows slowed done significantly in 2008 and 2009, most probably as a consequence of the economic slowdown in Europe during that period (see Figure 2.9.).

In terms of the share in host country's population in 2009, EU8 migrants went mainly to Ireland (4 percent), Luxembourg (1.7 percent), the United Kingdom (1.3 percent), and Austria (1.1 percent). EU2 migrants predominantly went to Spain (2.2 percent) and Italy (1.6 percent). While we do observe some diversion of migration flows to countries that opened their labor markets early on, such as Ireland and the United Kingdom, data does show that transitional arrangements did not stop inflows from new member states. From the sending countries' perspective, in terms of the share in source country population in 2009, the largest post-enlargement outflows were experienced by Romania (9.9 percent), Lithuania (5.7 percent) and Bulgaria (5.7 percent).[33]

As argued above, labor market effects of these migration flows are – at least in theory – a function of their composition. It transpires that among EU10 migrants in the EU15 in 2009, 26.9 percent achieved high educational attainment (compared to 15.5 percent among the total EU10 population), whereas the corresponding figure for the total EU15 population is only 21.7 percent. Even lower was the share of migrants with high educational attainment among those from the EU2, at 12.1 percent (compared to 11.7 percent among total EU2

[32] Kahanec (2013).

[33] Kahanec (2013).

population).[34] In fact, whereas the share of low-educated people in total EU15 population is 38.2 percent, it is 37.1 percent among EU2 migrants (compared to 30.6 percent among total EU2 population) and 20.5 percent among EU10 migrants (compared to 22.4 percent among total EU10 population).[35]

These general patterns of selection indicate that EU10 nationals in the EU15 are more educated than the host population in the EU15, but they also are positively selected vis-à-vis their source EU10 population. On the other hand, EU2 nationals in the EU15 appear not only to be less educated on average than the EU15 population but also the source EU2 population. At face value, such migration flows in a simple textbook model would imply a negative effect of EU10 immigration on high-skilled wages (or higher unemployment) and a positive effect on low-skilled wages (or lower unemployment) in the EU15. An open issue is the extent to which the skills of EU10 migrants are transferable. An important related factor is the degree and speed of adjustment of immigrants to the conditions in the host labor markets.[36] In the case of imperfect transferability of skills (downskilling), and also for the case of EU2 migrants, who in general were less educated upon arrival, the effects of migration may be the opposite of what is described above – negative in the low-skilled market and positive in the high-skilled market. Correspondingly, the effects on wages and unemployment in the sending countries would be negative in the low-skilled and positive in the high-skilled sector in the EU10 and the opposite in the EU2.

Patterns of selection appear to have been uneven across an enlarged European Union, with transitional arrangements affecting the scale and composition of post-enlargement

[34] "High education" = ISCED 5 and 6; "medium education" = ICED 3 and 4; and "low education" = ISCED 0, 1 and 2 (UNESCO, 1997).

[35] Kahanec (2013). Sample of people of 16-64 years of age and not in military service, EU LFS 2009.

[36] See Kahanec and Zimmermann (2009). The adjustment patterns of post-enlargement migrants are yet to be evaluated.

migration flows.[37] High-skilled post-enlargement migrants were disproportionally attracted to Demark, Ireland, Luxembourg and Sweden; whereas Belgium, Finland, Greece, the Netherlands, Portugal and Spain were more likely to attract less-skilled colleagues.[38] The patterns of out-migration from the EU8+2 appear to have been bi-modal, with migrants over-representing high-skilled (except Estonia, Lithuania and Slovenia) as well as low-skilled (except Hungary and Latvia) populations, but under-representing medium-skilled populations.[39]

As migrants from the new member states are predominantly labor migrants, these patterns of selection need to be understood in the context of supply and demand in the sending and receiving labor markets. Differences between supply and demand conditions in western (such as Germany, Ireland and the United Kingdom) and southern (Italy and Spain) European labor markets, the former mainly receiving EU10 and the latter EU2 migrants, may also explain some of the observed differences in selectivity patterns between EU10 and EU2 migrants. The migration decision is also conditioned by the expectations of the potential migrant about his or her probability of success in securing desired employment. Potential migrants better equipped to succeed are thus also those who are more likely to migrate, which may also explain positive selection of labor migrants with respect to source populations. Finally, several EU15 member states have applied transitional arrangements towards EU10 and EU2 migrants differently. As more skilled migrants appear to have been more distracted by transitional arrangements than their less-skilled colleagues, this policy variation may explain part of the observed differences in selectivity between EU10 and EU2 migrants.[40]

[37] Kahanec, Zaiceva and Zimmermann (2010), Kahanec and Zimmermann (2010b).

[38] Holland et al. (2011).

[39] Ibid.

[40] See Kahanec and Zimmermann (2010b).

II.d Harmonization of legislation and the remaining obstacles to internal mobility of the skilled EU labor force

The EU has progressed in harmonizing legislation in order to facilitate internal mobility.

Significant obstacles to internal mobility remain, however. These include:

- *transitional arrangements restricting migrants from the EU2,*
- *administratively complex transfer and exercise of social-security and health-insurance rights*
- *taxation issues*
- *practical difficulties with recognition of foreign qualifications*
- *discrimination of migrants in access to business services.*

The European Union has done much to facilitate internal mobility of EU citizens within its internal market. Indeed, European enlargement and harmonization of policies in the domains such as social security, pensions and health insurance seem to have facilitated increased intra-EU mobility. This includes harmonization and automatic recognition of qualification requirements in the health sector (doctors, dentists, nurses, midwives, pharmacists or veterinary surgeons) as well as for architects; automatic recognition of experience of professionals; mutual recognition for occupations requiring certain qualification; recognition of qualification in regulated sectors such as commerce and distribution of toxic substances; and harmonization of laws regulating self-employment and the principal-agent relationship.[41] In 2007, a new Directive (2005/36/EC) that consolidated and updated 15 existing directives dealing with recognition of qualification came into effect.

[41] Bonin et al. (2008); Kahanec, Zaiceva and Zimmermann (2010).

An important area of harmonization is social protection, especially with regards to coordination of social security rights and portability of supplementary and occupational pension rights. Some of the achievements include the linear accumulation of pension rights, meaning that a national of an EU member state working in a different EU member state accumulates pension rights at the rate of 1/40 for every year of work abroad, according to the so-called apportionment rule. The overarching principle is that migrants should not incur any loss of social security rights as a result of their migration decisions. This, for example, means that workers and their families receive social benefits in the country where they work and pay contributions, and they have the right to transfer their social security rights to another member state. On the other hand, EU regulation rules out situations with migrants receiving the same social benefit or service from more than one member states at the same time. Another important area is the portability of health insurance rights, in which an important step was the introduction of the European Health Insurance Card. This card provides access to medically necessary publicly-provided health care during a temporary stay in any other EU member state. These rights are coordinated at the EU level by a number of Regulations and Directives, including Council regulation 1408/71/EEC, Council regulation 883/2004/EEC, and the Directive of the European Parliament and of the Council 2003/41/EC.

And yet, there remain a number of significant legislative, institutional and administrative obstacles to free labor mobility within the European Union. These include transitional arrangements still restricting the freedom of movement for workers from the EU2 (as of May 2012). Second, in spite of the efforts to harmonize institutions and regulation across the European Union, even intra-EU migrants often face significant administrative barriers. These include complicated, lengthy and non-transparent procedures when transferring social-security and health-insurance rights. For example, moving from one member state to another still leads to loss of occupational pension benefits in some member states.[42]

[42] Bonin et al. (2008).

Another issue is the practical implementation of the European Health Insurance Card, acceptance of which by the medical staff is sometimes less welcoming due to additional administrative burdens that they have to incur upon accepting it. In addition, complex and non-harmonized tax codes may lead to double taxation and often do not permit tax deductibles if expenses are made abroad.[43] This is especially relevant for high-skilled workers, who often engage in more complex migration trajectories.[44]

Third, some discrimination of intra-EU migrants is also present in the business world, for example in access to mortgage financing if applicant's place of residence, work or property to be purchased are not in the same member state.[45] The often temporary nature of employment contracts of highly mobile workers poses another difficulty when accessing credit. Moreover, EU warranties on durables sold in the European Union sometimes become difficult to claim or even effectively void after moving to another member state.[46] Fourth, recognition of qualification acquired in another member state is in some cases difficult to achieve. The usual hindrances include the need to translate extensive

[43] For example, German insurance companies often do not recognize medical expenses made abroad arguing that it is impossible for them to monitor whether the treatment was done according to German legislation. As an example of problematic taxation rules, the German tax system applies split taxation for spouses, taking into account their joint incomes, even if made abroad. Due to progressive taxation this may result in a higher tax for cross-border families – effectively a kind of double taxation, as the family has to pay higher taxes in Germany if one spouse earns money abroad, even if that spouse's income has been properly taxed abroad. In other words, in such cases foreign income is taxed abroad and then additional tax still has to be paid in Germany because of this same – already taxed – income.

[44] See the discussion in Kahanec and Zimmermann (2010a).

[45] This may include a penalty on foreign income for mortgage calculation purposes. For example, only 70 percent of foreign income may be taken into account for mortgage calculation.

[46] For example, a transnational manufacturer of consumer electronics offers an EU warranty on its products. If one purchases a television set in Germany and moves to Slovakia, this warranty is effectively void, however. The reason is that the German branch of this manufacturer only honors warranty if the product is *used* in Germany. The Slovak branch only honors the warranty if the good is *purchased* in Slovakia.

documentation, but also the practical implementation of recognition is often burdensome.[47] In addition, the abovementioned directive 2005/36/EC does not cover lawyers, commercial agents and the management of toxic substances.

The potential of legislation harmonization at the EU and sub-EU level to facilitate intra-EU mobility still appears to be large, given the relatively limited current mobility and significant macroeconomic imbalances across the European Union (Bonin et al., 2008). This may be even truer with the uneven economic developments across Europe during the economic crisis of the late 2000s and early 2010s, which further exacerbated some of the existing imbalances. The areas in need of further efforts include the transferability of rights across national social security and health-insurance systems, elimination of hidden forms of double taxation and ensuring recognition of tax deductibles across national borders, prohibition of any discriminatory practices disadvantaging migrant customers and full recognition of qualification acquired within the European Union in all its aspects.

Indeed, mutual recognition of professional qualifications is a prerequisite for realizing potential benefits of migration in terms of an improved allocation of human capital across EU labor markets. Although downskilling may be a rational strategy for temporary migrants in some situation – for example, if they do not find investing in mastering host country's language worthwhile and rather take a less demanding job but work longer hours – it is a waste of human resources if it occurs due to formal administrative hurdles.[48]

[47] For example, holders of academic degrees in some countries may have their degrees, in abbreviated form, recorded on their ID cards. To register foreign degrees in this way in Slovakia, applicants' diplomas must explicitly state the abbreviation of the degree. In some countries, such as the Netherlands, it is not customary to state the abbreviation of the degree in the diploma, however. See also Kahanec and Zimmermann (2010a).

[48] Kahanec and Shields (2009). The argument is that from the point of view of a migrant, the costs of acquiring country-specific human capital may exceed the benefits of doing so. For example, investing time and money in mastering host country's language may have negative returns if the costs of this investment exceed the present value of the returns on language skills – the difference between income with such skills (work as an

The European Union has already made significant progress in recognizing professional qualifications, including: harmonization of training requirements in the health sector; mutual recognition of qualifications needed for professions for which minimal thresholds are set; automatic recognition of experience for professions in craft, commerce and industry; harmonization of rules for self-employed commercial agents; and recognition of qualification for professions in commerce and distribution of toxic substances.[49] Directive 2005/36/EC consolidated and updated 15 previously adopted Directives in one encompassing piece of legislation, except lawyers, commercial agents and manipulation with toxic substances.

In spite of the efforts to facilitate the recognition of qualifications, in many professions migrants' qualifications still need to be recognized by the host country through a non-automatic bureaucratic procedure. Worse, such professionals can be asked to exercise their profession under the supervision of a domestically qualified worker for up to three years.[50] A related problematic area is licensing and formal qualification requirements for certain occupations, often only serving to deter competition from new entrants and migrants among them.

Similar harmonization issues are shared by engineers as well as health and other professionals.[51] While automatic recognition of qualifications should enable the smooth

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engineer) and income without such skills (work as a driver). This is especially true for temporary migrants, whose horizon of reaping the benefits of any such investment in the host country is short, and so is also the disutility of the lower occupational status in case of downskilling. Another form of downskilling occurs when even migrants who plan to invest in host country's human capital need to take up less-skilled jobs temporarily to support themselves until they acquire such human capital to transit into adequately skilled jobs.

[49] Bonin et al. (2008)

[50] Bonin et al. (2008)

[51] This paragraph draws on European Commission (2011a).

transfer of human capital, its practical implementation is seriously hampered by outdated classifications of economic activities used to categorize eligible professions. Another problem area, especially for architects, is the complex procedure for the notification of new diplomas. A general issue is that while minimum standards are stipulated based on educational credentials, the actual capability to practice a profession may also depend on experience in the specific field. In addition, practical difficulties arise for partially qualified or young professionals, who under general provisions may lose access to their profession. Case-by-case evaluation of applications for recognition, when required, imposes rather high costs on competent authorities. Finally, when applicants want their qualifications recognized, they still face major difficulties in accessing the necessary information about the evaluation process, including identification of the competent authority and finding information about what documents are required. Limited use of electronic means of communication with the competent authorities is a related problem.

In the medical sector, recognition of qualifications is especially sensitive due to the complex and heterogeneous organization of this sector across Europe. In spite of the aforementioned harmonization efforts, many difficulties still remain.[52] These include differences in the content of medical training across Europe, as education, and with it medical training, is a competence of member states. Although EU law regulates certain minimum standards, national legislations specify the bulk of medical training as well as access to the medical profession. The training time is still not the same for all the member states. Importantly, the classification of medical specializations and terminology are not fully harmonized across all the member states. For example, in some countries a General Practitioner is confused with a specialization in Family Medicine, and so are general training and basic training. Many universities offer programs that do not directly translate into medical specializations. As the lack of language skills erects barriers in communication

[52] European Medical Association (no date).

between doctors and patients, authorities in the health sector suggest increasing the centralization of the control of language skills for health professionals treating patients.[53]

The European Union has responded to these difficulties by proposing the EU Professional Card, with the objective to facilitate the free movement of professionals in the European Union. This should be achieved by simplified administrative procedures of qualification recognition, higher transparency of the process and increased trust among competent authorities in the member states. In 2011, the European Commission launched a Steering Group chaired by the European Commission and comprising of representatives of member states, professional associations and other competent authorities. Currently, discussions concern a number of professions, including doctors, nurses, physiotherapists, pharmacists, engineers, mountain guides and real estate agents.

While this effort is certainly commendable, a number of concerns remain. For example, The European Federation of National Engineering Associations (FEANI) has highlighted the variation across the European Union as to which professions are regulated, partially regulated or not regulated.[54] Harmonization across the European Union requires establishment of competent authorities issuing the card, but this may be difficult, as it may not be clear who this competent authority should be. In addition, FEANI has expressed concerns "that 'a standardized professional card' will – by definition – be impossible to achieve for all professions: different professions will require different criteria to be verified and documented (for tourist guides this may consist in language skills being more important than credentials in CPD [Continuous Professional Development] as is the case for engineers)".[55]

[53] European Commission (2011a).

[54] FEANI (2011).

[55] Ibid, p. 2.

In response to such difficulties, FEANI proposed a European EngineerING Card, which is a professional card for engineers and is aimed at increasing transparency and mobility in the EU engineering market. A broader approach to these problems is the harmonization of degrees, their automatic mutual recognition and quality assurance in higher education under the Bologna Process, which has not yet been fully implemented across the European Union, however. A similar recognition of vocational training would be equally desirable.

II.e The role of EU labor market institutions, and their variation, in conditioning the flow of skilled migrants

Minimum wages, hiring and firing regulation, and taxation interact with high-skilled migration in a non-trivial manner.

The variation of labor market institutions across the European Union may be an important factor of migration flows in the European Union. While minimum wages probably do not affect high-skilled migrants directly, as minimum wages are unlikely to be binding for them, several indirect effects may arise. First, in the case of downskilling even high-educated migrants may end up in low-skilled jobs. If downskilling is severe, minimum wages may become binding for them and may thus affect their migration decision. In such a case, a higher minimum wage may attract immigrants. However, as migrants take their expected earnings into account when making the migration decision, it is also possible that a higher minimum wage makes it more difficult to find a job and so deters immigration. Indeed, there is some evidence of this being the case in the United States.[56] Interactions with unemployment insurance, if eligible, may arise. In particular, a higher unemployment rate may be less distracting for migrants in the case of generous unemployment insurance.

[56] Orrenius and Zavodny (2008).

Another channel through which minimum wages may affect high-skilled migration is international student mobility – to the extent international students depend on employment in low-skilled sectors with a binding minimum wage. Additional indirect effects may arise through the interplay of low- and high-skilled markets in the receiving countries, whereby a binding minimum wage in the low-skilled sector may engender a reinforcing circle between high-skilled immigration and demand for high-skilled labor through complementarity between high-and low-skilled labor and increased low-skilled employment.[57]

Hiring and firing regulation, as well as the regime of wage bargaining, may have non-negligible effects on labor mobility. Labor markets with more flexible hiring and firing regimes tend to be more open to immigrants. This is because migrants are quintessential entrants into employment in host labor markets. The lower the costs of hiring, the easier it is to hire a migrant; and the lower the costs of firing, the less concerned the employers are doing so, as the costs of the potential need to fire employees in case of lower demand are lower. The same argument holds for countries with more flexible wage bargaining and a lower degree of unionization. One reason why Sweden did not attract significant numbers of post-enlargement immigrants was its highly unionized labor market, dominated by insiders and imposing high adjustment costs on immigrants.[58] To the extent that any hiring or firing regulations, or wage-bargaining regime, slow-down economic activity, they also reduce the demand for labor and thereby limit employment opportunities also for immigrants. On the other hand, positive effects on immigration arise if labor market regulation or coordination of wage bargaining provide for a more stable and safe working environment, or if trade unions channel information about employment opportunities to potential migrants.

[57] Kahanec (2013).

[58] Gerdes and Wadensjö (2010).

Taxation may be another important factor affecting international migration. According to the Roy model, countries with less (more) progressive taxation are more (less) likely to attract high-skilled workers, ceteris paribus.[59] While little is known about the effects of taxation on the composition of inflow of migrants, one study has found insignificant effects of taxation on migration flows.[60] Although some studies propose that more generous welfare systems attract immigrants, which is the so-called welfare magnet hypothesis of international migration, Giulietti et al. (2011) cast doubts on this hypothesis in the EU context.[61]

II.f Summary

EU integration and enlargement have vastly improved the potential for skilled mobility within the European Union. Economic opportunities, structural mismatches in the sending labor markets, linguistic proximities and distances, social and family ties and an internationalized higher education system are some of the key drivers of skilled mobility. Yet, a substantial part of the potential for increased mobility has not been realized. Some of the main reasons are historically and culturally determined (linguistic barriers), but many – if not most – have to do with the barriers still present in the design and implementation of policies governing the internal EU labor market. This is true especially in regard of the still problematic harmonization and transferability of social assistance and services, health insurance and pensions, as well as the recognition of qualifications. Certain elements of taxation (hidden double-taxation, complex and non-harmonized tax exemptions) often increase the costs of migration as well.

[59] See Roy (1951) and Kahanec and Zimmermann (2009) for a discussion.

[60] Pedersen, Pytlikova and Smith (2008).

[61] See alsoBorjas (1999a); Pedersen, Pytlikova and Smith (2008); and De Giorgi and Pellizzari (2009).

While many of these issues appear to have been well harmonized on paper, in reality migrant workers face significant integration barriers and administrative hindrances, especially if their migration trajectories are more complex (circular or multi-country) or they involve family members (with their own migration trajectories). These difficulties appear to be common among skilled workers, as they tend to be more mobile and thus their migration trajectories more complex. This observation is very important in view of the positive effects of intra-EU migration, such as those related to migration, as an adjustment mechanism through which asymmetric shocks across the European Union can be absorbed. If migrants work in jobs that do not match their skills, suffer from integration barriers and administrative and other hindrances, and are separated from their relatives and friends, it follows almost inevitably that many of them find their experience of working abroad unsatisfactory.[62] Such dissatisfaction with the migration experience may then partly explain the relatively low propensity to migrate in the European Union.

[62] Anderson et al. (2006).

III. The role of European Neighborhood Policy for skilled labor flows

III.a The European Neighborhood Policy: the institutional and political contexts

The ENP aims to promote mobility between the European Union and its Neighborhood through:

- *improved labor markets access*
- *investment possibilities*
- *intensified professional, educational and cultural exchanges*

The degree to which this goal has been achieved varies country by country.

Mutual Recognition Agreements have achieved easier recognition of qualifications but difficulties with implementation persist.

Since its launch in 2004, the ENP has aimed to foster increased political and economic contacts between the European Union and ENP countries (European Commission, 2010c). This includes strengthened contractual relations by means of Association Agreements and Action Plans, with the objective to provide support to ENP countries' reforms. Attainment of the Action Plan goals by ENP partners is generally perceived as beneficial for the European Union as well. Better economic development increases trade with the European Union, job creation in the countries of origin decreases the flows of illegal migrants, and stable political regimes ensure security in the region (see Section VII.a in the Appendix for details).

To promote economic and cultural ties between the European Union and the countries surrounding it, the ENP fosters increased mobility and contacts of people. This is to be achieved by means of improved labor markets access, investment possibilities, and intensified professional, educational and cultural exchanges. Taking into account differences in national labor and migration strategies, the ENP applies a differentiated approach in

shaping its visa and migration policy, employment regulations and facilitated labor programs for ENP partner countries.

More than two million Schengen visas[63] were issued to citizens in ENP countries in 2008, out of which 1.3 million represent an increase of 13 percent when considering the number of visas issued only by the 13 EU member states that were part of Schengen in 2004. For these citizens, however, access to new member states actually worsened, as these states had to start implementing stricter visa requirements upon EU accession. This indeed led to decreased immigration to these countries from ENP countries (European Commission, 2010c). The European Union has, therefore, simplified visa procedures for several ENP countries, including Moldova and Ukraine, through agreements on visa facilitation, and with Georgia and Moldova through Mobility Partnerships. However, the short-term travel visa regime with southern ENP countries has not made much progress (European Commission, 2010c).

Although the European Union appears to be fairly open to the liberalization of trade and mobility of capital, it is more reluctant when it comes to liberalizing access to its labor markets. In fact, the European Commission has little mandate to affect EU migration policy, as this mandate is with member states. There is much variation in whether and how member states have liberalized access to their labor markets for non-EU nationals, including those from ENP countries. Denmark and the United Kingdom have, for example, implemented point systems, favoring the entry of high-skilled immigrants. Most countries offer special provisions for researchers and academics, and some also for foreign students remaining after graduation. Most Scandinavian and western European countries also offer tax exemptions for skilled migrants. Denmark, Greece, Hungary, Spain and the United

[63] Schengen visa are issued by the EU member states that signed the Schengen Treaty (so-called Schengen countries comprising the whole European Union except for Bulgaria, Ireland, Romania and the United Kingdom). Schengen visa holders are allowed to travel freely within the Schengen area.

Kingdom have a positive list of occupations and sectors for which access is provided more easily. High-skilled migrants are exempt of market assessment requirement in Austria, Belgium, Denmark, Ireland and the United Kingdom, and also Germany and Hungary. Immigrants investing larger amounts of capital or creating jobs are also given preferential treatment in many EU member states. The European Commission has implemented its own initiative – the EU Blue Card – providing access to EU labor markets for high-skilled immigrants.[64]

Some countries have been more successful in implementing their Action Plans than others. For example, according to independent monitoring by the civic initiative Europe without Barriers, the main problems for Ukraine remain in the "Document Security" area, the general implementation level of necessary benchmarks is only equal to 25 percent.[65] On the other hand, Moldova successfully implemented necessary reforms concerning biometric passports and the travel documents system and this is attested in European Commission (2012). The Georgian system of biometric data recording has been operational since April 2010. However, following a presidential veto in the Ukraine in January 2012, a law on biometric data management failed to successfully pass parliament.

While Georgia is still tackling the issue of illegal migration and border control, Ukraine has managed to implement 85 percent of the benchmarks set by the European Union in the "Illegal Migration including Readmission" area.[66] The implementation level assessment relates to necessary legislative changes approved by relevant national authorities. Successful improvement of legislative framework for border management in Moldova and Ukraine can be attributed to expert involvement in the activities of the European Union Border Assistance Mission to Moldova and Ukraine. Georgia's slower progress in Visa

[64] See Kahanec and Zimmermann (2010a) for a detailed discussion about high-skilled migration policy across the European Union.

[65] Europe without Barriers (2012).

[66] Ibid.

Facilitation Action Plan implementation can be explained by a later conclusion of the relevant agreements with the European Union, which entered into force in March 2011. Student mobility is an important channel of skilled immigration, and young researchers from ENP countries can benefit from programs such as Erasmus Mundus (mobility within university partnership), Tempus (structured cooperation for university modernization), Youth in Action (mobility of young people), eTwinning (school cooperation), the Bologna Process, individual mobility grants (Marie Curie Fellowship), scholarships (European University Institute, College of Europe), the Euro-Med Youth Program and various other cultural programs.

Special attention should be paid to Mobility Partnerships, as these instruments offer cooperation schemes for participating countries not only in traditional spheres such as managed migration, asylum and readmission, but they also focus on legal mobility and labor migration. Local border traffic agreements between ENP countries and individual member states promote opportunities for people-to-people contacts. Improvement of the transportation infrastructure between the European Union and its neighbors contributes to people's mobility as well. Training provided for border guards of ENP countries supported by the European Union has increased border control efficiency and resulted in enhanced cooperation with Europol and Eurojust.

In general, the European Union provides financial aid and advice to ENP countries, under various financial instruments and projects, in the sphere of migration management, and particularly in combating illegal migration. The projects are aimed at establishing relevant institutions (such as border or migration services and asylums) and improving border control systems and facilities. Specific examples include the European Union Border Assistance Mission to Ukraine and Moldova, training for border offices in Algeria and Ukraine, and funding the establishment of international section in the National Agency for Employment in Morocco.

Over recent years, many countries have introduced specific mechanisms aimed at integrating immigrants and providing them with better knowledge about the country in attempts to promote easier access to employment for foreign workers. Specific efforts include leaflet information available in different languages (in Austria, the Czech Republic, Denmark, Germany, Greece, Hungary, Italy, Latvia, Luxembourg, Portugal and Sweden), online campaigns promoting tolerance towards immigrants (in the Czech Republic and Poland), language courses (in France and Germany), preparation for passing basic tests on the knowledge of the history and customs of the receiving country (in Denmark, Portugal and the United Kingdom) and personal integration plans (in Lithuania, Romania, Slovenia and the United Kingdom). In addition, educational courses for children and training for adults are available in most EU member states. Furthermore, information centers offering legal help, training and psychological support have also been established.

The European Union has sought for the unification of educational and professional requirements across its territory in order to ease admission of students or employment of professionals in different spheres. With this purpose, the European Commission negotiated specific Mutual Recognition Agreements (MRAs) with a number of third countries. As of May 2012, 26 countries had signed MRAs regulating the recognition of professional qualifications: Australia, Austria, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, India, Israel, Italy, Japan, the Republic of Korea, Malaysia, the Netherlands, New Zealand, Norway, Pakistan, Singapore, Spain, Sweden, Turkey, the United Kingdom and the United States. This makes Israel the only ENP country with an MRA with the European Union.[67]

[67] The MRA with Israel was signed in 1999 and entered into force on May 1, 2000. According to Tovias (2008), during the negotiation process before 1994, the European Union was not willing to discuss mutual recognition of diplomas and professional qualifications and sign an MRA with Israel – referring to the country's small scale economy and political reasons. By 1995, however, the bilateral agreement between the European Union and Israel had paved the way for mutual recognition of certification procedures and laboratory tests, promoting R&D cooperation between the countries, which was later reaffirmed by the MRA.

Apart from MRAs aimed at recognizing of professional qualifications, the European Union is active in negotiating special types of MRAs promoting trade with ENP countries. For example, Agreements on Conformity Assessment and Acceptance of Industrial Products (ACAAs) should contribute to the elimination of technical barriers to trade. These agreements have so far been negotiated with Algeria, Egypt, Israel, Jordan, the Lebanese Republic, Morocco, the Palestine Authority and Tunisia) and Ukraine in industrial sectors in which the legislation is harmonized at European Union level.

In addition to bilateral agreements signed with ENP countries, recognition of qualifications also involves agreements within international professional organizations. Increased globalization of production necessitates efficient mobility of specialists across borders. Delays in the mobility of professionals, due to testing, authorization or registration, may hinder development in some sectors. International organizations of architects, engineers, doctors, nurses, accountants and lawyers have concluded reciprocal agreements on cooperation and have agreed on lists of recognized academic and vocational schools facilitating international mobility. Some agreements also list exemptions from qualification testing for members of professional associations. Harmonization of standards (and consequently raising the standards in ENP countries), facilitation of cross-border reciprocity, professional practice avoiding lengthy and costly authorization procedure – and thus more efficient mobility of professionals – are some of the benefits of MRAs.

On the basis of available studies[68], a concise review of approaches to immigration in individual member states is provided in Section VII.b of the Appendix. The review shows that specific governmental programs (point, quota and special card systems) do not specifically target ENP countries but rather third-country nationals. EU member states mainly apply three types of criteria defining high-skilled migrants: educational attainment,

[68] IOM (2009); Bonin et al. (2008); European Migration Network (2007a); Kahanec and Zimmermann (2010a).

salary level and skill level needed for a particular sector. In most countries, the following categories of high-skilled workers are defined: managers, executives, researchers, university professors, artists and athletes. The existing point systems for migrants (Denmark and the United Kingdom) pay particular attention to the level of education; Austria, Belgium and the Netherlands have organized foreign labor selection processes on the basis of salary threshold. However, migrants from ENP countries may enjoy certain benefits within the framework of special bilateral agreements concluded between an EU member state and ENP country. These bilateral programs generally allow easier access to the labor market of the EU member state. This leads not only to larger numbers of migrants between the signatories, but is likely to improve migrants' integration into the host society by reducing the amount of effort needed to cope with pecuniary and non-pecuniary costs of migration.

III.b The patterns of skilled labor mobility between the European Union and the Neighborhood partner countries

Among the ENP countries, Algeria, Morocco and Ukraine top the list of source countries with the highest numbers of migrants in the European Union.

As a share in host population, Austria, Belgium, France, Greece, Germany and Italy, as well as Slovenia and the Baltic states, are host to the largest ENP populations.

In spite of the high share of highly educated workers among emigrants from some ENP countries, the overall share of high-skilled among ENP migrants in the EU15 tends to be relatively low. This is because the European Union is losing skilled migrants to the United States and other destinations.

Irregular migration may negatively affect skilled immigration.

In recent years, there have been significant labor migration flows from most ENP countries. However, due to geopolitical and economic reasons, nationals of ENP countries have followed varied migration patterns and have chosen different destination countries depending on the migration opportunities open to citizens of different ENP countries. Historical and political developments have had a significant impact on migration and employment trends. While in the 1960s-70s, Europe was accepting large number of migrants from countries south of the Mediterranean, the bulk of eastern European migrants (primarily from Ukraine and the USSR) settled in Argentina, Brazil, Canada and the United States, creating large diasporas there. In fact, the constraints of the Soviet regime restricted migration flows from the East Bloc to Western countries until the end of the 1980s. The fall of the Iron Curtain and democratic developments in the region opened migration possibilities for nationals from eastern ENP countries. Subsequently, the 1990s were marked by increasingly large migration flows from former Soviet states to Austria, France, Germany and the United Kingdom, but also neighboring countries that were not EU member states at that time – Bulgaria, the Czech Republic, Estonia, Latvia, Lithuania, Poland and Romania.

Countries south of the Mediterranean have traditionally sent significant numbers of migrants to the European Union. This has given rise to generations of immigrants in several host member states of mainly Algerians, Moroccans and Tunisians in Belgium, France, Italy, the Netherlands and Spain. In 1999, Moroccans accounted for 13.6 percent of the total foreign population in Belgium, 15.4 percent in France, 11.9 percent in Italy, 18.4 percent in the Netherlands and 20.2 percent in Spain; Tunisians, 4.7 percent in France and 3.5 percent in Italy; and Algerians, 14.6 percent in France.[69] In fact, the Moroccan community is the second largest non-EU immigrant group living in the European Union, with 1,024,766 Moroccans in France, 276,655 in the Netherlands, 287,000 in Italy, 222,948 in Spain and

[69] OECD (2001).

214,859 in Belgium.[70] Latest trends in migration from Morocco show an increase in the female share among migrants.[71]

According to Eurostat data beginning in 2010, three ENP countries are in the top ten countries of origin of non-EU nationals in the EU27 – Morocco, Ukraine and Algeria, accounting for 1.9, 0.7 and 0.6 million migrants, respectively. In 2009, non-EU nationals constituted 36.5 percent (7.2 million) of all immigrants in the European Union.[72] The third largest number of migrants in the European Union comes from Ukraine; Eurostat migration statistics shows that in 2010 migrants from Africa made up 25.2 percent of all immigrants with the largest numbers arriving from Algeria and Morocco.[73]

When we take into account available data on migrants from the region, we can see that migration from the South Mediterranean countries to Europe is on the rise, with Morocco, Algeria and Tunisia being the countries with the highest numbers of migrants staying in Europe. For example, according to official statistics in the sending countries, around 2.7 million Moroccans, 992,000 Algerians (number provided for 1995) and 779,000 Tunisians were resident in Europe already in 2005.[74] According to another study, 4.5 percent of the foreign-born EU population are Moroccans, 3.9 percent are Algerians and 1.7 percent are Tunisians (1999-2003 census data).[75] The highest shares of ENP immigrants are in (see Figure 2.1): Austria, Belgium, France, Greece, Germany and Italy, but also, due to historical

[70] de Haas (2007).

[71] Ibid.

[72] In general, the accuracy of available data concerning migrants from Eastern European countries, particularly Belarus, Moldova and Ukraine, can be questioned both due to reluctance of migrants to deregister officially once they are abroad and limited national migration management policies. In addition, high numbers of illegal migrants have not been accounted for. See Eurostat (2011, 2012).

[73] Ukraine is among top five countries by emigration in the world, having a total of 6.6 million of emigrants in 2010. Egypt occupies the 11th position, Morocco 16th and Belarus 28th (World Bank, 2011).

[74] Fargues (2007).

[75] Katseli, Lucas and Xenogiani (2006).

reasons, the Baltic states (mainly Russian speakers) and Slovenia (mainly originating from the other former Yugoslav states).

With respect to skilled migration, out of all ENP countries only the Lebanese Republic is among the countries with the highest emigration of tertiary educated migrants, and it occupied the 28th position in the world in 2000.[76] Egypt was among the top emigration countries for physicians, position 16, while the Syrian Arab Republic was 22nd. Very high numbers of emigrants are found in the health sector in Algeria, Morocco and Tunisia, with 44 percent of Algerian, 31 percent of Moroccan and 33 percent of Tunisian physicians practicing abroad.[77] Algeria and Morocco have contributed 3.5 and 3.1 percent of skilled foreign-born nationals residing in the European Union, respectively.[78]

Eurostat data on non-EU-born workers in the European Union for 2008 (both for recent immigrants and for those with more than seven years of residence) show a peculiar observation that skill levels are the lowest for the countries south of the Mediterranean. Morocco is an extreme case, where a third of migrants do not have any formal qualifications. Based on statistics reported by Docquier and Marfouk (2005) on high-skilled migration to Organisation for Economic Co-operation and Development (OECD) members from countries south of the Mediterranean, the Lebanese Republic demonstrates the highest high-skilled emigration rate (the share of the number of high-skilled emigrants in the total high-skilled population in a given sending country) at 38.6 percent, while Egypt has the lowest rate, at only 4.6 percent. In contrast with the low emigration rate, the selection rate (the share of high-skilled emigrants in the total emigrant population from given origin) for emigrants from Egypt is 58.9 percent, compared to the Lebanese Republic at 44.5 percent. The Syrian Arab Republic serves as another example for a low high-skilled

[76] World Bank (2011).

[77] Marchetta (2010)

[78] Katseli, Lucas and Xenogiani (2006).

emigration rate (at the rate of 6.1 percent) and high selection rate (44.3 percent). Morocco and Tunisia show similar moderate rates both in terms of high-skilled emigration rate (17.0 percent and 12.5 percent respectively) and selection rate (12.9 percent and 14.9 percent). Algeria, Jordan and the Occupied Palestinian Territory are characterized by similar high-skilled emigration rates (9.4 percent, 7.2 percent and 7.2 percent). Having equal high-skilled emigration rates, Jordan and the Occupied Palestinian Territory are also almost equal in selection rates (55.6 percent and 55.0 percent). Algeria, in contrast, has a relatively low selection rate of 14.1 percent. Jordan and Israel have traditionally been countries with lower emigration but relatively high selection rates.[79]

In spite of the high selectivity rates, Figure 2.3 shows that in the EU15 the educational attainment of ENP migrants is lower than that of natives. Indeed, skill selectivity of migrants is often not favorable for Europe. Egyptian migrants in Gulf states and North America are more skilled than Egyptian migrants in Europe: 55 percent of high-skilled Egyptians going to OECD countries migrate to North America.[80] Similarly, Canada, the Gulf states and the United States are the main destination countries for skilled workers from the countries south of the Mediterranean. According to Zohry (2008), although Egyptian migrants prefer Gulf states or North America as their main destination, migration to Europe has recently become popular.

Diversification of types and flows of migrants has started to be found. Migration patterns have also changed in terms of gender, with an increase of female migrants into the EU member states – both from Eastern Europe and Morocco. Similar to their male colleagues, female migrants often suffer from downskilling. For instance, 36.5 percent of Ukrainian

[79] Adams (2006) provides data confirming the arguments above that Jordan and the Lebanese Republic have a large share of high-skilled emigration (defined as workers with 13 or more years of schooling), with the respective selection rates at 55.6 percent and 44.3 percent. On the other hand, among Moroccan and Tunisian migrants only 12.9 percent and 14.9 percent are high skilled.

[80] Martín (2010).

women in Italy have a university degree and professional experience as teachers, nurses or doctors, but work in cleaning or care industries.[81]

Since the 1990s, migration from ENP countries has been characterized by a relatively low percentage of high-skilled migrants, while the numbers of refugees and asylum seekers from all geographic regions of the ENP have remained high. However, due to the recent enlargement of the European Union and new facilitative programs for neighboring Eastern European countries, the share of high-skilled migrants has increased slightly. In addition, the list of destination countries has diversified, as new member states started receiving migrants from Belarus, Moldova and Ukraine, including the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and Slovakia.[82]

Being the largest community there, Moroccan immigrants had a comparatively high rate of employment in Spain in 1999 – 38.4 percent – employed in sectors such as market services, manufacturing, agriculture and construction.[83] This sectoral allocation suggests that Moroccan migrants in Spain tend to be less qualified. Studies have shown that the share of educated migrants has risen significantly for countries south of the Mediterranean. Due to higher level of education in the sending countries as well as improved access to higher education in the European Union and also through newly established EU educational programs, the numbers of educated professionals or students who remained in the European Union after graduation are higher. For example, 41 percent of Algerian migrants in the United Kingdom are high-educated and similar shares can be found among Moroccans and Tunisians. At the same time, however, only 10 percent of Algerian labor migrants in France have a university degree – with 84.1 percent in the United States.[84]

[81] Montefusco (2008).

[82] Kahanec and Zimmermann (2010b).

[83] IOM (2002).

[84] European Commission (2010b).

The low shares of highly skilled migrants from countries south of the Mediterranean testify to differences in migration patterns into the European Union from the ENP region. Studies have shown that high-skilled migrants arrive to the European Union mainly from North America and Eastern Europe. However, while 38 percent of Eastern European migrants are high skilled, it does not necessarily mean that they occupy positions corresponding to their education and professional experience.[85]

Some studies argue that there are peculiarities in terms of specialization among the highly skilled workers from the southern Mediterranean who tend to come from certain fields of study such as humanities and social sciences. In Egypt, for example, 76.2 percent of university students study in the humanities and social sciences. The corresponding figures are 75 percent in Morocco, 60 percent in the Lebanese Republic and more than 50 percent in Algeria, the Syrian Arab Republic and Tunisia.[86] These imbalances indicate that the problem of downskilling may be in part due to mismatch between the skills that are supplied by immigrants from ENP countries those that are demanded in EU labor markets.

The migration structure across countries of origin is also peculiar. For example, highly skilled migrants from Ukraine are mainly young men and middle-aged women as well as students – regardless of gender. Moldovan migrants usually include young married men leaving for seasonal work, so the share of highly skilled Moldovans is relatively smaller, at 20-25 percent.[87] Concerning highly skilled migrants from Belarus, one needs to take into account the difficult bilateral relations between Belarus and the European Union. Not surprisingly, the number of Belarusian migrants – including seasonal workers or researchers and students – is much smaller than from the other ENP countries due to various administrative barriers.

[85] Venturini, Fakhoury and Jouant (2009); Kahanec (2013).

[86] Martín (2010).

[87] IOM (2009).

A specific concern related to migration from ENP countries to the European Union are irregular migrants, who enter, stay or work in the host countries without formal authorization by competent authorities. It is estimated that there were about 1.9 to 3.8 million (0.4-0.8 percent of the total EU population) irregular immigrants in the EU27 in 2008.[88] The broader consequences of irregular migration in the social, economic, political and security domain condition its relationship to skilled migration.

The direct effects of irregular migration for public budgets include the costs of law enforcement and policing of irregular migration as well as tax evasion. More broadly, however, irregular migration also entails security and safety risks, such as human trafficking, prostitution, forced labor or precarious employment. Another significant social cost is that irregular migration puts the rule of law at risk. All these costs are amplified if they distort incentives of the general population in the economy.

On the benefit side one should mention the increased supply of labor, human and social capital and possibly physical capital in the host country.[89] Irregular migrants, however, often face severe barriers to their inclusion in host labor markets. As reported in Figure 2.8, irregular migrants, just like non-EU migrants, suffer mainly from institutional and linguistic barriers, as well as discrimination. Whereas language is the most important barrier for non-EU immigrants, institutional barriers – rather unsurprisingly – come out as most severe for irregular migrants. Such barriers seriously impede irregular migrants' access to all kinds of public services such as education and training, welfare benefits and services, health care, as well as services of banks and financial institutions.[90] Such a lack of inclusion impedes the

[88] ELIAMEP (2009). The corresponding figures for the United States are 11.2 million or 2.2 percent of total population (Passel and Cohn, 2011: 9).

[89] Obviously, some of these resources may be of negative nature – such as negative social capital used in illegal activities.

[90] Kahanec, Kim and Zimmermann (2013).

abovementioned benefits. However, if irregular migrants are channeled into low-skilled jobs, they become complementary to high-skilled immigrants in the labor market. High-skilled migrants may be able to benefit from such complementarities.

Irregular migration also tends to receive significant negative public attention. To the extent this negative attention spills over to skilled migration as well, or is simply generalized to migration as such, irregular migration may fuel negative attitudes towards migrants and thereby worsen discrimination and other barriers to immigrant inclusion. Thus, although skilled migrants may benefit from the presence of irregular immigrants in the host country, they also suffer from a range of negative externalities irregular migration brings about. These consequences of irregular immigration negatively affect and, in effect, discourage skilled migrants.

III.c The determinants of skilled labor mobility between the European Union and Neighborhood partner countries

Skilled labor migration from ENP countries to the European Union is mainly driven by:

- *lagging economic development in the sending countries (low wages, high unemployment and rising prices)*
- *a gap in opportunities for personal and professional development after graduation between ENP countries and the European Union*
- *a gap in access to quality social and health-care services and adequate social security programs between ENP countries and the European Union*
- *high fertility rates (primarily in some of the countries south of the Mediterranean) causing migrants to seek employment abroad in order to support large families*
- *educational opportunities and acquisition of language skills in the host countries*
- *corruption, territorial conflicts, poor governance and state protection policy in the sending countries*

Three sets of determinants of migration can be highlighted in the context of migration between ENP and EU member states:

1. Determinants shaping general flows of migration.
2. Determinants related to historical and cultural ties between sending and receiving countries depending on the region of origin of migrants.
3. Determinants related to specific facilitative programs for skilled migrants in the destination country.

Even though ENP countries are rather different in their political and economic development, all of them face similar problems in terms of certain economic and social indicators: the level of unemployment, access to highly paid positions, and opportunities to realize creative and business potential. In addition, the level of democratic freedoms and human rights protection in many ENP countries is still rather limited, which negatively affects the access to employment for women and certain social groups. For example, the general unemployment level among women in Morocco is 23 percent, while unemployment for high-skilled women rises to a striking 75.3 percent.[91] Similar proportions can be found in other Arab countries – Algeria, Egypt, Jordan, the Syrian Arab Republic and Tunisia.[92] In other ENP countries, freedom of movement is limited, making it extremely difficult to find employment abroad – Belarus serving as a salient example. The differences in labor skill composition across ENP countries discussed above also influence the proportions of skilled and low-skilled labor flows to the European Union. Thus, diversification of determinants in the first group should be made when country specifics are taken into account. In the analysis, we adhere to the differentiation between push (unfavorable conditions in the home country) and pull (conditions that attract migrants to the destination country) factors of migration defined by Lee (1966).

[91] Fargues (2005).

[92] Ibid.

When considering the general reasons and structure of migration flows, one can observe some similar migration patterns across ENP countries: young single people are more mobile than families (a notable exception is Morocco,[93] where family reunification contributed to a significant shift from circular migration in 1970-1992); people with previous experience of travelling or working abroad are more likely to migrate; and the unemployed or people working part-time tend to relocate more easily than those with steady jobs. Such conclusions can be made on the basis of the extensive study of labor migration determinants conducted by Zaiceva and Zimmerman (2008).

Some of the main economic reasons for labor mobility between the European Union and ENP countries include the following:

1. Lagging economic development in the sending countries (low wages, high unemployment and rising prices).
2. A gap in opportunities for personal and professional development after graduation between ENP countries and the European Union.
3. A gap in access to quality social and health-care services and adequate social security programs between ENP countries and the European Union.
4. High fertility rates (primarily in some of the countries south of the Mediterranean) causing migrants to seek employment abroad in order to support large families.

The perceived benefits of migration to the European Union are higher salaries, better social security and benefit systems, adherence to human rights and possibilities for professional growth. [94] Migrant networks in the destination countries, as well as family reunification motives, add to the pull factors of migration to the European Union.

[93] Bilgili and Weyel (2009).

[94] Mansoor and Bryce (2007).

ENP countries have demonstrated low to medium economic indicators (with Israel and Jordan being exceptions). Upon closer inspection of economic reasons driving migrants from specific ENP countries, one notices that the decisive factors for migration vary the countries. For example, according to a field study conducted by the Egyptian Ministry of Manpower and Emigration in 2006, the main reasons for leaving Egypt were low wages, poor living conditions and a lack of employment opportunities.[95] One of the common reasons for migration was observing the success of return migrants. This hints at the significance of migration networks and the peer effect for Egyptian migration. Other studies show the main reasons are the importance of the level of unemployment and, more importantly, difficulties new graduates face in finding employment, as well as the possibility of transit migration through Libya.[96]

Since 1991, after the collapse of the USSR, and especially in 2003 and 2004 during the Orange and Rose Revolutions, Ukraine and Georgia made substantial progress in terms of democratization of political processes. Owing to the recent political developments, however, the state of democratic freedoms in Ukraine has significantly deteriorated for the last two years.[97] On the other hand, Moldova[98] and Georgia[99] have achieved some successes in fighting corruption. A high level of corruption leading to uneven income distribution is a common feature in most ENP countries. According to the Freedom House (2012) report *Freedom in the World 2012*, most ENP countries were ranked either "not free" or "partly free" due to geopolitical changes and shifts in political regimes (with the exception of Israel, which was ranked "free"). These developments conditioned some of the migration flows

[95] Zohry (2006).

[96] Zohry (2008).

[97] European Parliament (2011).

[98] European Commission (2010d).

[99] European Commission (2010e).

from ENP countries to the European Union, especially through the refugee and asylum seeker channels.

A particular survey on migrants from Albania, Egypt, Moldova and Tunisia conducted by the European Training Foundation from November to December 2006 provided detailed insight into migration intention and determinants for these countries.[100] The study confirmed that a lack of comprehensive programs for high-skilled labor migrants and the existence of migrant networks in EU member states caused flows of primarily lower-skilled labor. Existing research on the Lebanese Republic shows that low wages rather than a high unemployment rate drive high-skilled workers from the Lebanese Republic to seek employment abroad, while low-skilled workers are forced to seek employment abroad due to limited job offers in their home country.[101]

Studies on prospective migration from Algeria show that migration is contingent on living conditions and the level of education, as well as migration costs.[102] In 2004, the unemployment rate was about 4 percent in Algeria, including 1.37 million people between 18 and 35 years of age unemployed, of which 180,000 with university education and 350,000 with high-school education.[103] A study finds that that high unemployment among university graduates caused increase in the number of highly skilled migrants from Algeria.[104] In Morocco, high-skilled people also experience difficulties finding a job. The unemployment rate is 23.5 percent for university graduates compared to 9.1 percent for non-graduates.[105] As in the case of Ukraine, there has been an increase of skilled, female

[100] European Training Foundation (2007).

[101] Chaaban (2010).

[102] Hammouda (2008).

[103] Fargues (2005).

[104] Di Bartolomeo, Jaulin and Perrin (2010a).

[105] Fargues (2005)

emigration from Morocco, as highly qualified women are unable to find opportunities for professional growth.[106]

Language is one of the most important migration determinants for high-skilled workers. Firstly, it determines the country of destination. High-skilled migrants are either fluent or familiar with the English language, so Ireland and the United Kingdom attract many. Even though English is the most widely spoken and popular language among migrants from all ENP countries, France remains the top destination country for its former colonies Algeria and Morocco. Similar languages make it easier for Belarusian or Ukrainian migrants to adjust in the Czech Republic, Poland or Slovakia, whilst Hungary – a neighboring country of Ukraine – does not attract as many high-skilled migrants, possibly due to language difficulties. While learning the language of the host country may be a prerequisite for getting a job that corresponds to a migrant's qualification, English functions as the working language in some high-skilled jobs – regardless of the native language. In their studies on the relevance between migrants' education and the remittance volume sent by foreign labor migrants to their home countries, Docquier, Rapoport and Salomonec (2011) indirectly corroborate that knowledge of host country's language is an important factor for the migration decision.

Job availability is one of the most important pull factors. High demand for caretakers in Italy[107] or for construction workers prior to the economic downturn of the late 2000s and early 2010s in the Czech Republic,[108] Portugal[109] and Poland[110] caused large migration waves from Ukraine. A lack of knowledge about employment opportunities or social rights

[106] Ibid.

[107] Piperno (2010).

[108] Horáková (2000).

[109] Marques and Góis (2007).

[110] European Migration Network (2011b).

of foreign workers drives a wedge between employment opportunities and their pull effect on potential migrants.

Educational opportunities in sending and receiving countries are one of the key factors of skilled migration. The generally lower quality of the educational system in ENP countries, as well as the problem of diploma recognition, urge students to actively participate in academic exchange programs offered by the European Union or its member states. Kahanec and Králiková (2012) summarize international evidence on higher education as a channel of high-skilled international migration. For example, Suter and Jandl (2006) show that in 2005 27% of students from a European Union member state undertaking their higher education in the UK were employed in the country six months after completion of their studies.

Some studies include prospects of higher productivity, alongside higher wages, as one of the key factors for mobility of skilled professionals. For high-skilled professionals prospects of career growth, promotion, improved social status, or access to professional networks and support are important migration factors as well.[111]

In some countries, political and social push factors play an important role (Algeria, Armenia, Belarus, Jordan, Libya, the Occupied Palestinian Territory and the Syrian Arab Republic), including a high level of corruption, territorial conflicts, poor governance and state protection policy, a low level of political freedom, discrimination and abuse of basic human rights. The regime changes during the Arab Spring in the early 2010s in Egypt, Libya and Tunisia, as well as recent developments in the Syrian Arab Republic have significantly increased migration flows from these countries to Europe.[112]

[111] Driouchi, Boboc and Zouag (2009).

[112] These migration flows lead to a dispute between France and Italy and further discussions in the European Union concerning changes in the Schengen system. The dispute broke out when Italy issued temporary residence permits to 26,000 Tunisian nationals in April 2011, which prompted France to bar their entrance at the internal Schengen border.

Migration intentions are indicative of future migration flows. According to a recent survey in Ukraine[113] more than 50 percent of Ukrainians aged 18-29 would like to seek permanent residence abroad – indicative of the lack of trust in future economic, social and political development of the country.

As discussed above, bilateral relations with countries of origin serve as an important factor for migration. Selective quota systems or programs targeting high-skilled migrants have the potential to increase high-skilled migration flows. According to several studies, skilled migrants consider not only a skill transfer opportunity, but also taxation and benefit schemes.[114]

The high level of remittances received by many ENP countries shows that financial support for the family staying in the home country is an important determinant for labor migration. The relevant data presented by the World Bank does not differentiate between remittances sent by low-skilled and high-skilled workers, but it shows that labor migrants make significant contribution to the economies in their countries of origin. Among the top remittance-receiving countries in 2010 was the Lebanese Republic, at position 13, with US$ 8.2 billion, immediately followed by Egypt, with US$ 7.7 billion. Morocco was 18th, with US$ 6.4billion, and Ukraine was 21st, with US$ 5.3 billion. Interestingly, Moldova was 4th in terms of received remittances as a share of GDP (23 percent), the Lebanese Republic was 6th, Jordan 11th and Armenia 26th, with the respective GDP shares of 22 percent, 16 percent and 9 percent. In spite of existing presumptions, some researchers argue that there is no evidence that skilled migrants remit more.[115] More recent research, however, suggests

[113] Sofia (2011).

[114] Bruecker and Defoort (2009); Belot and Hatton (2008), Grogger and Hanson (2008)

[115] Faini (2007).

that higher wages and the legal employment of skilled workers could enable them to remit more.[116]

Bilateral cooperation of research centers and non-governmental organizations plays an important role in migration decision for high-skilled workers. People who have participated in research projects, workshop or conferences abroad may have more opportunities to establish contacts and learn about the existing opportunities for further application of their skills in the international setting.

Skill mismatches in the receiving labor markets result in labor shortages in some sectors. Such shortages may increase the wage premiums for migrant workers who possess the necessary skills. Several EU member states, including Austria, Belgium, Estonia, Hungary, Germany and Latvia, have experienced outflows of skilled personnel and are in need of specialists in the IT sector, doctors, managers and other skilled professionals.[117] Staff in the health-care sector is also needed in Italy,[118] Sweden[119] and the United Kingdom.[120] As such shortages are hampering economic development, several EU member states apply preferential treatment to high-skilled migrants, as described in the previous section. Such preferential treatment facilitates further inflows of skilled migrants.

Overall, the determinants of migration appear to be similar for most ENP countries, but the existence of historic and cultural ties between individual partners and EU member states shapes specific patterns of migration depending on such contexts. Higher wages, career ambitions and social protection seem to favor high-skilled migration. Although labor programs – developed by certain EU member states and aimed at attracting highly skilled

[116] Bollard et al. (2011); Docquier, Rapoport and Salomone (2011).

[117] European Migration Network (2011a).

[118] Chaloff (2008).

[119] Billström (2008).

[120] Raghuram and Kofman (2002).

migrants – have facilitated inflows of high-skilled migrants, the degree of selectivity and actual flows vary in ENP countries.

III.d The impact of the ENP on skilled migration into and within the European Union

Bilateral agreements and facilitative programs of individual member states create opportunities for skilled mobility from ENP countries; however, the shortage of skilled labor in the European Union has not been filled.

The ENP devotes significant attention to migration issues, in particular enhanced migration management, border control and the fight against illegal migration, since one of the aims of ENP is to promote higher labor mobility through various instruments offered by the policy. This involves, in particular, an effort to develop a coherent approach to tackle illegal migration, asylum and refugee issues – rather than just a simple relaxation of admission procedures.

Due to the progress in implementing the Agreements on the Facilitation of the Issuance of Visas, concluded with Georgia, Moldova and Ukraine, the number of Schengen visas issued to citizens of an ENP country is expected to increase. Some countries (the Baltic states, Poland and Slovakia) have waived fees for national long-term visas for Belarusian and Ukrainian citizens. Other instruments, such as Mobility Partnerships with Armenia, Georgia and Moldova, facilitate legal migration to the European Union for nationals of these countries.

Data on skilled labor mobility is mostly available for categories of migrants such as students (who often declare their intention to stay in the European Union after completion of studies) and young researchers. For instance, specific ENP instruments in educational cooperation have enabled the mobility of students and young leaders under the Erasmus Mundus and

the Youth in Action Program. According to the data provided in European Commission (2011b), a total of 108 students from ENP partner countries were awarded Erasmus Mundus Masters Course scholarships in the academic year 2009-2010. Students from Armenia, Moldova and Ukraine were the top three countries of origin, while Azerbaijan, Jordan, the Lebanese Republic, Morocco and the Occupied Palestinian Territory sent the fewest students). A similar pattern has been observed in youth exchanges and youth workers mobility in terms of the Youth in Action Program: Armenia, Georgia, Moldova and Ukraine are represented by the highest number of young workers, while the Lebanese Republic and the Syrian Arab Republic occupy bottom positions. A total number of 2,988 young people participated in the Youth in Action Program in 2009. The comparative numbers for 2008 and 2009 for both Erasmus Mundus and the Youth in Action Program show a slight decrease in the number of students. In 2009, ENP higher educational institutions received the right to participate in Erasmus Mundus Master Courses and Joint Doctorates.

Educational opportunities for students from ENP countries have been enhanced by scholarships offered by the College of Europe (52 students from ENP countries received scholarships in 2010) and the European University Institute. Scholars from Armenia, Azerbaijan, Egypt, Moldova, Morocco, the Occupied Palestinian Territory and Ukraine participated in the Jean Monnet Program for the first time in 2010. Belarus and Ukraine were already participants in 2007.

Young people from Mediterranean ENP countries benefited from youth exchanges within the Euro Mediterranean Youth III Program (it ended in 2010) carrying out voluntary service activities in the European Union, although the numbers of volunteers from Egypt, Israel, Morocco and Tunisia dropped slightly in 2007.

Tempus, another EU program established back in the 1990s, and currently focusing on cooperation with ENP countries, enables universities to realize projects aimed at

modernizing higher educational systems. Cooperation under the Tempus scheme also includes teacher exchange. In 2009, the leader in the number of total projects was Ukraine, followed by Morocco, Tunisia, Egypt and Algeria.

When analyzing the ENP impact on skilled mobility into the European Union, one should consider not only steps taken by EU institutions or individual member states to facilitate the employment of skilled workers from the Caucasus, Eastern European or South Mediterranean region, but also individual efforts made by EU neighbors in order to improve their education system, migration management policy and employment opportunities. For instance, as a result of territorial conflicts at the beginning of the 1990s, around 25 percent of the Armenian population left the country – which experienced a loss of skilled labor. Since 2011, the country accelerated its cooperation with the European Union under the Mobility Partnership. Due to stronger political will, the cooperation was enhanced and resulted in a successful end of negotiations on the Association Agreement. These developments have decreased the costs of migration to the European Union for Armenian students and workers.

Azerbaijan serves as a counter example. According to an ENP country report submitted in 2005, it remains a country with a high number of refugees and asylum seekers as well as a transit country for illegal migration, due the insufficient cooperation on migration issues and lack of readmission agreements with the European Union.[121] Based on the observations concerning the EU practice of concluding visa facilitation agreements with Eastern European ENP countries, it can be said that in most cases (Georgia, Moldova and Ukraine), they are concluded in parallel with readmission agreements, as the European Union pays specific attention to the fight against illegal migration and transit.

[121] European Commission (2005).

Georgia, Moldova, Morocco, Tunisia and Ukraine have all demonstrated a readiness to cooperate in the sphere of readmission and asylum policies and, by doing so, combat illegal transit migration to the European Union through their territories. Cooperation with EU agencies such as Frontex, Europol and Eurojust increases the efficiency of border control in these ENP countries, although many border procedures are still in need of improvement. Subcommittees and working groups on migration have been established in order to tackle the most problematic issues such as illegal migration or human trafficking.

Many ENP countries have made significant efforts in passing more effective migration laws, which are described in Action Plans. Considerable improvement has been achieved in institutional development, with new institutions responsible for migration management being established as state bodies (such as the state migration service in Ukraine and councils representing emigrants' interests in Algeria and Morocco).

Bilateral cross-border cooperation agreements signed with individual member states eased the mobility for local border traffic increasing border trade between ENP countries and the European Union.

Many ENP countries are active participants of EU programs aimed at increasing cooperation in spheres such as research and development (7^{th} Research Framework Program, FP7 IncoNet EECA project), social and cultural matters (Anna Lindh Foundation for Mediterranean partners) and other EU instruments promoting professional exchanges and experience sharing, training, research, reform and modernization.

ENP countries are also making efforts to modernize their labor markets in order to overcome negative outcomes of "brain drain" to countries with higher GDP levels that offer more opportunities for professional development. For most ENP countries, several serious problems remain, however: unemployment still affects mostly young people and women,

the welfare state remains underdeveloped, and advanced technologies and research and development (R&D) remain limited in these countries.

Data presented by Avato (2009) demonstrates that the low share of skilled immigrants among the total EU population in 2000 was only 1 percent. _Thus, we can conjecture that despite ENP and other instruments applied on the general level and individual selective polices of member states, the shortage of skilled labor has not been satisfied.

Summarizing the impact of ENP on migration flows from EU neighbors, it should be underlined that managed migration, including people-to-people mobility, is a declared priority for the European Union in developing good neighborhood relations. Although it does not address the skilled mobility in particular, ENP aims to find a balance between attracting skilled migration from neighboring countries and mitigating the brain drain in the region. Bilateral agreements and facilitative programs of individual member states create opportunities for skilled mobility from ENP countries; however, the shortage of skilled labor in the European Union has not been filled.

III.e The remaining obstacles, perceived and real, to internal mobility of the skilled EU labor force in the context of EU Neighborhood policies

The main barriers to mobility from ENP countries to the European Union include:

- *restrictive visa regimes and costly immigration procedures*
- *difficult recognition of academic diplomas and professional certificates*
- *strict limitations on the possibility to stay in the host country for migrants who lose their job*
- *lack of information about labor market opportunities*
- *restrictive immigration management, including binding quotas*
- *language barriers*
- *negative attitudes toward immigrants*

For most ENP countries, international mobility starts with existing visa and residence permit regulations. EU visa regulations are unified for the majority of ENP countries, with the exception of Israel – whose citizens enjoy visa-free short-terms travels (for non-employment purposes) within the Schengen zone, Bulgaria, Romania and the United Kingdom. In most cases regarding work, Israeli citizens are also eligible enter the European Union without a visa (with further application for a work permit) in order to conduct paid activities in EU member states, with the exception of Greece, Hungary, Italy, Romania, Slovakia and Spain, which require visa for such purposes. Moldovan emigrants can also exercise their right of abode in Romania.

National visa policies help citizens from ENP countries to seek employment and to settle more easily in their territory. For example, before the creation of the Schengen zone, French national visa policy was favorable towards nationals of Algeria, Morocco and Tunisia, resulting in the creation of large migrant networks from these ENP countries. After the Schengen system was established, nationals of these countries experienced more

difficulties in finding legal ways to settle in the European Union due to costly and lengthy procedures of applying for a visa or residence permit. Similarly, after the collapse of the USSR up until the latest EU enlargement waves in 2004 and 2007, Eastern European nationals were settling in the Czech Republic, Latvia, Poland, Romania and Slovakia on the basis of national migration and employment policies. After the ten new member states joined the Schengen zone, labor migrants from Eastern Europe lost their residence and employment rights and were forced to re-apply for visas or residence permits.

Action Plans developed within the ENP framework define migration matters as one of the key priorities for democratic reforms, focusing more on the fight against illegal migration and effective border management, including seasonal migrants, rather than on promoting skilled labor mobility between the European Union and ENP countries. The analysis of the latest Progress Reports developed in 2011 by the European Commission for ENP countries, on the basis of country reports and assessment of Action Plan implementation, shows that the Commission emphasized similar problems across the ENP: elaborate coherent legislation on migration, labor, asylum and refugee matters; enhance cooperation with EU agencies responsible for migration policy implementation as well as international organizations dealing with labor issues.

At the same time, ENP countries are at different stages of Action Plan implementation. For example, Georgia, Moldova, Morocco, Ukraine – and partially the Lebanese Republic – have signed readmission agreements with EU member states. The European Union stresses the need for further readmission cooperation with the other ENP counties. Furthermore, Moldova and Ukraine have signed the Action Plans on Facilitation of the Issuance of Visas with the European Union, aimed at implementation of internal reforms on four areas (including migration and readmission) that would lead to facilitation of the visa regime with the European Union. As of 2012, the general indicator of Ukraine's implementation of EU benchmarks in the sphere of combating illegal migration had reached 85 percent, which testifies to substantial reforms in Ukrainian legislation on asylum, refugee status and

enhanced cooperation with EU member states in terms of migration and cross-border traffic management. Cross-border agreements with Hungary, Poland and Slovakia have contributed to better management of migration for people with the purpose of family reunification, temporary or seasonal work. Substantial efforts have been made in the sphere of combating human trafficking. At the same time, apart from educational and research exchanges with the European Union, students or skilled workers from Eastern European countries are not specifically targeted in general ENP policies.

According to some surveys, visa issuance practice in many cases contradicts the goals of the EU Visa Code or ENP perspectives. Problems such as a lack of a unified set of documents necessary for visa application in different EU member state consulates, long visa processing duration, high visa costs (especially where the consulates resort to the services of intermediary companies), a lack of available information (particularly concerning categories of citizens who are exempt from visa fees), a lack of information on refusal reasons, inadequate requirements concerning documentation and a frequently offensive disposition of visa officials towards visa applicants all result in a deteriorating image of several EU member states and a rise in illegal visa issuance practice through intermediaries.[122]

Existing large flows of illegal migrants into EU member states and strict visa regulations show disparities in the EU approach towards migration management policy. While Ukrainians account for 9.2 percent of all visas issued by the European Union, Belarusian citizens receive the biggest number of visas proportionate to the country's population. Another peculiarity of visa issuance for Ukraine is a large number of national as opposed to Schengen visas, at 17.5 percent.[123] As national visas are mostly long term, it may be conjectured that high numbers of Ukrainians enter EU member states with the purpose of employment or family reunification.

[122] Europe without Barriers (2010).

[123] Ibid.

The large number of visas issued to Belarus citizens indicates active EU efforts aimed at improving bilateral relations and the democratic transformation of the country. However, due to internal limitations, many potential skilled migrants from Belarus are not allowed to leave the country (such as human rights activists and lawyers who are in open opposition to the current political regime in Belarus). Efforts were made to improve visa policy for Eastern European countries under the Eastern Partnership Initiative. As ENP covers different geographical regions, Eastern Partnership can provide solutions that are tailored for Eastern Europe. Still, this initiative does not include separate provisions on skilled labor mobility from the region.

During a recent round of negotiations with Moldova on the facilitation of the visa regime on 22 March 2012, the European Commission agreed on the amendments to the Visa Facilitation Agreement, extending visa privileges for Moldovans. A very important step is EU readiness to simplify the procedure of issuing one-year and five-year multi-entrance visas for certain categories of people, including civil society representatives, businesspeople, students and researchers. This means that the European Commission has paid specific attention to skilled migrants from Moldova, even though the matter of residence permits has not yet been negotiated at the bilateral level.

Emigration from Armenia, Azerbaijan and Georgia is complicated by the existence of frozen conflicts on their territory limiting both internal and international migration. However, increasingly higher numbers of students have the possibility to finish their graduate studies in the European Union. While Georgia has successfully implemented reforms in terms of the Visa Facilitation Agreement and Mobility Partnership instrument much earlier, Armenia became the fourth country to sign the Mobility Partnership in 2011, thus taking practical steps towards improving its migration policy.

Turning to the issue of students from ENP countries, it should be stressed that the recognition of academic diplomas and professional certificates has been a significant problem for effective labor mobility. Existing differences on the level of academic preparation of migrants compared to EU nationals and a lack of instruments to prove qualifications due to different evaluation systems (a lack of credit system or appropriate language certificates) both force labor migrants into employment in lower skilled positions or in many cases undeclared work. This issue of brain waste raises increasing concerns and it is especially relevant to migrants from Eastern Europe.

The failed attempts to attract highly skilled people were acknowledged by EU high officials, including the President of the European Commission, Jose Manuel Barroso, when presenting the EU Blue Card Scheme in 2007. Empirical evidence for these claims has been proven by numerous studies.[124]

While making migration choices, skilled migrants are often concerned about high migration costs, especially at the start of the relocation process. In some countries, residence permit fees are rather costly (Austria, Ireland and Malta), and the balance of migrant wages and the cost of living is not always adequate. Fees for the services of private agencies mediating mobility to the European Union add to the expense.

In many cases, skilled workers are not informed about the possibilities to seek employment in EU member states if their contract is terminated and are forced either to return to their country of origin or stay illegally.[125] The issue of continuous employability is perceived as a threat to the social benefits system: if member states allow foreign migrants to seek employment for a longer period of time, the burden of supporting them may lay on the social security system (a worrying numbers of migrants resorting to benefits in the United

[124] Boeri (2008); Geis, Uebelmesser and Werding (2011).

[125] Grant (2005).

Kingdom may serve as an example). On the other hand, in many cases skilled workers with enough savings would appreciate the availability of a certain period to find a new job before they are forced to leave the European Union. Rigid interdependency between work and residence permits hinders the mobility of skilled labor within the European Union.
The quota system and labor market or economic needs tests yield questionable results in the member states' attempts to attract skilled labor or simplify the process of employing foreign labor. Although quotas provide safety brakes in case of significant disruptions to the labor market, thus comforting policy makers, they also may be too rigid in case of the need for restructuring in the labor market. In addition, it is analytically challenging to tie quotas to true labor market needs, which also may change rapidly, and thus any quota system is unlikely to reflect them. The practice of labor market tests is often aimed at protecting domestic workers and usually deters employment procedure for skilled migrants even if no national worker applied for the position.

While the point system used in several EU member states generally provides an effective way of recruiting skilled migrants, some criteria, such as the inclusion of the salary criterion, may limit the chances of some types of skilled foreign migrants. A lack of a unified approach creates obstacles in defining the necessary skills to be employed abroad. If one applies the education criterion, then the differences in educational systems between EU member states and ENP countries should be taken into account (e.g. Armenia, Belarus and Ukraine still use different systems to qualify educational and academic degrees, universities there do not apply the credit system, etc.). If salary is considered as the main factor, then employers are the main assessors of migrants' skills, which raises concerns about possible subjectivity or possibilities of fraud being committed in order to obtain residence documentation. In September 2011, the UK Border Agency arrested British nationals on suspicion of immigration fraud. The suspects were allegedly evading the visa system by artificially inflating wages, enabling qualification for visas.

The “outstanding skills” criterion is rather vaguely defined. According to it, migrant workers must possess special types of skills that are either in high demand in the receiving country or that are not common to EU member state nationals. If the demand for foreign skilled labor in some sectors is defined on the general EU level and by individual member states, the issue of a labor market test (migrants to be recruited only after it is proven that national workers are not suitable for the positions) is a rather controversial one. Specifically, the need for native language speakers from ENP countries for customer service sector does not necessarily imply the employment of skilled workers (as even migrants without tertiary education or professional experience can be recruited as long as they speak the required language), while the need for employees at higher managerial positions possessing certain foreign language skills raises the chances for skilled labor mobility from the region.

Reasons that shape negative decisions to take up employment in the European Union include complicated procedures and high costs of obtaining a visa or residence permit, difficulties in finding housing, reluctance of employers to provide social security benefits, complex taxation, a lack of access to public facilities (health care, education, training and banking), non-recognition of educational and professional certifications from the country of origin, and the impossibility to transfer pension payments to the country of origin.

Knowledge of host country’s language conditions migration and employment opportunities. On the other hand, qualified professionals from ENP countries, for example, engineers and doctors from Eastern Europe, are often limited in their choice of employment due to a poor knowledge of host country’s language. Although command of English may in some types of occupations help to overcome such linguistic barriers, in many others – especially if country-specific knowledge or interaction with local clients is part of the job – this is not the case.

The political, social and cultural climate in the receiving state is also important for further integration of skilled labor. The attitude towards migrants coupled with employers’ assessments can have a significant impact on migration intentions and decisions. For

example, German employers report that language problems, socio-cultural differences, acceptance by superiors and customers, high recruitment costs and a lack of awareness to evaluate the experience and assess the level of education are one of the most common problems when recruiting foreign workers.[126] Other studies show that negative attitudes towards immigrants undermine migrants' aspirations to acquire host country's citizenship; and this is especially true for more skilled, younger and employed immigrants.[127]
Some immigrants from ENP countries acquire citizenship of their host countries in the European Union. While citizenship acquisition eliminates many of the barriers mentioned above, the discussion in Section II.d demonstrates that a number of barriers to internal mobility in the European Union still adversely affect the migration decisions of naturalized ENP immigrants.

III.f Summary

EU Neighborhood policies may increase the potential to attract skilled immigration, and thus alleviate some of the European Union's demographic challenges and skill shortages, increase the European Union's innovation potential and economic dynamics, and provide for a more mobile layer of skilled migrants in the European Union. The restrictive immigration policies currently applied in the European Union seem to hinder this potential, especially because of far too many institutional and legislative barriers to immigration and integration of non-EU immigrants.

[126] Bonin et al. (2008).

[127] Kahanec and Tosun (2009).

IV. The labor market effects of skilled EU labor flows in sending and receiving countries in the European Union

IV.a A theoretical and conceptual framework

Among the potential economic effects of immigration are:

- *effects on the distribution of earnings*
- *increased allocative efficiency in the labor market*
- *improved flow of ideas, knowledge and technology, goods and services, as well as capital*
- *increased diversity of the labor force*
- *effects on public finance*

The scale and skill composition of migration flows, their temporal character, the speed of immigrants' adjustment in host labor markets, and labor market institutions determine the scale and nature of these effects.

To shed light on the labor market effects of migration flows, it is useful to briefly review the arguments proposed in the literature. These insights will guide us through empirical evidence reviewed in the subsequent section. Consider a sending and a receiving country, each with complementary high- and low-skilled workers working in the corresponding competitive high- and low-skilled sectors.[128] We also consider the possibility of a binding minimum wage in the low-skilled sector to illustrate the consequences of downward-rigidity of wages for the effects of migration.

[128] Kahanec (2013). Within each sector immigrant and native workers are assumed to be perfectly substitutable.

Under these assumptions, high-skilled immigration diminishes the relative scarcity of high-skilled workers and thus lowers the wage in the high-skilled sector. On the other hand, it benefits low-skilled workers in the receiving country by increasing the demand for their labor (e.g. an inflow of medical doctors drives hospitals to employ more patient care assistants in order to provide care for patients treated by the newly employed doctors). As a consequence, both wages and employment rise in a competitive low-skilled sector. If the low-skilled sector were not competitive – constrained by a binding minimum wage – employment would rise and unemployment fall. In the health-care sector, for example, some patient care assistants would initially be unable to find an employer willing to pay them even the minimum wage, but increased demand for their services facilitates employment for some of them. Wages in a non-competitive low-skilled sector would go up only if the increased demand would be high enough to drive the wage above the minimum wage, thus making it non-binding. This would occur if the number of demanded patient care assistants exceeded the number of those willing to accept job at the minimum wage, and employers would need to pay more than the minimum wage to hire additional ones. The ultimate effect on wages in the high-skilled sector is in fact ambiguous, because any increase in employment in the low-skilled sector feeds back into the high-skilled sector through complementarity of low- and high-skilled labor, and to an extent offsets the initial decrease in high-skilled wages. A larger number of newly hired patient care assistants increase the productivity of medical doctors, which in turn motivates hospitals to demand more of them, raising their wages.

Similarly, low-skilled immigration generally benefits high-skilled natives and possibly, but not necessarily, hurts low-skilled ones. By the same token, high-skilled out-migration benefits high-skilled stayers but hurts the low-skilled ones in terms of lower wages and employment, or higher unemployment in case of a binding minimum wage. Any resulting decrease of employment in the low-skilled sector offsets the positive effect on the wages of high-skilled stayers to some extent, thus making the effects on high-skilled wages ambiguous. Finally, low-skilled out-migration increases the wages of low-skilled stayers; or

it decreases their unemployment in case of a binding minimum wage. In the former case, the decreased employment in the low-skilled sector reduces the demand for high-skilled workers, and thus their wage and employment.[129]

While a review of the redistributive effects of migration predicted by textbook economic models is a good starting point, a number of other factors may interfere with or even reverse these predictions. Economic migration improves the allocative efficiency of the labor market inasmuch as it is driven by search for – and results in realization of – more productive employment opportunities. Migration proliferates social and family ties that span across national borders. Because such ties facilitate the flow of information, trade and investment, migration is also a vehicle of international flows of ideas, knowledge and technology, goods and services, and capital (see the review in Bonin et al., 2008). Migration may also benefit the economy through increased diversity of the labor force (Ottaviano and Peri, 2006). Based on these arguments, migration may increase factor productivity in the receiving and sending countries and thus benefit all types of labor.

However, some of the positive effects of migration may be hindered by a gamut of legislative, institutional, linguistic or psychological barriers, and discrimination, which encumber immigrant adjustment in the host labor market (Constant, Kahanec and Zimmermann, 2009; Kahanec, Kim and Zimmermann, 2013). Imperfect transferability of skills across national borders is an archetypal source of underutilization of migrant abilities and skills in jobs below their level of qualification, the so-called downskilling.[130] In view of the importance of the skill composition of migration flows for the effects of migration, the speed at which migrants adjust and overcome any hindrances to full utilization of their skills

[129] See Kahanec and Zimmerman (2009) for more on redistributive effects of migration.

[130] Kahanec, Zaiceva and Zimmermann (2010) discuss downskilling in the context of the 2004 and 2007 EU enlargements. The transferability of skills concerns also adjustment of migrants if they decide to return to their country of origin.

not only determines the nature of the effects of migration in host, but also source labor markets, such as through effects on aggregate demand, remittances or return migration.[131]

The temporal nature of migration – whether it is permanent, temporary or circular – is of key importance for receiving as well as sending countries. In the context of intra-EU migration, migration can alleviate some of the existing demographic imbalances and skill-mismatches, although it is also clear that intra-EU migration alone cannot solve the problems of aging and shrinking young cohorts in the European Union.[132] The outflow of young and skilled workers from the new member states engenders risks for the sustainability of public finances in these countries. For these countries, the question is how many migrants will return and with what human (and social and physical) capital. As post-enlargement migrants mostly report temporary migration intentions,[133] for the sending countries the potential for brain circulation and positive human capital gains, and thus improved prospects for their public finance, is high. However, it remains to be seen whether the primarily temporary intentions of post-enlargement migrants will also translate into their return and circular migration. Recent evidence signals that large numbers of post-enlargement migrants are returning back home or moving to another member state, also in relation to changing economic landscape in Europe during the crisis of the late 2000s and early 2010s.[134]

From the perspective of the European Union as a recipient of immigrants from the ENP and other countries, similar points arise. It may seem at first glance that the immigration of workers is unequivocally beneficial for the sustainability of public finance.[135] Indeed, it

[131] See Kahanec and Zimmermann (2009) for a discussion about immigrant adjustment.

[132] Bonin et al. (2008).

[133] Kahanec and Zimmermann (2010b).

[134] Kahanec (2013).

[135] Several studies find that immigrants are net contributors to public finance, but the opposite evidence also exists. See Legrain (2008) for a discussion.

increases the size of the active labor force, which pays taxes and contributes to the social security system. In addition, their education has already been paid by someone else than the host country's public budget. However, migrants tend to have lower wages and higher unemployment rates than natives.[136] One also needs to understand the effects of migration from the dynamic perspective and, in particular, that migrants also age. The distinction between temporary and permanent migration is of central importance in this debate. Permanent migrants affect the demography of the host country by increasing the size of the labor force but also by increasing the size of future cohorts of retirees. In case of permanent migration, a sufficiently strong stream of new immigrants is thus needed to compensate for the aging of previous immigrant waves.[137]

Temporary and circular migration, on the other hand, implies the departure of migrants after some time, typically after they lose or quit their job in favor of a more attractive alternative elsewhere, or if they retire. Temporary labor migrants directly improve the demographic balance of the host economy by expanding its labor force during their stay, but generally not affecting the size of the future labor force or retired population. Of key importance for the ramifications of temporary migration for the sustainability of public finance is the regulation of the future access of return migrants to the pension rights accumulated in the host country. In case of portability of pension rights, the costs of future pensions and aging of temporary migrants clearly need to be accounted for in evaluation of the effects of temporary migration on host economies.

The interplay of the pension system, portability of pension rights and the temporal nature migration is a key factor in the debate about the consequences of immigration for the sustainability of the pension system. For example, significant risks may arise for host

[136] Kahanec and Zaiceva (2009).

[137] Fertility rates above those of natives are an alternative remedy for the problem of immigrant aging. At the same time, however, increased fertility rates pose additional burden on public finance through higher demand for education and other public services for families with children.

countries with pay-as-you-go pension systems (distributing current revenues of the pension system to current pensioners) in the case of shrinking immigration. This is because pension rights accumulated in times of large immigrant inflows and therefore larger labor force will need to be honored (to the extent they are portable) in times of smaller immigration and thus a smaller labor force. From this perspective, a system with individual pension accounts that link pension contributions and rights at the individual level appears to be more immune to migration flow fluctuations.

Another important consideration is that permanent migrants have greater incentives to invest in country-specific human capital, whereas recent and temporary migrants are more likely to work longer hours in jobs below their skill level.[138] Kahanec and Zimmermann (2010a) report that EU-based labor market experts expect the share of temporary (and to a lesser degree also circular) migrants to be higher among high-skilled than low-skilled immigrants in the European Union. In view of these expectations, the integration of temporary and circular migrants and the full utilization of their skills in host economies appear to be of key importance.

The nature and magnitude of the effects of migration thus depend on the scale and composition of migration flows, the temporal nature of migration patterns (permanent, temporary or circular), as well as the speed of the adjustment of migrants upon entry into another labor market. Brain drain, gain and circulation may have very different consequences for the human capital balance across sending and receiving countries.[139] From the above discussion, it also becomes clear that theoretical arguments do not warrant any quick conclusions about the direction of these effects. We therefore look at the empirical evidence on the effects of migration flows in the sending and receiving countries in Europe. The 2004 and 2007 EU enlargements and the massive migration flows that

[138] Kahanec and Shields (2010).

[139] Docquier and Rapoport (2011); Gibson and McKenzie (2011).

ensued offer useful insights into the effects of increased labor mobility in receiving and sending countries.

IV.b The receiving countries in the context of EU enlargement

There is generally no evidence of statistically significant or economically relevant negative aggregate effects of post-enlargement migration on receiving labor markets or welfare systems.

Concerning the receiving countries, the available empirical evidence is rather on the positive side. In particular, there is generally no evidence of negative effects of post-enlargement migrants on natives' labor market outcomes. This also holds for the United Kingdom, which received the largest absolute number of post-enlargement migrants, and Ireland, which received the largest number of these migrants relative to its population. A number of studies report no significant effects for the United Kingdom (Gilpin et al., 2006; Blanchflower, Saleheen and Shadforth, 2007; Lemos and Portes, 2008), except perhaps some small effect in the least skilled sectors (Blanchflower and Lawton, 2010). Some indirect effects may have occurred through wage bargaining and moderation of wage demands in anticipation of immigration (Blanchflower, Saleheen and Shadforth, 2007; Blanchflower and Shadforth, 2009).

For Ireland, Doyle, Hughes and Wadensjö (2006) and Hughes (2007) report that a slow-down of wage growth and some substitution of native workers possibly occurred in some sectors, but the slow-down of wage growth was short-lived and the displaced workers found jobs elsewhere; and so no effect on aggregate unemployment rate occurred. Barrett (2010) corroborates these findings arguing that post-enlargement immigration helped to preserve country's competitiveness to the extent it helped to moderate perhaps excessive wage growth rates during the pre-2008 boom.

Although Sweden opened up its labor market to EU8 migrants immediately upon enlargement in 2004, it only received moderate numbers of post-enlargement migrants. The fear had been that these migrants would undermine Sweden's welfare system. A number of studies argue, however, that no negative effects on labor market outcomes or welfare occurred in Sweden either (Doyle, 2007; Hughes, 2007; Gerdes and Wadensjö, 2010).[140]

Germany was among the countries that were most reluctant to open their labor market to workers from new member states, opening up only as of May 1, 2011 – the last day by which restrictive transitional arrangements had to be lifted. In spite of the restrictions, Germany received considerable numbers of post-enlargement migrants. Brenke, Yuksel and Zimmermann (2010) argue that migrants from EU8 member states compete with other immigrants for low-skilled jobs rather than with natives. Kahanec, Zaiceva and Zimmermann (2010) review this evidence to conclude that no significant negative effects have been detected for the receiving countries.

[140] Giulietti et al. (2013) reject the welfare magnet hypothesis for intra-EU migration.

IV.c The sending countries

There is some evidence that post-enlargement out-migration has contributed to higher wages in the sending countries.

The outflow of young and skilled workers, however, poses risks to sending countries' economic prospects and public finance.

Circular migration, brain gain, and remittances attenuate such risks, and may become powerful engines of convergence.

Concerning the sending countries, the available evidence is still rather scarce. Yet, a number of lessons can be drawn. The consequences of post-enlargement out-migration for the sending countries appear to be more uncertain and perhaps more sensitive to the scale, composition and temporal nature of migration flows. Kadziauskas (2007) points out that on the background of negative demographic trends, the Lithuanian social security system may be endangered by the massive outflow of skilled and relatively young workers following Lithuania's EU accession. Indeed, he documents growing skill shortages in some sectors of the Lithuanian economy. A similar trend in the post-accession period is reported by Kaczmarczyk and Okólski (2008) and Kaczmarczyk et al. (2010) for Poland and Kureková (2011) for Slovakia.[141]

In view of these developments, a decisive question is to what extent the post-enlargement migrant outflows are of permanent nature, indicative of brain drain, and to what extent they represent an onset of circular migration patterns between new and old member states,

[141] A new phenomenon in these countries is that the emerging skill shortages are increasingly filled in by immigration from non-EU countries, mainly Ukraine, Belarus, the Russian Federation and some Balkan states (Iglicka, 2005; Frelak and Kaźmierkiewicz, 2007; Kureková, 2011).

possibly leading to brain gain. Most studies have so far indicated few signs of brain drain, although some skill shortages due to significant outmigration surfaced in some sectors, such as health care (Brücker et al., 2002; Frelak and Kaźmierkiewicz, 2007; European Commission, 2008; Hazans, 2012). In addition, post-enlargement migrants generally intend to stay in the host country only for a limited period of time (Kahanec, Zaiceva and Zimmermann, 2010). Although return migration is indeed present, net out-migration has been positive in every year after enlargement. Moreover, Hazans (2012) reports adverse selection into return migration to the Baltic states in terms of skill composition. While these return migrants may still have acquired additional skills while abroad, such adverse selection and continued outflows of relatively skilled and young labor force signify risks for the growth potential and stability of social system in these countries.

A potentially important channel through which sending countries can benefit from out-migration are remittances. Remittances were indeed quite significant especially in Bulgaria, Romania and the Baltic states (Kahanec, Zaiceva and Zimmermann, 2010). Dietz (2009) reports that in 2007 they constituted about 5 percent of Bulgaria's and Romania's GDP. The worsened economic situation following the economic slump of the late 2000s was the likely reason behind significantly lower volume of remittances to EU8 and EU2 in 2009 (Comini and Faes-Cannito, 2010). Although remittances were initially used primarily for consumption and purchase of durable goods, more recently they have been invested in human capital as well, thus possibly partially compensating for the outflow of human capital (Kaczmarczyk and Okólski, 2008). Elsner (2011) finds positive effects of outmigration on wages of male workers in Lithuania.

IV.d Simulations

Simulations indicate a positive effect of post-enlargement migration on aggregate per capita GDP of the European Union, of about € 30,000 per migrant.

The redistributive effects on wages and unemployment appear to be rather small and probably not very persistent.

Some efforts have been made to quantify the effects of post-enlargement migration flows on key economic variables in the receiving and sending countries using simulations in macroeconomic models. Baas, Brücker and Hauptman (2010) arrive at rather small effects on wages (-0.1 percent) and unemployment rate (+0.1 percent) in the EU15 in the short run and no effects in the long run. For the sending countries, they predict an increase in wages (+0.3 percent) and a decrease in unemployment rate (-0.4 percent) in the short run and, again, no effects in the long run. In line with the argument that migration increases the allocative efficiency of labor markets, the authors predict a 0.2 percent increase in the aggregate GDP of an enlarged European Union, corresponding to a windfall of € 24 billion in total and € 28,571 per post-enlargement migrant. Similar results are reported in the study by Holland et al. (2011), although in their somewhat different model, the effects on real wages are predicted to be of a more lasting nature.

IV.e Receiving and sending countries in other contexts

Although local and temporary redistributive effects cannot be ruled out, empirical evidence on the effects of migration on sending and receiving countries suggests that labor markets absorb immigrants rather seamlessly.

Economically or statistically insignificant, and not necessarily negative, effects of immigrant inflows on natives' and other immigrants' outcomes in receiving labor markets have also been corroborated in contexts other than the recent EU enlargements. This includes studies about immigration into the US labor market (Grossmann, 1982; Borjas, 1983; Borjas 1987), Canada (Akbari and Devoretz, 1992; Roy, 1997), Australia (Addison and Worwick, 2002), Germany (Winkelmann and Zimmermann, 1993; Pischke and Velling, 1997), France (Hunt, 1992), the United Kingdom (Dustmann, Fabbia and Preston, 2005) and Israel (Friedberg, 2001). Zorlu and Hartog (2005) find only negligible effects of immigration on natives' wages in the Netherlands, Norway and the United Kingdom.

There are several studies reporting statistically significant negative effects of immigration on natives' or other immigrants' wages or employment, including evidence on the United States (Filer, 1992; Borjas, 1999b, 2003, 2006; Card, 2001; Chiswick and Miller, 2002 find negative effects within linguistic groups), Portugal (Carrington and de Lima, 1996) and Canada (Roy, 1987). The study of the Mariel boatlift as a natural experiment by Card (1990), however, finds no negative effects on natives' or other immigrants' labor market outcomes. Chapman and Cobb-Clark (1999) even report positive effects of immigration on natives' employment in Australia. De New and Zimmermann (1994) report some negative effects of low-skilled immigration to Germany on the wages in the low-skilled sector and positive effects in the high-skilled sector, in line with the model discussed above. Orrenius and Zavodny (2007) report similar results for the United States, with negative effects concentrated in the low-skilled sector; and Borjas, Freeman and Katz (1997) assign a part of the increase in skill premium in the United States to immigration in the 1980s and 1990s. Angrist and Kugler (2003) find that in the European context negative effects arise in countries with more restrictive labor market institutions.

Only scarce evidence is available about labor market effects in sending countries.[142] Mishra (2007) and Aydemir and Borjas (2007) find positive long-run impacts on Mexico – assuming, however, instantaneous exodus of migrants instead of the actual gradual out-migration. Gagnon (2011), however, does find short-run positive effects of out-migration on stayers' wages in Honduras.

IV.f Summary

While some displacement and reallocation has occurred as a consequence of post-enlargement migration in the receiving countries, generally no statistically and economically significant negative effects on wages, employment or the welfare system can be empirically corroborated. Although in theory, skilled immigration reduces returns to education for incumbent skilled workers, it may also expand the production potential of the receiving EU member states by filling in skill bottlenecks. This may improve the allocative efficiency of the internal EU labor market, the transfer of ideas and knowledge, or creation of trade relationships.

The sending countries may benefit from increased returns to human capital investment. Concentration of complementary human capital in productivity hubs and positive spillover effects from such hubs to sending countries add to the benefits of skilled migration. So do positive effects of concentration of skilled (migrant) workers on the global competitiveness of the European Union in the market for (foreign direct) investment and technological transfer. Brain drain is the primary risk for the sending countries. Brain circulation and circular migration are decisive for the nature of the effects especially in the sending countries.

[142] Ample evidence exists about redistributive effects of remittances. See a review in Kahanec and Zimmermann (2009).

V. Conclusions and lessons for ASEAN regional integration

V.a Overall assessment

The EU single labor market is one of the most successful policy areas of EU integration and enlargement. The free labor mobility within the European Union increases the allocative efficiency of human capital and labor across EU labor markets. The expansion of the free movement of workers to 12 new member states in the 2000s has indeed resulted in significant additional migration flows in the European Union. This has increased overall labor mobility in the European Union, but it still remains below what is observed in the United States or even the Russian Federation. In spite of transitional arrangements the 2004 and 2007 enlargements have significantly increased geographic mobility in the European Union. Given the slow-down of post-enlargement migration in the late 2000s and early 2010s, the increase was probably only temporary.

In spite of low intra-EU mobility rates, some EU member states are host to significant immigrant populations. Contrary to the overall perception, with the exception of immigrants from ENP countries in the EU15, immigrants in the European Union attain educational levels comparable to natives. However, with the exception of EU15 and EFTA migrants, their occupational status tends to be lower than that of natives, signifying a degree of downskilling. Downskilling may be a result of discrimination, language and institutional barriers, but it also may be a part of migration trajectory preferred by some migrants.

European migration is mainly driven by job- and family-related factors. Housing and local environment concerns are also significant for future moves. Among the main barriers to European mobility are transitional arrangements (which as of June 2012 still apply to Bulgarian and Romanian workers), linguistic and cultural barriers, as well as anxiety about finding a suitable job in the host country. EU10 migrants in the EU15 are on average

positively selected vis-à-vis the source as well as host populations. In contrast, EU2 migrants in the EU15 are less educated than the host as well as source populations.

The European Union has progressed in harmonizing legislation in order to facilitate internal mobility. While there is some evidence that immigrants "grease the wheels of the labor market" by allocating to sectors with labor shortages more than natives,[143] there still remain significant barriers to labor mobility in the European Union that may jeopardize such positive effects of migration. These include transitional arrangements restricting migrants from the EU2, administratively complex transfer and exercise of social-security and health-insurance rights, complex cross-border taxation issues, practical difficulties with the recognition of foreign qualifications and discrimination of migrants in access to business services. Minimum wages and hiring and firing regulation interact with high-skilled migration in a non-trivial manner. A less egalitarian (less progressive) taxation may attract high-skilled migrants, who tend to be in higher income groups.

The ENP aims to promote mobility between the European Union and its Neighborhood through improved labor markets access, investment possibilities, and intensified professional, educational and cultural exchange. The degree to which this goal has been achieved varies country by country. Mutual Recognition Agreements (MRAs) have achieved easier recognition of qualification but difficulties with implementation persist.

Among ENP countries, Algeria, Morocco and Ukraine top the list of source countries with the highest numbers of migrants in the European Union. As a share in host population, Austria, Belgium, France, Greece, Germany and Italy, as well as Slovenia and the Baltic states, are host to the largest ENP populations. In spite of the high share of highly educated workers among emigrants from some ENP countries, the overall share of high-skilled among ENP migrants in the EU15 tends to be relatively low. This is because the European Union is

[143] Borjas (2001).

losing skilled migrants to the United States and other destinations. Irregular migration may negatively affect skilled immigration.

Skilled labor migration from ENP countries to the European Union is driven by a number of factors. These mainly include lagging economic development in the sending countries (low wages, high unemployment and rising prices), a gap in opportunities for personal and professional development after graduation between ENP countries and the European Union, and a gap in access to quality social and health-care services and adequate social security programs between ENP countries and the European Union. High fertility rates (primarily in some of the countries south of the Mediterranean) cause migrants to seek employment abroad in order to support large families. Educational opportunities and acquisition of language skills in the host countries is an important pull factor for some migrants. On the other hand, corruption, territorial conflicts, poor governance and state protection policy in the sending countries are significant push factors. Bilateral agreements and facilitative programs of individual member states create opportunities for skilled mobility from ENP countries; however, the shortage of skilled labor in the European Union has not been filled.

The main barriers to mobility from ENP countries to the European Union include restrictive visa regimes and costly immigration procedures, difficult recognition of academic diplomas and professional certificates, strict limitations on the possibility to stay in the host country for migrants who lose their job and a lack of information about labor market opportunities. Restrictive immigration management, including binding quotas, language barriers and negative attitudes toward immigrants further hinder migration flows.

The potential effects of immigration include effects on the distribution of earnings, improved allocative efficiency in the labor market, improved flow of ideas, knowledge and technology, goods and services, as well as capital, increased diversity of the labor force and effects on public finance. The scale and skill composition of migration flows, their temporal

character, the speed of immigrants' adjustment in host labor markets and labor market institutions determine the scale and nature of these effects.

There is generally no evidence of significant and economically relevant negative effects of post-enlargement migration on receiving labor markets or welfare systems. On the other hand, there is some evidence that post-enlargement out-migration has contributed to higher wages in the sending countries. The outflow of young and skilled workers, however, poses risks to sending countries' welfare systems. These risks seem to persist in spite of the potential of remittances and brain gain to compensate for the loss of labor force. Simulations indicate a positive effect of post-enlargement migration on aggregate per capita GDP of the European Union of about € 30,000 per migrant. In general, the redistributive effects on wages and unemployment appear to be rather small and probably not very persistent. Hence, although local and temporary redistributive effects cannot be ruled out, empirical evidence on the effects of migration on sending and receiving countries suggests that labor markets absorb immigrants rather seamlessly.

V.b Lessons learned

The EU experience of skilled labor mobility offers a number of lessons. In view of the demographic challenges Europe faces, well-qualified migrants are needed. Empirical evidence shows that the hypothesis of negative wage or employment effects of migration in receiving countries is a myth; and so seems to be also the hypothesis that migrants shop for welfare. And yet, European migration discourse is generally ill-informed and results in a "Fortress-Europe" approach to migration. Although some liberalization of immigration occurred in the early 2000s, the crisis of the late 2000s and early 2010s has reversed many of these efforts.

Paradoxically, discontent with socio-economic integration of immigrants, Europeans are in a vicious circle and seem to discourage migrants with higher, and attract those with lower,

probability to integrate. Misinterpreting the lack of immigrants' integration as something inevitable for immigrants and ignoring the available evidence about the effects of immigration, they form rather negative beliefs and attitudes regarding immigration. This leads to political backlash against further immigration and implementation of restrictive policy measures towards immigration. But it is precisely high-skilled immigrants that are more sensitive to such negative attitudes and policy measures, and may choose other destinations. It is not surprising then that Europe attracts fewer high-skilled immigrants than its main competitors, such as the United States. Such negative selection then results in substandard labor market outcomes of immigrants, which further fuels natives' negative attitudes and completes the vicious circle. It should not also be forgotten that negative attitudes is the quintessential barrier to immigrant integration, aggravating the situation.

This broad discrepancy between beliefs and evidence tells us that skillful management of beliefs and attitudes regarding immigration is absolutely vital for any migration policy to succeed. Given the sensitivity of the issue, the line between a vicious and virtuous circle may be thin. Therefore, a careful and transparent framing of migration policy is similarly important. This includes a policy-making process based on rigorous analysis and careful interpretation of available evidence. It also involves transparency of the process with respect to the stakeholders and the society as a whole. Discrimination and xenophobia need to be specifically addressed.

From a practical perspective, harmonization of legislation, policies and institutions reduces the costs of migration. Although the European Union has done much in this regard, especially concerning free mobility in its internal market, many obstacles to mobility still remain. These are often nitty-gritty – yet decisive – details, such as recognition of past employment in another member state for unemployment benefit eligibility. Addressing such obstacles requires a thorough review based on dialogue with stakeholders. Hidden double taxation of spouses working in different member states and complex tax exemptions should be avoided, as these are extremely difficult for migrants to manage.

Downskilling of immigrants into jobs at a lower skill-level is a specific issue that requires attention. Therefore, recognition of qualifications is of key importance for full utilization of migrants' human capital. General harmonization efforts and MRAs help in this regard. However, for migrants with often non-trivial migration trajectories, they often render the administrative and legislative landscape overly complex. A difficulty is that even in case of sufficient formal harmonization, its implementation suffers from inadequate administrative resources. Any efforts to harmonize legislation, policies and institutions need to take good consideration of the possibility of non-trivial migration trajectories of migrants and their family members. Adequate administrative capacity to provide migrants with proficient service of state institutions needs to be ensured as well.

As internationalization of higher education is an important channel of skilled migration, harmonization of education is required. The Bologna Process has helped on the formal side, but gaps remain in its implementation. A specific problem is that employers are not always ready to quickly accept the new classification of degrees implemented within the Bologna Process and confusion abounds. An important policy area is communication and providing information to potential employers of migrants. For international students, the transition from education to employment needs to be facilitated by granting them a sufficiently long period after graduation to stay in the country and search for a job, with also access to welfare and health services.

The family perspective is clearly very important for international migration. This especially concerns an adequate access of family members to social and health policies. In addition, access to the labor market should also be provided also to tied family migrants. This is especially important for skilled migrants, as they may be more sensitive to limited work options for their spouses. To facilitate integration of permanent migrants a transparent and predictable path towards citizenship should be provided.

Europe does recognize some of the challenges it faces in the domain of mobility management, and has come up with a number of new approaches. One of which is the European Blue Card, enabling the entry of skilled third-country nationals on relatively favorable terms. The European Health Insurance Card has also been implemented, facilitating health-care access to EU nationals in the whole of the European Union. The EU Professional Card, which would facilitate the recognition of professional qualification in all EU member states, is also being considered. Professional associations are also actively trying to overcome the problems with the recognition of qualifications: for example, the European Federation of National Engineering Associations uses the European EngineerING Card, increasing the transparency and transferability of skills for engineers. While these efforts are commendable, the key lesson from the EU experience of free mobility of workers is that the creation of a single market must go hand in hand with the provision of labor market institutions covering the whole single market.

Europe is trying to achieve this by harmonizing national regulations and institutions. However, a more fruitful approach would be creation of new institutions, including health insurance, pension and social security schemes, operating at the EU level and unconstrained by national borders. This is not a proposal for the creation of an unlikely “welfare union”, but rather a proposal for the liberalization of social, pension and health insurance for at least some types of workers and migrants in particular.

From the discussion above, it has also become clear that transparency and the provision of information are central to the success of migration policy. Migration inevitably involves informational gaps on the side of migrants who enter new host countries. In fact, returning migrants may also have difficulties re-adjusting to institutions in their country of origin. Given the fractionalization of EU institutional space by national borders, with each member state having its own (even if partly harmonized) regulation, it is desirable to provide migrants with one-stop information and service shops facilitating their integration into their new host country.

Finally, increasing the transparency of migration and more evidence-based migration policy making also involves evaluating implemented policies. This comprises data collection, providing data to not only experts but also stakeholders and the general public, rigorous independent policy evaluation, evidence-based policy design and implementation, as well as monitoring the whole process.

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VII. Appendix

VII.a The European Neighborhood Policy

In 2004, the European Commission launched an initiative aimed at enhancing relations and sound cooperation with the countries sharing land or sea borders with the European Union. The initiative – European Neighborhood Policy – includes 16 countries that have had rather different historical and business ties with the European Union as well as different political systems and are at different stages of democratic reforms. Participants include countries of Eastern Europe – Belarus, Moldova, Ukraine; South Caucasus – Armenia, Azerbaijan, Georgia; and South Mediterranean – Algeria, Egypt, Israel, Jordan, the Lebanese Republic, Libya, Morocco, the Occupied Palestinian Territory, the Syrian Arab Republic (self-suspended on 22 June 2011) and Tunisia. The ENP is characterized by a common goal – to enhance relations with EU neighbor countries by applying tailor-made cooperation schemes to each neighbor.

The ENP offers the same original instruments to all participating countries – to achieve higher standards through Action Plans, progress monitoring and reporting (Country Progress Reports and Proposals used as soft method of coordination) in terms of democratization, human rights protection, economic development, good governance, increased mobility and people-to-people contacts.

The ENP cooperation scheme involves individual Action Plans on the basis of which each country should implement relevant reforms, while the European Union provides technical, political and financial support. Twelve ENP countries have concluded Action Plans and are in different stages of their implementation – Israel, Jordan, Moldova, Morocco, the Occupied Palestinian Territory, Tunisia and Ukraine have been working on internal reforms since 2005 and Armenia, Azerbaijan, Egypt, Georgia and the Lebanese Republic since late 2006/early 2007. As of April 2012, four countries had not signed Action Plans with the European Union – Algeria, Belarus, Libya and the Syrian Arab Republic.

The institutional framework of the ENP requires the involvement of authorities from each of the constituent parties. On behalf of the European Union, the European Commission is responsible for preparing country reports that track the progress of each ENP state, while the Council of Ministers comprising EU member state governments decides whether the transition to the next stage of the Action Plan is possible. At the EU level, the ENP benefits from the creation of a European External Action Service and is supervised by the High Representative of the Union for Foreign Affairs and Security Policy and Vice-President of the European Commission (Catherine Ashton, as of April 2012) and a special Commissioner on Enlargement and European Neighborhood Policy (Štefan Füle, as of April 2012).

Apart from official national governmental bodies and EU institutions, actors responsible for Action Plan implementation and evaluation include Subcommittees and local civic society organizations participating in the discussion of recommended and implemented reforms. Technical assistance programs offered by Eurostat to ENP-East countries include: advisory assistance to national statistics offices, trainings, workshops and seminars as well as collection, validation and dissemination of some data.

The ENP should be reviewed alongside the related regional initiatives – Eastern Partnership (launched in 2009 and includes Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine), Union for Mediterranean Partnership (re-launched as a continuation of the Barcelona Process in 2008 and includes Albania, Algeria, Bosnia and Herzegovina, Croatia, Egypt, Israel, Jordan, the Lebanese Republic, Mauritania, Monaco, Montenegro, Morocco, the Palestinian Authority, the Syrian Arab Republic, Tunisia and Turkey) and the Black Sea Synergy (launched in 2008) complementing the policy and providing better regional focus.

Eastern Partnership (EaP) was launched as an enhanced regional cooperation policy taking into account the progress made in terms of ENP and maintaining its principles. Eastern Partnership targets regional peculiarities and extends the areas of bilateral cooperation. EaP

and ENP are funded by the principal funding instrument – the European Neighborhood and Partnership Instrument (ENPI). The instrument has been in operation since 2007 and is the main source for funding ENP partners allowing additional allocations for EaP states. Within this framework, Georgia and Moldova were the first to be included into special pilot Mobility Partnerships, while Moldova and Ukraine have been implementing Visa Facilitation Action Plans since 2010. The recent commencement of part of an Association Agreement with the European Union in March 2012 signals technical progress in terms of bilateral cooperation with Ukraine.

Apart from ENPI, ENP partner countries can benefit from the following funding tools: Governance Facility, Cross Border Cooperation, and Neighborhood Investment Facility. Ninety percent of ENPI funds cover bilateral cooperation and 10 percent are allocated for cooperation in terms of the above-mentioned tools supporting ENP through concrete actions mainly aimed at improving institutional frameworks in the eastern and southern neighbors of the European Union.

Since 2004, the ten South-Mediterranean countries from the Euro-Mediterranean Partnership (EU Initiative originally launched as the Barcelona Process in 1995) that are included in the ENP can benefit from the ENPI funding scheme.

Considering possible effects of the EU enlargement in 2007 with Bulgaria and Romania on the cooperation in the Black Sea region, the Black Sea Synergy was launched to address regional issues as a complementary initiative to the ENP.

In addition, general EU policies such as the Global Approach to Migration (adopted in 2005) and the instruments incorporated with it (Blue Card and Circular Migration Scheme) contribute to an enhanced cooperation with ENP partners. The introduction of the Blue Card program (Council Directive 2009/50/EC from 25 May 2009 on the conditions of entry and residence of third-country nationals for the purposes of highly qualified employment)

seems to be one of the few EU initiatives specifically targeting high-skilled workers from third countries. According to the Directive, migrant workers who are Blue Card holders should be treated equally with nationals as regards access to employment, pensions and social security schemes. However, eligibility criteria – a 1.5 times higher salary than the average in receiving member state as well as quotas to be set on the national levels may hinder flows of skilled labor under the Blue Card scheme. There are no available statistics on Blue Card holders because EU plans to start collecting the data from individual member states only in 2013. Given its rather strict conditionality, it still projects a generally negative attitude of Europeans towards immigration and there are some doubts about its ability to attract high-skilled immigrants.

In the Medium-term Program for a renewed ENP (2011-2014), support of sustainable economic and social development is listed as one of the actions to be implemented across the entire ENP geographical coverage. It includes enhanced dialogue on employment and social policies starting from the second half of 2011. The program presupposes enhanced dialogue with the participating countries promoting job creation although the program does not elaborate in detail the necessary steps to be taken in this direction.

Importantly, the program provides for visa regime facilitation and liberalization under the paradigm that sound visa and migration policies are several of the pre-conditions for successful professional exchanges and possible employment in the European Union for nationals of ENP countries. ENP tries to promote enhanced mobility for business people, students, artists, entrepreneurs through visa facilitation schemes.

Assessing accomplished results after the launch of the policy, the Commission addressed the migration issue in its Communications in 2006 and 2007 emphasizing the need to facilitate the visa regime and remove obstacles for legitimate travel; both Communications stressed the need to combat illegal migration and increase cooperation in terms of readmission of illegal migrants.

VII.b Bilateral mobility agreements between EU and ENP countries[144]

Austria regulates high-skilled migration by requiring expertise in demand, a specific salary level and distinctive impact of employment activities. Generally the country applies various measures of positive selection of skilled migrants, including fiscal incentives enabling some categories of immigrants to apply up to 35 percent tax exemptions.

Belgium concluded bilateral agreements with the following ENP states – Morocco (being one of the main countries of origin for migrants to Belgium), Israel, Algeria and Tunisia guaranteeing certain social benefits relating to pension and family allowances as well as access to health care. A different type of bilateral agreement concerning occupation of workers has been concluded with another group of countries, including Algeria, Morocco and Tunisia. Furthermore, highly qualified or managerial workers, researchers, visiting professors and specialized technicians under certain circumstances are exempt from market test requirement in Belgium, meaning that they can be employed without prior verification if a Belgium national can fill in the position.

Bulgaria offers easier access to labor market for high-skilled workers such as scholars, intellectuals and high level managers.

Moldovans, Lebanese, Syrians, Jordanese and Egyptians are the largest immigrant groups in *Cyprus*, most of them employed in the service sector or agriculture. Migrants from Jordan and the Lebanese Republic constitute an exception in Cyprus as many of them are high-skilled employees (Trimikliniotis, 2003). Cyprus developed a rather favorable law relating to employment of foreigners guaranteeing equal treatment concerning social insurance. In addition, bilateral agreements expanding benefit schemes for citizens of particular countries

[144] Based on IOM (2009); Bonin et al. (2008); European Migration Network (2007a).

have been concluded with a number of countries, Egypt being the only country representing ENP states.

The *Czech Republic* has been recently receiving relatively large inflows of migrants from Eastern Europe. In the period after the fall of the Berlin Wall, in 1989, and before the EU enlargement in 2004, the number of migrants from Eastern Europe had been rising, as these migrants did not require visas to travel to Czech Republic. As a result, the 2000s have witnessed sizeable communities of second generation immigrants from Ukraine. For instance, according to 2006 data there were 200,000 Ukrainians in the Czech Republic (around 2 percent of the country's population) and independent experts claim that that the number would be substantially higher if illegal migrants were included.[145] The Czech Republic is one of the few member states that has developed legislation targeting highly skilled workers. The Pilot Project Selection on Qualified Workers was launched in 2003, substantially easing procedures of acquiring residence status in the country after only two and a half years of legal employment. Among ENP countries, Belarus and Ukraine could benefit from the project. The definition of a highly qualified worker is a rather peculiar one, as the main criteria are citizenship, complete secondary education and knowledge of languages. The scheme presupposes social security and pension payments. At the same time, according to recent surveys, the visa policy of the Czech Republic is not favorable for labor migrants, as visa authorities impose strict rules and complicated procedures requiring a set of documents that highly skilled professionals are not able to provide in many cases.[146]

Denmark is another country that due to labor shortages implements special programs targeting professionals. In 2002, the Job Card Scheme was introduced, facilitating residence and work permit procedures. Danish labor policy encourages labor migration from especially Eastern Europe. In 2005, for example, 4,932 residence permits were granted to

[145] ICPS/IPA (2006).

[146] Europe without Barriers (2010).

applicants from these countries and within a year this number had doubled, although only 902 of them were issued under the Job Card Scheme.[147] Apart from high-skilled workers (defined mainly by the level of education), the scheme targets researchers, teachers, athletes, religious workers, leading executives and specialists. A three-year grace period to seek employment as well as eased taxation for certain categories of employees constituted additional advantages for high-skilled migrants securing their stay in Denmark.

The Baltic states – and *Estonia* in particular– concluded bilateral agreements facilitating visa and employment procedures for former Soviet states. Estonia signed an agreement on social security issues with Ukraine – however, it does not relate to pension payments, but rather focuses on other benefits.

The government of *Finland* tries to attract highly skilled employees under the Government Migration Policy introduced in 2006 in order to employ foreign experts. It is important to mention that Finland permits foreign workers who for any reasons had left the country to return. This issue is of high importance for labor migrants from ENP countries, as after they lose employment, they often turn into illegal migrants or are driven to return home because they are not granted reasonable time and opportunities to seek new employment. Immigrant groups receiving special treatment in Finland are similar to those in Belgium – athletes, religious workers, managers or executives, researchers; however, professional trainers, non-profit or culture and art experts, and professionals in mass communication are also included. Finland uses also the following instruments to promote skilled labor mobility: tax exemptions for certain categories of high-skilled workers; and a six-month period for foreign students to look for employment after they finish studies in Finland.

France historically provided more favorable conditions for migrants from Algeria, Morocco and Tunisia (all southern ENP). Among recent instruments, we should note the talent card

[147] IOM (2008).

approach targeting foreigners who promote economic development in the sending country and France. France places emphasis on both educational level and professional experience when promoting foreign high-skilled employment through eased tax regulations and access to social security and health-care benefits.

Realizing shortages of high-skilled labor and receiving large numbers of low-skilled migrants over the last decades, *Germany* has been trying to attract foreign professionals through exchange education programs and later possibilities of employment for foreign students as well as labor migration programs. The latest one was approved in 2009. Germany targets the following sectors – scientists, teachers, researchers, senior executives and IT specialists. IT specialists were specifically targeted with the German Green Card scheme during 2000-2004. The scheme emphasized education level, employment offer and level of salary necessary to be considered for a residence permit on the basis of a 10,000 IT expert quota. More generally, a new policy was adopted in 2009 that enabled non-EU immigrants with university degrees, as well as their family members, to seek employment in Germany if offered a job. Consent of the Federal Employment Agency is not required if they are independent from the public social system and integrated into the German society.

Greece has developed an elaborate system of promoting high-skilled employment of foreign nationals targeting scientists, researchers, university professors, artists, company managerial staff, as well as archeologists, entrepreneurs, researchers and academics. According to official statistics for 2000-2001, numerous high-skilled workers from Armenia, Egypt and the Syrian Arab Republic were employed as legislators, senior officials or managers (with the exception of Syrians), professionals, technical and associate professionals, and skilled agricultural workers and fishermen; however, the largest numbers of skilled migrants were working in craft and related fields and as plant and machine operators. In most professions, significant gender unbalance was noticed.[148] Although

[148] Kanellopoulos and Cholezas (2006).

evidence is not yet fully available, it is most likely that the economic crisis that struck Greece in the late 2000s and early 2010s has pushed many ENP migrants back home or to other countries.

Even though data from *Hungary* shows a worrying proportion of foreign and native-born workers in terms of education level (immigrants in general are better educated than nationals), there is no state program in Hungary targeting high-skilled immigration. Employment opportunities for immigrants in Hungary are fairly limited due to the difficult economic situation, and companies prefer migrants who do not require a work permit, generally from the other EU member states. Thus, access to employment is rather limited for ENP migrants, even though Ukraine is the country sending the highest number of migrants to Hungary (mostly for family reunification). Hungary also applies a market test before recruiting foreign workers, meaning that there is a compulsory one-month waiting period to confirm that no Hungarian national can fill the position. The market test is not applied when recruiting workers for international companies, athletes or similarly specific categories. However, certain high-skilled workers do not need a work permit to stay in Hungary – diplomats, representatives of international organizations, researchers and certain categories of students.

Ireland applies liberal migration policy by means of a facilitative green card program for skilled workers, especially in such sectors as information technology, health care, science and engineering, construction and financial services. The green card program stipulates a minimum gross annual salary for participants, with a lower threshold applied for those in the abovementioned sectors. Immigrants who do not qualify for the green card program may still obtain a residence and work permit under more restrictive conditions, and if they are adequately qualified.

Most migrants in *Italy* are low- to medium-skilled workers, with a notable exception of Ukrainian labor communities involving mostly middle-aged women working in the private

care system. The shortage of nurses is so critical that nurses have been able to enter the country under a quota exemption since 2002; as of 2004 and out of ENP countries, doctors from Israel and Jordan, the Lebanese Republic and the Syrian Arab Republic make up 10 percent of the foreign doctors registered in Italy; by 2006 Belarus, Egypt, Jordan, Israel, the Lebanese Republic, Morocco, Moldova, the Syrian Arab Republic and Ukraine sent 3, 18, 63, 65, 135, 3, 20, 59 and 16 doctors, respectively, who were included into the Italian Medical Association. Over 2002-2005, the number of nurses working in Italy almost doubled – from 1,821 to 2,616. However, the overall data on qualification recognition is not impressive across ENP countries – qualifications of only five nurses from Algeria, two from Belarus, one from Egypt, one from Georgia, three from Morocco and thirty from Ukraine were recognized as of 2005.[149] According to official data there are about 200,000 Ukrainian migrants in Italy. However, independent studies claim that there are at least three times as many.[150] Italy sets quota system by country according to the sectors of labor shortage.

Latvia makes a notable exception targeting IT in an annual quota set at 100, which is a relatively small number. Among ENP countries, migrants mainly from Belarus and Ukraine work in Latvia, primarily in low-skilled sectors, though a number of IT specialist from Ukraine are employed under Latvia's quota scheme. In 2007, the Latvian government endeavored to decrease the cost of employing and simplified recruiting procedures for immigrant workers. Although this proposal was criticized by the Latvian Employers Confederation as promoting illegal employment rather than attracting foreign professionals. As a result, the proposal was not enacted.

Similarly to Latvia, the government of *Lithuania* began to acknowledge the need for more favorable conditions for third-country workers. The Law on the Legal Status of Aliens, approved in 2004, resulted in an easier access of foreign nationals to the Latvian labor

[149] Chaloff (2008).

[150] ICPS/IPA (2006).

market. As a consequence, the numbers of migrants increased mainly in industrial, transport, service and construction sectors. ENP migrants work mostly as cooks (a high number of Armenians), in oil refineries, as international transportation drivers, in construction, ship construction and aviation. In addition, since migrants from Belarus and Ukraine can benefit from bilateral agreement on social security and temporary employment, Ukraine and Belarus have sent the largest number of migrants to Lithuania (31 percent and 29 percent).[151]

Despite being a country with a rather restrictive employment migration policy, *Malta* nevertheless concluded bilateral agreement with Libya on social security; and has received some inflows of migrants from ENP countries.

The Netherlands conducts a positively selective policy towards high-skilled employment by means of exemption from the labor market test and eased taxation. The Netherlands applies a rather innovative scheme of programs for the so-called "knowledge migrants". The salary criterion was applied in defining the knowledge migrant which gives employers the right to define the skill level of foreign migrants. The level of education is not considered to be a defining factor for highly skilled labor. Under the Dutch scheme, admission policy and taxation has been relaxed for foreign migrants working as legislators, senior legislators, senior officials and managers, professionals, technicians and associate professionals. Researchers and physicians are included in the notion of "knowledge migrants", although they do not have to meet the salary requirements. As the knowledge migrant scheme does not set any quota and is not tied to any specific countries, no bilateral agreements have been signed with non-EU Member states. At the same time, Dutch authorities have set out several eligibility requirements for simplified taxation – they must possess expertise not available to Dutch citizens, relevant level of education and professional experience. The Netherlands also aims to attract foreign students by permitting them to stay in the country

[151] IOM (2009).

and look for a job for three months after completing their studies. Other instruments promoting self-employment and employment of talented individuals engaged in sectors such as culture and research are also applied. According to the Immigration and Naturalization Service of the Netherlands, none of the ENP countries in 2007 were included into the top immigrant countries under the knowledge migrant scheme.

Among ENP countries, Ukraine is the main country of origin of migrants to *Poland*, followed by Belarus and Armenia. Pressed by high numbers of illegal migrants, the Polish government applies a facilitated employment system for Eastern European workers, issuing a six month residence permit if the worker is employed for the first time. Ukrainian holders of the special "Polish Card" (issued on the basis of documented Polish descent) can work in Poland without any restrictions. Furthermore, bilateral agreements on social benefits have been signed with Libya.

Ukrainians make up 14.7 percent of immigrants in *Portugal*, which is a rather high share if we take into account that migrants from Brazil – traditional country of migrants' origin for Portugal – make up 14.9 percent, followed by Moldovans, with a 3 percent share. They are mostly employed in the construction sector. Portuguese legislation includes provisions promoting employment of scientists and highly skilled workers.

Due to historic and cultural developments, *Romania* receives the largest number of migrants from Moldova, consequently creating facilitated conditions for their employment. Bilateral agreements have also been signed with the Syrian Arab Republic and Ukraine.

As is also the case with other new EU member states, *Slovakia* has experienced a rise of immigrants following EU accession in 2004. Migrants come mostly from neighboring Eastern European countries, including Ukraine. Slovakia also applies a quota system for labor migrants on the basis of bilateral agreements. Similarly to Ireland, the government of Slovakia advertizes available job offers on a specially created website.

Spain applies a special work permit program that facilitates entry of migrants who have an offer from an employer in Spain. Migrants not staying in Spain can apply, and it is up to the consulate to make sure that the market test is passed (the job is "hard to fill" with Spanish nationals) before the visa is issued to the worker. Spain focuses on cooperation with some sending countries in terms of managing labor migration. On the basis of a bilateral agreement with Morocco, labor migrants from Morocco can make use of job offer notifications, facilitated selection procedures and work contracts, as well as work permits. In addition, the Spanish approach includes raising awareness concerning social benefits and rights of foreign migrants, particularly in terms of social security, pension payments and taxation.

In 2007, *Sweden* announced a governmental plan to improve labor possibilities for foreign workers, abandoning the market test rule. Migrants in Sweden can rely on pension payments after retirement. High-skilled workers representing teachers, researchers, performers, technicians and representatives from multinational companies can enjoy the benefit of work permit exemption. Students are given some time to look for a job in Sweden. High-skilled workers might also fall under special tax regulations.

Historically, the *United Kingdom* has been one of the top countries attracting migrants from different continents. Realizing the need to upgrade its migration policy and fill in labor shortages, the points-based tier program for highly skilled migrants was launched in 2002, leading to an increase in the number of work permits issued. In contrast to this, the United Kingdom has been restrictive in admitting migrants under the tier scheme for qualified professionals since 2010. Apart from the five-tier system for migrants, there are other schemes promoting employment of foreign nationals – Sector-Based or Fresh Talent Working in Scotland. Tier one and tier two target highly skilled immigrants, such as entrepreneurs, investors and graduate students. By 2010, a number of doctors, engineers,

scientists possessing qualifications and an appropriate education level as well as necessary knowledge of English could benefit from the system.

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Abstract

This study evaluates European Union (EU) experience of the mobility of skilled labor migrants after the 2004 and 2007 EU enlargements and from the European Neighborhood Policy (ENP) countries. The study concludes that migration generally improves the allocative efficiency of labor markets and there is little if any evidence of statistically significant or economically relevant negative aggregate effects of migration on receiving labor markets. While outflow of young and skilled workers may pose risks to sending countries' economic prospects and public finance, circular migration, brain gain, and remittances attenuate such risks, and have the potential to become powerful engines of convergence. Obstructive legislation and ill-designed migration policies impede migration and deprive sending and receiving countries of such potential benefits.

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