Chapter 9. Migration Policies
Migration as great absentee in the era of globalization. Migration policies restrict the movement of persons across jurisdictions by establishing:

- Quotas in terms of maximum number of work permits
- Rules concerning the allocation of quotas, admission procedures and length of permits
- Years/Procedures to obtain citizenship
- Rules for asylum policies
Measuring the Strictness of Migration Policies

Quantitative indicator developed by www.frdb.org transforming qualitative information on scalar measure of strictness (higher scores denote more strict regulations). Draws on information on:

- Existence of Quota system
- Number of certificates and procedures required to be admitted as a foreigner
- Number of years required to obtain Permanent Residence
- Number of certificates required to legally reside in the territory
- Number of Years required to obtain first Residence Permit

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
### Measuring the Strictness of Migration Policies

<table>
<thead>
<tr>
<th>Country</th>
<th>Quota system</th>
<th>Adm. req.</th>
<th>Perm. req.</th>
<th>Res. req.</th>
<th>Length first stay</th>
<th>Overall index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>yes</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>2.8</td>
</tr>
<tr>
<td>Denmark</td>
<td>no</td>
<td>6</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>3.2</td>
</tr>
<tr>
<td>Finland</td>
<td>no</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>2.8</td>
</tr>
<tr>
<td>France</td>
<td>no</td>
<td>3</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>1.5</td>
</tr>
<tr>
<td>Germany</td>
<td>no</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>2.6</td>
</tr>
<tr>
<td>Greece</td>
<td>no</td>
<td>4</td>
<td>10</td>
<td>3</td>
<td>2</td>
<td>2.7</td>
</tr>
<tr>
<td>Ireland</td>
<td>no</td>
<td>6</td>
<td>10</td>
<td>3</td>
<td>2</td>
<td>2.9</td>
</tr>
<tr>
<td>Italy</td>
<td>yes</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>3.1</td>
</tr>
<tr>
<td>Netherlands</td>
<td>no</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>3.0</td>
</tr>
<tr>
<td>Portugal</td>
<td>yes</td>
<td>6</td>
<td>5/8</td>
<td>3</td>
<td>2</td>
<td>3.1</td>
</tr>
<tr>
<td>Spain</td>
<td>yes</td>
<td>6</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>3.2</td>
</tr>
<tr>
<td>UK</td>
<td>no</td>
<td>3</td>
<td>10/14</td>
<td>1</td>
<td>2</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Trends in migration policies

Immigration policy indexes

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Trends in migration policies

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Not always so Strict

- Up to the 1950s migration encouraged in Europe
- Restrictive stance since the beginning of the 1970s together with rise of unemployment
- More migration to the US at the beginning of the 20\textsuperscript{th} Century
  (www.ellisislandrecords.org)

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Trends in migration policies

Figure 9.1 Gross Inflows of Legal Migrants to the United States as a Fraction of the U.S. Population, 1820–2007

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
## Deteriorating Perceptions

% of respondents agreeing with the following statements:

<table>
<thead>
<tr>
<th>Statements</th>
<th>Germany</th>
<th>Spain</th>
<th>France</th>
<th>UK</th>
<th>Italy (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;immigration bad for country's economy&quot;</td>
<td>ESS 2002</td>
<td>31</td>
<td>26</td>
<td>28</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>ESS 2006</td>
<td>40</td>
<td>25</td>
<td>39</td>
<td>46</td>
</tr>
<tr>
<td>2006-2002</td>
<td>9</td>
<td>-1</td>
<td>11</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>&quot;immigrants make country worse place to live&quot;</td>
<td>ESS 2002</td>
<td>34</td>
<td>37</td>
<td>37</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>ESS 2006</td>
<td>42</td>
<td>36</td>
<td>42</td>
<td>47</td>
</tr>
<tr>
<td>2006-2002</td>
<td>7</td>
<td>-1</td>
<td>5</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>&quot;unemployed immigrants should be made to leave&quot;</td>
<td>ESS 2002</td>
<td>50</td>
<td>25</td>
<td>32</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>Harris 2009</td>
<td>67</td>
<td>71</td>
<td>51</td>
<td>78</td>
</tr>
<tr>
<td>2009-2002</td>
<td>17</td>
<td>46</td>
<td>19</td>
<td>25</td>
<td>30</td>
</tr>
</tbody>
</table>

Notes: 1) The ESS survey took place in Italy only in 2002 and 2004.
A Competitive Labor Market

- Wages adjust fully to changes in labor supply. Focus on the short-run: no changes in the capital stock. Labor demand unaffected by immigration. Migration like labor supply shock.
- Assuming that migrants and natives are perfect substitutes (homogeneous labor), the impact of immigration on employment depends on the elasticity of labor supply.
- If labor supply is rigid, no effect on employment among natives.
- If labor supply is elastic, employment among natives declines, but no unemployment.

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Immigration to competitive labor markets

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
An Economy with Wage Rigidities

With a minimum wage

With semi-rigid wages

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
In imperfect labor markets, migration involves unemployment

In imperfect labor markets, migration affects income of natives in a variety of ways:

- changes in wages
- changes in employment, and
- changes in unemployment
- taxes
- other externalities related to U? (crime?)

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Wage Rigidities and Unemployment Benefits

- There is also a fiscal effect of migration, insofar as immigration affects unemployment in the destination countries.
- This *fiscal externality* is larger if labor is not homogeneous and unemployment benefits attract more low-skilled migrants, more likely to become unemployed or crowd-out low-skilled natives.

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Fiscal Effects: Main Channels

Simple model. Negative fiscal externalities of migration related to:

1. Average net fiscal position of migrants: how much do they pay and how much do they get?
2. Welfare dependency: do they take more than what they are supposed to in light of their characteristics (age, number of children, labour market status, skill, income)?
3. Skill composition of migration: do countries with more generous systems attract migrants more likely to draw on welfare (low-skilled, with many dependent family members, etc.)?

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Migration and Self-selection

- Decision based on estimated discounted net present value (NPV) of migration

\[ NPV = \sum_{t=1}^{\infty} \frac{w_F(t) - w_H(t)}{(1 + i)^t} - C_0 \]

- Where:
  - \( w_F = \) wage in the destination country
  - \( w_H = \) wage in the origin country
  - \( C_0 = \) frontloaded migration costs

- Analogies with theories of human capital

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Migration and Self-selection

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Migration and skills

- Skill composition of migrants depends on differences in rates of return of skilled and unskilled workers in the origin and destination region/country.
- Highly educated end up in the country/region that values them the most.
- Unemployment benefits creating income floor reduce skill content of migration.

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Immigration affects income distribution only insofar as migration affects the skill composition of the population.

- If more low-skilled, income inequality increases.
- If more high-skilled, income inequality declines.
Negligible effects of migration on wages and employment among natives

This finding can be reconciled with economic theory when account is taken of

- Self-selection of migrants in high-wage regions (greasing the wheels effect)
- Changes in migration patterns of native workers
- Changes in the regional output mix

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Greasing the Wheels Effect

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Local U matters
Convergence in Regional Wage Rates

Source: Borjas (2001a). Each observation represents a convergence coefficient estimated in a particular decade for a particular skill group. The measure of immigrant penetration gives the log of the number of immigrants in a particular skill group who arrived during a particular decade relative to the number of natives in that skill group at the beginning of the decade. The points on the scatter diagram are weighted by the inverse of the squared of the standard error of the convergence coefficient.
## Push and Pull Factors

<table>
<thead>
<tr>
<th>Elasticity of East-West Migration w.r.t. East/West Unemployment and Wage</th>
<th>Age 18-24</th>
<th>Age 25-49</th>
<th>Age 50-64</th>
</tr>
</thead>
<tbody>
<tr>
<td>Destination hourly wage</td>
<td>1.431</td>
<td>1.061</td>
<td>1.889</td>
</tr>
<tr>
<td>Source hourly wage</td>
<td>-0.803</td>
<td>-0.750</td>
<td>-0.102</td>
</tr>
<tr>
<td>Destination unemployment</td>
<td>-0.131</td>
<td>-0.259</td>
<td>-0.097</td>
</tr>
<tr>
<td>Source unemployment</td>
<td>-0.057</td>
<td>0.151</td>
<td>0.279</td>
</tr>
</tbody>
</table>

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
### Push and Pull Factors

<table>
<thead>
<tr>
<th></th>
<th>1970</th>
<th>1990</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power couples</td>
<td>14.6</td>
<td>34.8</td>
<td>20.2</td>
</tr>
<tr>
<td>Nonpower couples</td>
<td>8.3</td>
<td>20.0</td>
<td>11.7</td>
</tr>
<tr>
<td>Difference</td>
<td>6.3</td>
<td>14.8</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Politicians Point to “Welfare Shopping”

- **Claus Hjort Frederiksen** (Danish Minister for Employment, 2006): “If immigration from Third World Country were blocked, 75% of the cuts necessary to maintain the welfare state would be unnecessary.”

- **Heinz-Christian Strache** (leader of FPO, Austria, 2009): “Social housing, family allowances and child subsidies should become a citizen’s right only and should not be given easily to immigrants.”

- **Thilo Sarrazin** (former Berlin central banker, 2010): “Germany is digging its own grave by admitting waves of immigrants who are spongers, welfare cheats, and sub-intelligent beings.”

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Politicians Point to “Welfare Shopping”: more...

- **Roberto Maroni** (Italian Minister of Interior, 2010): “Migrants are a negative resource; we should not build houses (and religious sites) for them; it is outrageous that migrants acquire the same rights of Italians while only the latter pay.”

- **Siv Jenin** (Norwegian Progress Party): “There is a large number of immigrants living on welfare and they have been in this condition for a very, very long time.”

- **Catherine Megret** (French Front National, 2010): “There are simply too many immigrants, who knows how many children they send to the streets and then claim welfare.”

- **Kai Pontinen** (keyword in the 2009 campaign for European Parliament in Finland): “Stop to welfare bum immigrants”

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Fiscal Effects (1): More likely than natives to be beneficiaries?

Source: EU-SILC (yearly averages, 2004-2007), pooled data.
Notes: (1): % of respondents declaring to have “limitation in activities people usually do because of health problems for at least the last 6 months”
### Fiscal Effects (2): Net Fiscal Position of Migrants

<table>
<thead>
<tr>
<th>Country</th>
<th>Share of net contributors (SNC) among migrants</th>
<th>SNC: migrants over natives</th>
<th>ANFP Migrants – ANFP Natives ANFP Stdev. overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>78.3%</td>
<td>1.34</td>
<td>0.12 **</td>
</tr>
<tr>
<td>Belgium</td>
<td>84.0%</td>
<td>0.91</td>
<td>0.37 ***</td>
</tr>
<tr>
<td>Denmark</td>
<td>52.2%</td>
<td>0.84</td>
<td>-0.49 ***</td>
</tr>
<tr>
<td>Finland</td>
<td>47.2%</td>
<td>0.80</td>
<td>-0.57 ***</td>
</tr>
<tr>
<td>France</td>
<td>44.5%</td>
<td>0.81</td>
<td>-0.32 ***</td>
</tr>
<tr>
<td>Germany†</td>
<td>64.4%</td>
<td>1.21</td>
<td>-0.11 ***</td>
</tr>
<tr>
<td>Ireland</td>
<td>50.3%</td>
<td>1.06</td>
<td>-0.20 **</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>54.9%</td>
<td>0.99</td>
<td>-0.18</td>
</tr>
<tr>
<td>Norway</td>
<td>55.7%</td>
<td>0.86</td>
<td>-0.53 ***</td>
</tr>
<tr>
<td>Spain</td>
<td>91.7%</td>
<td>1.54</td>
<td>0.35 ***</td>
</tr>
<tr>
<td>Sweden</td>
<td>49.0%</td>
<td>0.77</td>
<td>-0.55 ***</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>68.9%</td>
<td>1.23</td>
<td>0.23 ***</td>
</tr>
</tbody>
</table>

*** significant at 99%, ** at 95%, * at 90% (t-test on equality of migrants’ and natives’ ANFP).

†Germany, in the EU-SILC no distinction is made between EU and non-EU migrants.

## Closing the Welfare Door?

<table>
<thead>
<tr>
<th>Country</th>
<th>Average reply</th>
<th>Take out more</th>
<th>Put in more</th>
<th>Std.Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>4.1</td>
<td>4.6%</td>
<td>0.8%</td>
<td>2.12</td>
</tr>
<tr>
<td>France</td>
<td>4.4</td>
<td>8.9%</td>
<td>3.4%</td>
<td>2.34</td>
</tr>
<tr>
<td>Germany</td>
<td>3.8</td>
<td>8.5%</td>
<td>0.5%</td>
<td>2.06</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4.2</td>
<td>6.1%</td>
<td>0.7%</td>
<td>2.08</td>
</tr>
<tr>
<td>Spain</td>
<td>4.7</td>
<td>2.2%</td>
<td>1.8%</td>
<td>2.09</td>
</tr>
<tr>
<td>UK</td>
<td>3.8</td>
<td>8.0%</td>
<td>0.6%</td>
<td>2.17</td>
</tr>
</tbody>
</table>

Perception about the fiscal position of migrants (0 they take out more; 10 they put in more)

Source: European Social Survey 2002

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1 Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Pros and cons of closing the welfare door

- Popular policy. It would address concerns of public opinion.
- It would affect the size of migration flows (increase by 1 standard deviation of generosity implies 3% higher migration) more than their skill composition
- Difficult to enforce: experience of California
- Problems in the assimilation of migrants
- Equity considerations

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Adopting a point system?

- Skilled migration is better for rigid countries
- Simplification of policies (including asylum)
- Is it effective in selecting migrants?
- Risk of brain drain?
- Equity considerations

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Skill distribution of migrants and natives (IALS scores)

Germany

New Zealand

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Evidence on brain drain effects on LDC growth

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Migration policies are already getting selective

- Everywhere tightening of migration policies towards the unskilled
- While race to attract highly skilled migrants
- Explicit point systems in an increasing number of countries (Canada since 67, Australia since 84, New Zealand since 91, Switzerland since 96)
Why do Migration Policies Exist?

- Migration policies can, at best, induce some gradualism in migration flows that would otherwise occur in large waves.
- Pressures on welfare systems that exert negative fiscal spillovers on the domestic population can be reduced by either restricting access to welfare by migrants or by adopting explicitly selective migration policies.

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.
Review questions

1. Why do employers generally support migration, while unions do not?
2. What are the effects of migration on income distribution at home?
3. Why does empirical work often not find the strong effect of migration on native wages that is predicted by economic theory?
4. How do the elasticities of labor demand and labor supply affect the economic impact of migration?
5. What are the pros and cons of a points system?

Source: Tito Boeri and Jan van Ours (2008), The Economics of Imperfect Labor Markets, Princeton University Press.