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**The EU's policy making and the practice of multilevel
governance**

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What stands in the way of a EU common labour migration policy? Implications of the impact of immigration on labour markets for EU policy options

The present paper converges on the narrow scope of examining the effects of migration on labour markets, focusing on their impact on the policy-options concerning a common migration policy at EU level, with an overview of main developments in the migration policy at EU level. I compare two different perspectives of the effects of immigration on the labour markets in order to observe their policy implications and explore the reasons behind the absence of a common vision for a European migration policy. The paper is divided in three parts. I begin by summarising the main developments in the process of building a common migration policy. I then explore two main economic enquiries into the effects of migration on host economies, comparing their methodological approach and their policy implications. The concluding part relates the economic effects of migration to the options Member States are faced with in the process of building a common migration policy.

1. Are we heading towards a common European migration policy?

For years, European policy-making was associated with providing welfare, peace and harmony and - while still being an elitist project - it enjoyed passive, silent popular support. However, as Beate Kohler-Koch points out “internal peace is no longer at stake and the single market is a well-established reality which is rather associated with unwanted pressures on individual welfare than with tangible improvement of material benefits” (Kohler-Koch, 2001:5). Popular support is no longer implicit and Member States must consider both economic concerns and concern for public support on their agenda.

In this general atmosphere, one can read on the official website of the European Commission in the Justice and Home Affairs section: „Towards an EU Common Immigration Policy.” While the title sounds fairly enticing and the wording blends into the typical European Commission inclusive discourse, advance towards such policy has faded in the last three years, without having ever recorded some strong pace.

Let us briefly turn to what were the main developments in this process inverted at present. Immigration and asylum became key areas firmly established among the Commission’s competence with the Treaty of Amsterdam, leading to an agreement on the elements of a common asylum and immigration policy at the European Council in Tampere in October 1999 (Piracha and Vickerman,

2003:2). One year later, in November 2000, the European Commission's communication 'On a Community Immigration Policy' was published, evincing changing pressures and challenges which generated the need for a reappraisal of the envisioned immigration policy. A draft directive put together by the European Commission, which regulated the legal immigration of workers, suggesting clear and transparent rules for non-EU nationals working in the EU, reached the European Council table in July 2001. In 2003, a communication from the Commission encouraged Member States to step up their efforts of harmonization in order to reach a common ground for a policy and in my paper I analyse such a viewpoint¹ dating back to 2003, proponent of a common migration policy of relaxed regulations and free access. By December 2005, searching through the bulk of communications from the Commission the draft directive had been scrapped.

The latest document on the topic in this scrutiny, a December 2005 communication from the Commission titled "Policy Plan on Legal Migration" states in a surprisingly clear way – bearing in mind the EU opaque language standards - that Member States do not favour such a common migration policy:

The public consultation [n. in June 2005] drew attention to possible advantages of a horizontal framework covering conditions of admission for all third-country nationals seeking entry into the labour markets of the Member States. However, the member States themselves **did not show sufficient support** for such an approach (emphasis added) (2005:5).

With lack of support for a common policy, the Commission decided that it would be more appropriate to "attain the objectives of transparency, effectiveness of EU legislation and non-discrimination through a targeted set of several complementary measures" (ibid.). From the ambitious proposal in 2001, in less than 5 years the Commission went back to effectiveness, transparency and non-discrimination goals, to be found ubiquitously throughout its labour-policy discourse. These have been criticised by various scholars (see Scharpf, 2001; Kohler-Koch, 2001) as being the result of "a mistaken perception of the nature of EU policy-making" (Kohler-Koch, 2001:4) and of lack of interests "in discussing the substantive problems confronting the EU" (Scharpf, 2001:3). Having agreed on that, besides criticism of the new goals, this inverted process towards a common policy shows that the complexity of the problem of migration into the EU has been underestimated and especially under-evaluated. This evinces that it will not be nearly as easy to hale a common European Labour market as it has been to achieve the single market (without alleging that achieving the single market was itself an easy task).

¹ By Roger Vickerman and Matloob Piracha, professors in the Department of Economics, University of Kent. UK

The communication from the Commission is clear in asserting contained goals by contrasting the new framework directive with the proposal as follows: “Unlike the 2001 proposal for **a directive on economic migration** [...] this package **only** addresses the conditions and the procedures of admission for few selected categories of economic migrants.”(emphasis added) (ibid.). These few selected categories of migrants are in fact the highly skilled workers, the seasonal, temporary workers and the Intra-Corporate Transferees and trainees. The package of four directives proposed by the Commission for 2006 does not address in fact the bulk of un-skilled and semi-skilled workers from outside the EU borders, migrant or non-migrant which make up the most significant percentage of all the foreign labour force active on EU territory. It is they, the effects they generate on a given labour market, and the implication for policy options that I am going to discuss further.

2. What stands in the way of a common migration policy? The effects of immigration on the labour market: the liberal versus conservative debate revisited

The present paper converges on the scope of examining the effects of immigration on labour markets, with a focus on their impact on the policy-options for a potential common migration policy at EU level. The European single market was triggered by concerns over European competitiveness in the context of globalisation, pressure from multinational firms, and benefited from the firm leadership of Jacques Delors. (Moravscik, 1994:14). The European single market meant the elimination of non-tariff trade barriers, in the spirit of neo-liberal ideology. As Young and Wallace point out, with the single market, the view over the European “welfare state” has been redefined and neo-liberalism became an alternative to keynesianism and a potentially predominant paradigm in EU economic policy (2000:87). In the 1980s the western European states were being confronted with a crisis of competitiveness. Economic interdependence further reduced the efficacy of national responses to the crisis and provided an incentive for a coordinated response to the region’s economic problems. Are there such economic incentives for a coordinated response to the migration challenge?

The consequences of eliminating barriers and liberalizing markets are a surge in investments and exports, while increasing inequality in the economy, since weak industries or sectors don’t benefit from subsidies anymore etc. However, while the gap might have increased between some member states, the common result was an increase in revenues and in GDP per capita for all partakers. How does immigration influence an economy in order to observe its effects? In this paper I contrast two types of arguments: those favouring a relaxed policy of immigration and those against it. I contrast

the views of two professors² from the University of Kent - arguing that evidence on the latter is not conclusive and aiming “to show the beneficial effects of migration on both the home (origin) and host (destination) regions (2004:1) –with that of George Borjas, renown Harvard author of extensive studies on the economic effects of migration in the US. He provides empirical evidence on the negative impact of immigration on wages, employment and growth. The research of the professors from Kent University is part of the project “Borders, Migration and Labour Market Dynamics in a Changing Europe” financed by the UK Economic and Social Research Council, whereas the analysis by George Borjas follows extensive research within the National Academy of Sciences, the Department of Labour, the Centre for Immigration Studies, providing reaction to the 2004 Bush proposal for the regularisation of 10 million “illegal aliens”. My limited purpose is to observe the pro and con arguments regarding the economic impact of immigration and to discuss the implications of these arguments for policy-options at EU level since there is a highly contentious discussion whether immigration in sectors that employ relatively low skilled workers causes negative wages, employment and growth effects respectively.

To begin with, a clarification of the scope of the comparison and its main common assumptions is necessary. As to the scope of the comparison, it focuses on the economic effects of migration. It is worth noting that the authors of both studies use the term “economic effects” in a rather narrow sense, referring to the effects on wages, employment and growth, basically to the impact on the labour market. The aim of the study made by Borjas, in his own words, is to examine “the economic impact of increases in the number of immigrant workers by their education level and experience in the work force” (2004:1). The authors of both studies bring evidence and agree that there is little difference between those moving legally and illegally. Borjas argues additionally that the effect on earnings occurs regardless of whether the immigrants are legal or illegal, permanent or temporary (2004:1). At the same time, the authors of the European report note that there has been a substantial surge in illegal immigrants, the preferences of which do not however differ from those of legal migrants.

A second common assumption is that my comparison does not consider intra-EU labour migration, i.e. migration between different member states, in both cases the authors focusing extensively on migration from external sources/countries of origin and its impact. Piracha and Vickerman assert that migration from central and eastern Europe is a significant issues, but not an overwhelming one: “for all EU countries the flow of migrants, even in the most affected countries of Austria and Germany, is very small relative to the total population and to the existing stock of migrants”

² Roger Vickerman and Matloob Piracha, Department of Economics, University of Kent. UK

(2004:6). Thus, reliable data regarding legal migration demonstrates that, what has become after 2004 intra- EU migration from new member states in central and eastern Europe to the old member states, accounts for at most 16% across old member states, this figure corresponding to Germany. (2003:7).

Discussing the effects of migration on the receiving countries, Vickerman and Piracha call attention to the studies of Chiswick (1988) and Galor and Stark (1994) showing that “international migration has contributed towards human capital formation by influencing natives’ accumulation of knowledge.”(2003: 14) The authors portray migrants as important contributors to producing new elements in the field of science in general, as for example, in medicine. With this argument, however, the study makes a clear reference to skilled migrants and Vickerman and Piracha move on by stressing that some sectors are more adversely affected than others by immigration and by clarifying that in recent years the impact of immigration on the labour market has become the point of contentious debate. The concern over the adverse labour market effects of immigration has always played a central role in the immigration debate in the US (Borjas, 2004: 9).

The argument at stake is whether immigration in sectors that employ relatively low-skilled workers causes negative wage and employment effects. Borjas formulates his view in the following way:

Any sizable increase in the number of immigrants will inevitably lower wages for some American workers. Conversely, reducing the supply of labour by strict immigration enforcement and reduced legal immigration would increase the earnings of native workers (2004:1).

Research on the impact of measures that increase the supply of labour through immigration on native-born workers are quite controversial. The main postulate dates back to 1964, with economist Paul Samuelson’s significant contribution to economic theory: “By keeping labour supply down, immigration policy tends to keep wages high.” (Samuelson in Borjas, 2004:2). Borjas details the general thesis by pointing out that generally, immigration should decrease wages among competing workers and increase wages of complementary workers³ (2004:2).

The evidence of Samuelson’s postulate and of the general thesis regarding the effect of migration has been debated in numerous studies over the recent decades. However, analyses conducted so far have made use of the main geographical feature of migration: the fact that migrants tend to gather in

³ For example, an influx of foreign-born labourers reduces the economic opportunities for labourers – all labourers now face stiffer competition in the labour market. At the same time, high-skill natives may gain substantially. They pay less for the services that labourers provide, such as painting the house and mowing the law, and natives who hire these labourers can now specialize in producing the goods and services that better suit their skills (Borjas, 2004:2)

metropolitan areas. Empirical studies have exploited this “geographic clustering” in measuring the labour market impact of immigration. The importance of this feature is not to be overlooked. Piracha and Vickerman address themselves the issue by mentioning that within member states there are clear concentrations in certain regions, which exacerbates the problem of assimilation. They emphasise further on: “It is concentrations like these that give rise both to the prominence of the political issue of migration and to the associated social problems.” (2003: 8). It is perhaps due to these inter-related salient political and social issues that scholars have conducted studies on the economic impact of migration focusing on urban areas with a calculation of cross-city correlations.⁴ Methodological limitations can also be considered a cause in the absence of relevant data of higher order: national, international etc.

Whatever the case may be, Piracha and Vickerman also address the issue in metropolitan perspective and assert that evidence of negative effects is inconclusive. They quote the study by Card (1990) who shows a negligible effect on wages of a large influx of migrants in the Miami area in the US (2003: 15). Researching into studies focused on Europe it is estimated “that a one per cent increase in migrant labour in Europe will affect native wages between +0.02 and –0.08 per cent only” (Gang and Rivera-Batiz (1994) in Piracha and Vickerman, 2003: 15). Significantly, they also propose an earlier study by Borjas himself who in 1994 found no support for the hypothesis that the employment opportunities of US-born workers are adversely affected by immigration.

Still, more recent research casts two doubts about the validity of these interpretations. The first one would be that since immigrants are not distributed randomly across the labour market and tend to cluster in cities, a built-in false positive correlation between immigration and wages is generated in the results (Borjas, 2004: 2). The second lays in the fact that the flow of jobs to immigrant hit-areas lessens the adverse effect of immigration on the wage of competing workers in those localities. Here Borjas uses the example of Southern California where many employers from other parts of the United States would want to relocate their business after the area was flooded by low skilled immigrants willing to accept less wages. Another potential outcome is that labourers change their decision to move to an area when that area is hit by an immigration flow⁵(ibid: 3).

These two examples of mobility in response to changing economic opportunities are more imaginable in the United States and less in the European Union, or with regards to Europe, where

⁴ Borjas asserts that a typical study calculates a cross-city correlation measuring the relation between the native wage in a locality and the relative number of immigrants in that locality.

⁵ Borjas exemplifies: “similarly, labourers living in Michigan were perhaps thinking about moving to California before the immigrants entered the state. These labourers learn that immigration reduced their potential wages in California and may instead decide to remain where they are or move elsewhere. Moreover, some Californians might leave the state to search for better opportunities.

people's mobility across countries is far lower for a variety of historical and cultural reasons (the linguistic barrier etc.). The issue of labour mobility within the EU was addressed in a communication from the Commission issued in 2001, titled: "New European Labour Markets, Open to All, with Access for All". A principal concern of the Commission is that various barriers continue to keep labour mobility within the EU at too low a level (Piracha and Vickerman, 2003; 4).

However, it is worth incorporating the novel approach of the American economists, which assert inter-city comparisons as "not very revealing" since "job flows and native migration effectively distribute the impact of immigration across the national economy"(2004: 3). Since the local labour markets seem to adjust to immigration, Borjas views as the only reliable analysis a measurement of the labour market impact on immigration at national level. In the next paragraph, I summarise only very briefly the results of his analysis, as the relevance of the specific numbers for EU migration policy choices are reduced and I continue with discussing the implications of such methodology for studies focused on the European Union.

Calculating the changes that exist between mean weekly earnings and the immigrant share calculated across schooling-experience clusters, Borjas demonstrates a negative relation between wage growth and employment on the one hand and immigration on the other hand. His conclusion is that the immigrant influx of the 1980s and 1990s in the United States lowered the wages of most native workers, particularly of those workers at the bottom and top of the education distribution.⁶ Overall, the immigrant influx reduced the wage of the typical native worker by 3.7 percent (Borjas, 2004: 6). Additionally, Borjas concludes: "in sum, immigration has an adverse effect on both the wages and employment of competing native workers"(2004:5).

A study at national scale requires the estimation of over 500 cross-effects and thus the scope of the problem has to be narrowed by relying on a theoretical model derived from economic theory. In his research, Borjas uses the typical approach in the labour demand literature, operating under the assumption that workers are paid the value of their contribution to the firm's revenue, a standard result in labour markets, which are competitive. Examining the methodology of such an approach in a European context, the difficulty of such study at EU level arises from the fact that the labour market of the European Union- the envisioned internal labour market- is a composite of national labour markets most of which do not function by high standards of deregulation and flexibility.⁷ A

⁶ The wage fell by 7.4 percent for high school dropouts and by 3.6 percent for college graduates . In contrast, the wage of high school graduates and workers with some college fell by around 2 percent.

⁷ With the notable exception of Great Britain , EU member states have rather rigid labour markets, which constitutes also a source of decline in competitiveness for the EU.

similar study focusing on the EU labour market would be distorted by the in-born rigidities in European markets, probably by reducing the negative correlation between wages and immigration. However, in light of the briefly mentioned results, the increase of labour supply in the European labour markets does nothing but increase the pressure on labour markets for implementing flexible mechanisms with a higher degree of responsiveness to the developments in the markets, tying the level of wages to supply and demand.

Another difficulty in producing a EU-focused study emerges from the lack of intra-EU mobility, which I already mentioned above. Piracha and Vickerman present that “the most comparable levels of mobility within the US are on average some six times greater”, with approximately 2.4 % of the population moving between US states on an annual basis (2003:5). The responsiveness of the population to changing economic conditions is extremely low in the EU.

A third difficulty arises from the availability of data. The advantage of Borjas is to be one among scholars who - at the Center for Immigration Studies in the US - access national aggregated data, which since the 2000 Census is segregated by ethnicity or race. The empirical analysis avails itself of data drawn from the 1960, 1970, 1980, 1990 and 2000 integrated Public Use Microdata Samples of the Decennial Census. For EU, a record with information on millions of native and foreign-born workers across states is required for a similar study.

In spite of these shortcomings, the necessity of such analysis at EU level emerges at least two-fold:

- it would address the EU as one entity, estimating over-all effects and giving results of the different effects generated by different options in common migration policies.
- it would fight the conventional wisdom among different scholars, including some economic scholars that immigrants do the jobs that natives do not want to do, by moving beyond the urban/metropolitan perspective on migration.

Vickerman and Piracha assert: “unskilled immigrants increasingly occupy employment opportunities that the indigenous work force is no longer willing to fill” (2003:15). It is exactly this conventional wisdom, which Borjas is trying to shake in the final section of his research addressing the 2004 Bush proposal for the legalisation of the status of 10 million foreign workers in the US. Borjas also point out to the fact that “these assertions are among the most persistent and hard-to-shake myths regarding the labour market impact of immigration” (2004: 8). The effects of immigration when measured at national scale are instead a decrease in wages and an increase in the profits of firms that employ the immigrants (ibid.)

3. What are the options for a common migration policy?

In their article “Immigration, Labour Mobility and EU Enlargement” Piracha and Vickerman conclude:

Declining relative wages for less skilled workers are an incentive for the home population to engage in human capital formation and earn higher wages in the long-run. Immigration can increase labour market flexibility, provide incentives to slow down wage growth and thus increase employment. (2003:15)

While optimistic, the assertion of Piracha and Vickerman stems from surveys, based on cross-city analyses, asserting “no clear threat to the welfare of indigenous workers from immigration” (ibid.).

Their conclusion is that:

The EU needs a consistent policy towards migration, which can be applied at the Union level, to ensure consistent treatment of intending migrants whatever their point of entry and whatever their intended final destination and to avoid the temptation to deflect the perceived migration problem to partner states (ibid:10).

The policy implication of the study they make is that: “A Community Immigration Policy thus needs to address mechanisms for identifying migrant flows and preparing for their easy absorption rather than trying to set aggregate quotas or optimal transition periods to free movement” (ibid: 17).

The European study is made in 2003 at a time when the thrust for a common policy at the level of the Commission was also at its peak. The merits of it are that it takes into account the concentrated pattern of migration and reviews its political and social implications. But in this context, a clear separation between perceived effects and real effects of immigration must be made.

The nation-wide 40-year-span economic study done in the United States focuses exclusively on the real effects produced or not by immigration. Borjas computes the effects in percentages on the level of employment and of wages of American workers in general in a given period of time. And while the methodological approach and the mathematical explanation for the statistical model he employs receive critical analysis, the study tries to quantify the impact of immigration on the wider labour market. Based on the results Borjas chooses, in contrast to the European view, to argue for a policy favouring restricted access at present in order to limit the decrease of wages and the increase in the profit of firms. In different economic circumstances - of boom or recession - the policy choice can differ. Yet regardless of one policy choice or another, a similar study is required for one to be able to speak of at least two options for a common immigration policy at EU level.

Criticising the principles of good European governance, Beate Kohler-Koch stresses that on most issues, policy-making is a matter of choice:

Politics is not a truth-finding exercise – it does not look for the “one best solution” which could be provided by expert knowledge. Expert consultation very often just reproduces the conventional wisdom held by an epistemic community, and is hardly ever free of a political bias. (2001:6)

The analyses undertaken must make a clear separation between how immigration is perceived, the ways in which the European Commission or member states can fight the common perceptions and the economic implications of migration on the other hand. An effective study, presenting options for a common EU migration policy, will not discuss wage distribution in the home region or impact in different metropolitan areas that can only diffuse common perceptions. In political perspective, one reason for this separation is that even if the economic impact of labour migration is beneficial for one group or another, it might still be hard to fight a negative common perception about that. In political terms, the populace of member states notices adverse effects of free access to EU labour in a short-run in a narrow local space and a positive message of longer-term positive effects might be harder to be diffused across.

The second reason, in economic perspective, relates to the series of recent macro-level studies, which show that on the long run, on a scale of a few decades, immigration pushes down wages for competing, but also for complementary workers. While these helps raise market competitiveness, it might not be what the EU states are willing or able to do.

Conclusions

In this paper, the issue of formulating policy-options for a common EU migration policy has been addressed at two levels. At a methodological level, the argument was made for a clear separation between studies addressing the perceived effects of immigration and those analysing the impact of migration on labour markets and I criticised the type of studies, which draws upon evidence at local or regional level, to suggest benefits in one policy option over another. For this, I drew upon Kohler Koch’s criticism of the approach of the EU Commission (stressing effectiveness, transparency and non-discrimination goals) pointing out that policy-making is a matter of choice, not of finding truths or the good option and the bad option.

At a substantive level, the process of choosing a common migration policy is still in its early stage. Liberalization increases investments and produces growth. While at the same time producing

inequality, the multiplying effect of investment and growth have prevailed in the evaluation of EU-wide effects and the Single European Act constitutes a historical decision in a Europe built on the idea of welfare, which puts tremendous pressure on the member States' welfare systems. When it comes to liberalization of labour markets, the different impact on the whole of the European Union of different options of a common migration policy is still unsubstantiated by a clear analysis. Recent macro-level studies conducted in the American Centre for Immigration Studies, show that on the long run, and at a macro-scale, wages and employment can be pushed down for competing, but also for complementary workers. While this helps raise market competitiveness, it might not be what some of the EU states are willing or able to do.

Hence, what prevents labour from being subscribed to its own common policy lays in its consequences. Should negative effects be acknowledged, a liberal policy of migration that provides development a higher pace, might constitute an option yet for developing member states active in the catch-up economic race⁸. For those states trying to preserve their place at the economic top, although in need for increased competitiveness, the price to pay on the labour market might not favor the same policy option. It remains for the Commission to push for one policy option or another for the European "common good".

⁸ As in the case of Spain for example.

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