Labor Migration and the Role of Evaluation

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Major points of analysis

► Migration economics
  ▪ Migration in general beneficial (EU East Enlargement, internal mobility)

► Refugees and the labor market
  ▪ Slow assimilation
  ▪ Negative but small effects on native employment when competitive

► Attitudes towards migrants & refugees
  ▪ Attitudes are based on misperceptions
  ▪ Refugees are not responsible for the breakdown of European identity

► Policy responses
  ▪ New European policy agenda is needed (we need more not less Europe)
  ▪ Jobs for refugees is a key strategy
The issues
Relevance of migration and labor mobility

- Mobility of labor contributes to an **optimal allocation of resources**; generates higher and better output and more welfare (income, jobs).
- Migration economics is an important part of economics in general and supports the **division of work** (Adam Smith).
- Mobility helps labor markets to **adjust in disequilibria**, particularly after asymmetric regional shocks.
- The **Single European Labor Market project** has been top priority since the 1950s on the European agenda.
Migration-related challenges for Europe

► Internal mobility: Labor market flexibility within Europe

► Demographic change: EU population is aging and shrinking

► Immigration? Fortress Europe?

► Refugees
Main Migratory Routes into the EU
Controversial: What do the refugees?

- Flooding the European welfare state?
- Solving the demographic pressure until 2025?
- Stimulating growth?
- Splitting the receiving societies?
- Destroying the European vision, and hence the EU?
- Caused Brexit?

**Key messages:** The refugee challenge is **not** an economic issue. It is:
- A political issue challenging European institutions and societies.
- A challenge for media democracies.
- A challenge for European identity building.
More general: Popular myths about migration

- Migrants cause native job losses and depress wages
- Migrants foster inequality
- Migrants do not integrate and exploit the welfare state (welfare shopping)
Evidence-based policy making
Evidence-based policy making

- Economic policy should be based on facts and scientific insights about causes and effects
- Scientific competition & quality control (refereed publications)
- Core are causal relationships: $Y = F(X) + e$
- Contrafactual analysis
- Policies need to be scientifically evaluated
- Policies/laws need to be re-considered
- Ineffective measures need to be abolished
Evidence-based policy making II

► Plausible, but very controversial in societal reality
► New trend: Evidence-free policy making (beliefs matter)
► Alternative facts; fake news
► Quality control in traditional and social media
► Evidence on migration issues was always debated/ignored
► But also in general: evidence-based policies lose ground
Evidence-based policy making III: Methods

- Econometrics: $Y = a + bX + e$; causality, instruments
- Natural experiments
- Randomized trials
- Contrafactual analysis
- Correspondence studies
- Anonymous job applications
Perceptions
Attitudes Towards Migrants & Refugees

► Distorted Perceptions about Migrants and the Economy
► Problem: Knowledge of scientists are at odds with public opinions and the actions of the policymakers
► Survey variables to study: Attitudes towards migrants; increase immigrant levels or not?
**Message for data from all OECD countries for 2000.**

**Endogenous: Attitudes towards migrants**

Natives in countries that receive predominantly refugee migrants are relatively more concerned with immigrants' impact on social issues such as crime than on the employment effects.

Natives in countries with mostly economic migrants are relatively more concerned about losing jobs to immigrants.

Their results also suggest that natives may view immigration more favorably if immigrants are selected according to the needs of the labor markets.

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**> Data: 2012, American National Elections Study

**> Endogenous: increase immigrant levels or not?

Socio-economic variables explain most; Jobs taken away; High educated

Cultural (is also strongly significant; but does explain only small part; what works is national identity; race; Hispanic work-ethic
Attitudes Studies III

Attitudes towards immigrants in Europe, 2009

Source: Authors’ calculations from the Eurobarometer 71.3 dataset. (Zaiceva and Zimmermann, 2016)
Notes: Proportion of respondents replying “tend to agree” to the corresponding questions; weighted by sample weights provided for the EU15 and new EU members (EU10+2); only includes natives.
Large gap between scientific knowledge and what people think

Foreigners are the more disliked the less known

Jobs for refugees are:

- Good for acceptance among the natives
- An integration tool
- An investment for development
Literature
References Migration and EU-Enlargement
References European Internal Mobility

Migration, jobs and integration in Europe

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Migration, jobs and integration in Europe, in: Migration Policy Practice, 2014, 6(4), 4-16

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Key References


http://www.merit.unu.edu/publications/working-papers/


References: Refugees – Facts and Impacts


Facts
2013: Pre-Crisis Shares of Asylees and GDP Share

Asylum Applications in the EU and Selected EU-States: 1985-2015

Source: Constant and Zimmermann, 2016

Note: (a) In 2015 the EU recorded 1,322,825 applications with 476,510 in Germany (36%), 177,135 in Hungary (13%), 162,450 in Sweden (12%), 88,160 in Austria (7%), 83,540 in Italy (6%), and 40,160 in the UK (3%). (b) From January to September 2016 the EU recorded 927,100 applications with 612,415 in Germany (66%), 26,875 in Hungary (3%), 19,860 in Sweden (2%), 31,935 in Austria (3%), 72,545 in Italy (8%), and 22,970 in the UK (2%).

### Asylees 2015 & 2016 in the EU & States

<table>
<thead>
<tr>
<th>Country</th>
<th>2015 Total (Tsd)</th>
<th>2015 Percentage</th>
<th>2016 Total (Tsd)</th>
<th>2016 Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total:</td>
<td>1.32 Mio</td>
<td></td>
<td>1.26 Mio</td>
<td></td>
</tr>
<tr>
<td>Germany:</td>
<td>477 Tsd; 36%</td>
<td></td>
<td>745 Tsd; 59%</td>
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<tr>
<td>Hungary:</td>
<td>177 Tsd; 13%</td>
<td>29 Tsd; 2%</td>
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<tr>
<td>Sweden:</td>
<td>163 Tsd; 12%</td>
<td>29 Tsd; 2%</td>
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<tr>
<td>Austria:</td>
<td>88 Tsd; 7%</td>
<td>42 Tsd; 3%</td>
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<td>Italy:</td>
<td>84 Tsd; 6%</td>
<td>123 Tsd; 10%</td>
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<td>UK:</td>
<td>40 Tsd; 3%</td>
<td>39 Tsd; 3%</td>
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<tr>
<td>Greece:</td>
<td>13 Tsd; 1%</td>
<td>51 Tsd; 4%</td>
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Analysis
Migration issues in the EU

1. Migration economics

- Migration economics has a fast growing and rich research output with significant policy relevance and provides many insights that should be the basis for evidence-based policymaking.

- Four “hot topics” in the European debate:
  - Intra-EU Mobility
  - Welfare Migration
  - Migration and Mobility
  - Skilled Labor Immigration
  - Asylum & Refugee Policy

- Key message: Europe needs a much higher level of permanent immigration and circular labor migration.
Should we fear migration?

**Migration generally benefits the economy:**
- Improves the allocative efficiency of labor markets
- Adjusts disequilibria in markets
- Brain circulation facilitates international trade, transfer of technologies and knowledge, and eliminates bottlenecks to economic development
- Good: Migration creates variety, diversity. No advantage from being alike.
- Do not take jobs or depress wages (Constant, 2014; Peri, 2014)

**Free movement benefits the migrants themselves**
- Free movement benefits the migrants themselves
- Jobs and earnings
- Welfare take up
- Remittance, return migration, diaspora networks
Natural experiment: EU enlargement

- Studies found that the labor market effects of the EU enlargement on the natives were profitable, at least not harmful.
- Eastern Europeans increased the number of circular labor migrants who were really looking for work – and not for welfare.
- These motivated Eastern Europeans helped make European labor markets more flexible, in particular during the Great Recession.
- Fears of Eastern European workers flooding the Western labor markets are completely unsubstantiated.
Refugees and the Labor Market: Assimilation

- Assimilation is very slow
- More difficulties to find jobs than other migrant groups
- Low language qualifications
- 80% of refugees in 4 EU member states (Germany, UK, Sweden, France)
- Refugees are close in labor qualities to family migrants
- Traditionally large restrictions on mobility and labor market entry

Employment and Unemployment, 15-64, 2014

Refugees need 20 years to equal natives and other migrant groups, their employment rate is 56% after 10 years.

Refugees and the Native Labor Market

► Refugees and causality
► Negative, but small effects on native employment; no effects on wages (Tumen, 2015)
► Possible favorable effects for complementary natives (Borjas and Monras, 2016)
► Occupational upgrading of the natives (Foged and Peri, 2016)
► New refugees in Turkey: affected native Turks in the informal sector; but positive welfare effects due to falling prices and better services (Kuznets Prize of the Journal of Population Economics for Balkan and Tumen, 2016)
Waiting Period ...
After the Asylum Application is Lodged Until Allowed to Work, in Months
Source: Constant and Zimmermann, 2016

Note: When an application is lodged and while it is under consideration a person is called an asylee. If asylees are granted asylum they become refugees and are allowed to work immediately under the 1951 Refugee Convention. However, it often takes several months to a year from the moment a person arrives and claims asylum until he can lodge an application.
Source: AIDA - Asylum Information Database (http://www.asylumineurope.org/), own calculations
Inequality
Fig. 19.2. Scatter plot of the Gini coefficient as a function of the share of foreign labor with a locally weighted line plot.

Notes: Western European OECD members; see Table 19.1, excluding Switzerland and Luxembourg. The dashed line represents a line plot of the nonparametric locally weighted regression of Gini values on the share of foreign labor. See Fig. 19.1 on data sources.
Circular Migration
Circular Migration: Mexico - US

Figure 1. The nature of Mexican migrants to the US has changed dramatically since massive restrictions were imposed beginning in 1964.

Circular Migration: German Guestworkers 1973

Figure 2. Employment of guest workers declined sharply in Germany following the change in policy in 1973.

Source: Constructed by the author based on data from the German Federal Statistical Office.

Figure 3. The foreign population in Germany from the former guest worker countries declined after 1973, except from Turkey.

Source: Constructed by the author based on data from the German Federal Statistical Office.
Conclusions
Conclusions

- Immigration is in general positive for the economy.
- Refugees are more challenging.
- But the current refugee flows will hardly affect the European labor markets much.
- Quantitative methods can help to clarify facts.
- Migration also fosters development: Needs for evaluation.
- Language classes for migrants need more evaluation.