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## Macro-economic determinants of international migration in Europe

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## **Chapter 8            CONCLUSIONS AND IMPLICATIONS FOR INTERNATIONAL MIGRATION FORECASTS**

### **8.1 Outline**

This chapter starts with an overview of the results of the different chapters of this dissertation (section 8.2). In section 8.3 I attempt to construct a general view on the economic determinants of international migration types which are sensitive and insensitive to immigration policies. The final two sections of this dissertation contain implications for international migration forecasts. Section 8.4 shows efforts to construct net migration scenarios with the results of the pooled cross-sectional regression analyses, conducted in chapter 4, while section 8.5 presents qualitative considerations on future tendencies of the different migration types. Section 8.6, which is the last section of this dissertation, contains some general final remarks.

### **8.2 Overview of the main results**

The main purpose of chapter 2 was to find out whether it was possible to establish a classification of countries with similar net migration trends in the period 1960-1998. After dividing the period of analysis into two parts: the era of the Cold War and the post-communist era, common trends among groups of countries could be identified. Three groups of countries with rather similar net migration trends emerged from the cluster analyses for the era of the Cold War: the former labour-importing countries, the former labour-exporting countries and the communist countries. The first group of countries, which are all situated in Northern and Western Europe, imported low-skilled labour until the economic recession of 1973/1974. The former labour-exporting countries exported low-skilled labour until the economic recession of 1973/1974. These countries are mainly situated in Southern Europe, although Finland and the Irish Republic are also members of this group of countries. The communist countries had a planned economy until 1989 and are situated in Central and Eastern Europe. The cluster analysis on and the descriptive overview of the post-communist era revealed four groups of countries: countries without a communist past<sup>75</sup>, communist countries which were not part of the Soviet Union, Slavic former Soviet states, and non-Slavic former Soviet states. The aforementioned divisions of countries in the era of the Cold War and in the post-communist era were the point of departure for the further analyses. Furthermore, this information was

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<sup>75</sup> The united Germany is considered as a country without a communist past, although the former East Germany does have such a past.

employed to select the case studies which were used to estimate determinants of specific migration types in chapter 6.

Chapter 3 aimed to show that the economic point of view accounts for a considerable part of the theoretical background of international migration. I constructed a theoretical framework, which was based on the international migration systems approach. The determinants of international migration were divided into four categories: economy, society, policy and linkages between countries. Within this framework causalities which constituted direct, reverse and indirect effects were incorporated. Section 3.5 (Synthesis) showed combinations of causalities that indicated the position of several theoretical approaches (the neo-classical economic theory, the dual labour market theory, the new economics of labour migration, the relative deprivation theory, the world systems theory, network theory, and institutional theory) that try to unravel the international migration puzzle. It became clear that economic factors played a prominent part in all theories discussed in this chapter. In addition to justifying the choice of the economic point of view as the line of inquiry in this dissertation, this chapter also introduced some socio-economic variables which might be good predictors of international migration. These variables are real GDP per capita differences, unemployment differences, unemployment in the receiving country, the migrant population, and the average years of education.

Chapter 4 was the first analytical chapter of this dissertation. The aim of this chapter was to estimate economic determinants of net migration and total immigration and emigration. Country-specific and pooled cross-sectional time series analyses on net migration data in Western Europe in the period 1960-1998 were conducted. A positive significant effect of GDP per capita and a negative effect of unemployment on net international migration were found. The effect of unemployment appeared to be considerably stable over time. No separate analyses on total immigration and emigration in Western Europe were carried out as the correlation coefficients between net migration and total immigration were very high for all Western European countries. This implies that analyses on total immigration will give rather similar results as analyses on net migration in former labour-importing countries of Northern and Western Europe in the period 1985-1998, which were conducted in this chapter. Moreover, this implies that total emigration from these countries in this period is almost uncorrelated with macro-economic determinants (i.e. GDP per capita and unemployment) as these determinants show a fair amount of variability over time. Some tentative analyses on total immigration and emigration in Eastern Europe in the post-communist era were also undertaken. The results of these tentative analyses were in line with the results of the analyses on Western Europe.

Chapter 5 described variation in the three dimension of international migration distinguished in chapter 1 (type, time and space) in Europe in the post-industrial era. Low-skilled labour migration, return migration and ethnic migration have decreased towards the end of the 1990s. Asylum migration, on the other hand, has become more important. The

extent of high-skilled labour migration and family migration has remained quite constant in the post-industrial era. The largest migrant flows in the different parts of Europe in the post-industrial era have been: family and asylum migration to Northern and Western Europe; (illegal) labour migration to Southern Europe; ethnic migration from Central and Eastern Europe to Western Europe; and ethnic migration within Central and Eastern Europe.

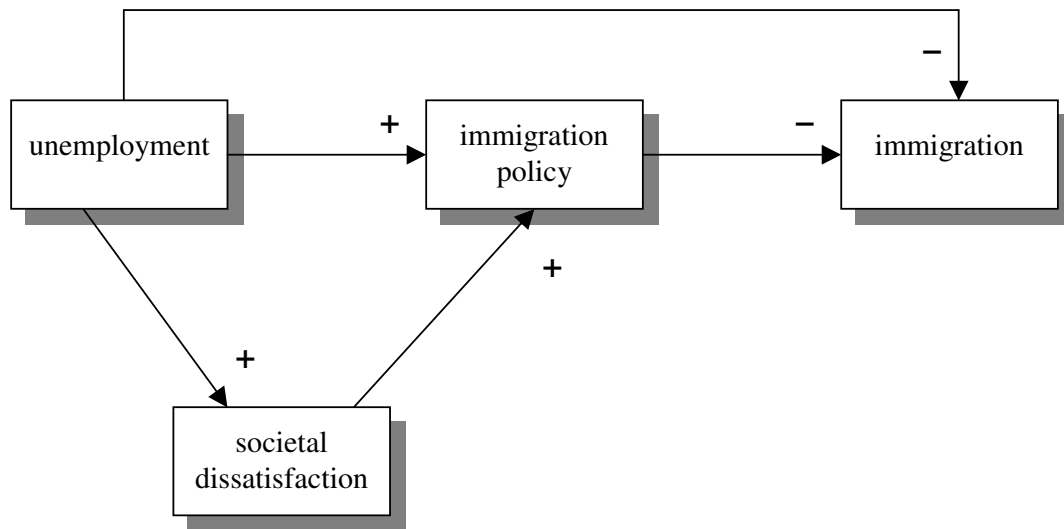
The aim of chapter 6 was to identify differences in the influence of socio-economic determinants on important international migration types in Europe in the post-industrial era. One general conclusion could be drawn from the results of this chapter: unemployment in the receiving country appeared to be the most important economic determinant of migration types which are sensitive to immigration policies, while differences in GDP per capita or differences in unemployment between receiving and sending countries appeared to be important economic determinants of migration types which are insensitive to immigration policies. The analyses on asylum migration, which were conducted in chapter 7, supported this conclusion. Unemployment in the receiving country appeared to be the most important determinant of the share of the total number of asylum applications that a particular Northern or Western European country received. It may be obvious that asylum migration is a migration type which is sensitive to immigration policies. The next section elaborates on the different impacts of macro-economic determinants on migration types which are sensitive and insensitive to immigration policies.

### **8.3 Economic determinants of international migration types which are sensitive and insensitive to immigration policies**

There are two reasons why the migration types which are insensitive to immigration policies are not or only rarely affected by immigration policies. Firstly, in many cases the people involved in these migration types are nationals of the receiving country (e.g. in the case of return migration or in some cases of ethnic migration). Secondly, the government of the receiving country assumes that this migration is advantageous to the country (e.g. in the case of high-skilled labour migration). GDP per capita differences and unemployment differences appeared to be the most important economic determinants of international migration types which are insensitive to immigration policies. On the other hand, migration types may be largely affected by immigration policies. The equilibrium recovering function of international migration, which removes, according to neo-classical and Keynesian economic thinking, differences in real wages and unemployment levels respectively, does not exist for migration types which are sensitive to immigration policies. I argue that unemployment in the receiving country is the most important determinant of international migration flows which are sensitive to immigration policies. International migration between a particular sending country and a particular receiving country may increase even if the difference in economic prosperity between these countries decreases, as, in spite of this decreasing difference, unemployment in

the receiving country may lessen. Mostly the economic differences between receiving and sending countries and receiving countries in the case of international migration which is sensitive to immigration policies are very large. Therefore, the number of potential migrants is only modestly affected by slight economic improvement in sending countries in these cases. Actually, there is sound reason why the dual labour market theory is relevant. As we saw in chapter 3, the dual labour market states that international migration is determined by pull factors in receiving countries. In my opinion, pull factors (especially the labour market situation in receiving countries) still dominate the volume and direction of international migration flows from poorer to richer areas of the world. However, in addition to low-skilled labour migration, this may also apply to other migration types which are sensitive to immigration policies. The labour market situation has not only a direct effect on immigration policies as the dual labour market theory advocates, but may also indirectly affect immigration policies through public opinion. *Figure 8.1* presents the pull factors that determine the volume of immigration which is sensitive to immigration policies in a potential receiving country.

*Figure 8.1. An explanatory model for immigration which is sensitive to immigration policies*



The three upper rectangles and their assumed causalities represent the dual labour market theory, which seeks to describe the pull factors of low-skilled labour migration (see also section 3.5.2). This explanatory model also applies to other migration types which are sensitive to immigration policies, hence the inclusion of a 'societal dissatisfaction' component. The direct effect of unemployment on immigration policies is probably relatively

larger for low-skilled labour migration than for, for instance, family migration or ethnic migration from Eastern to Western Europe.

#### **8.4 Net migration scenarios for the EU 15<sup>76</sup>**

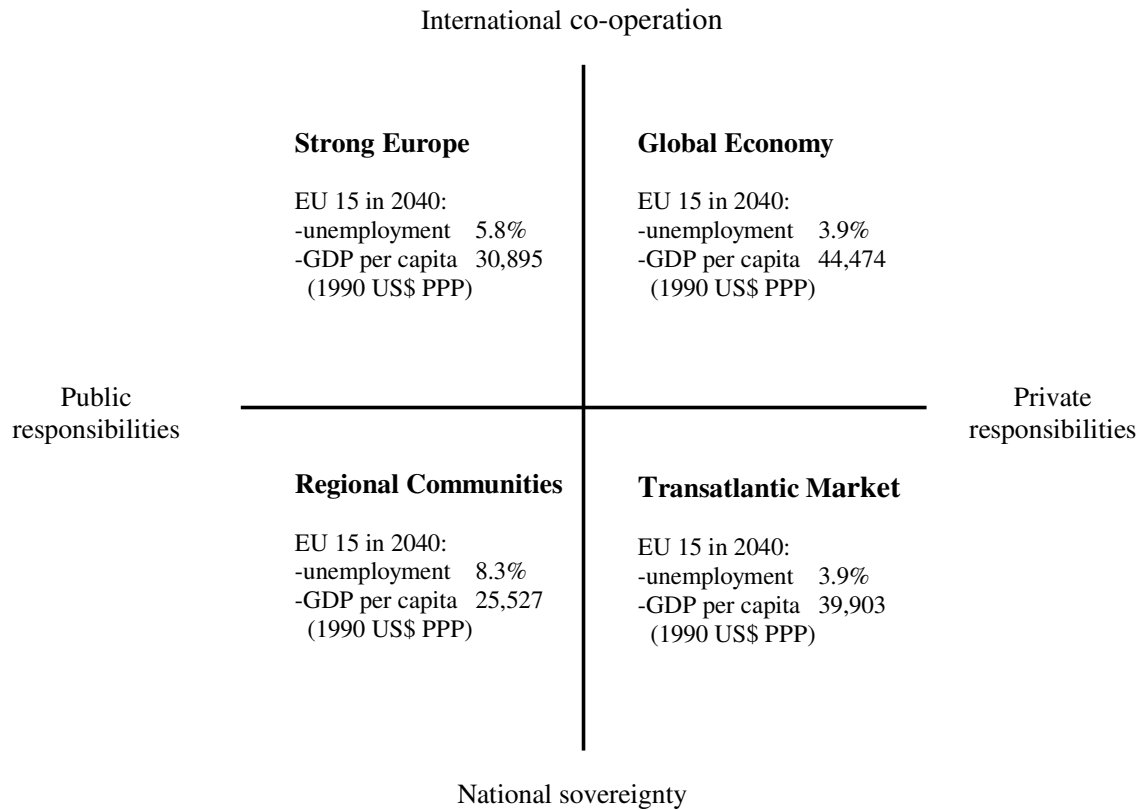
The results of the empirical analyses may be translated into expectations about future migration levels under conditions of *ceteris paribus* (all else remains the same). As a simple illustration of these relationships, I looked at the net migration consequences of a number of economic scenarios for the EU 15. The Netherlands Bureau for Economic Policy Analysis (CPB) has constructed four economic scenarios for Europe until 2040. The CPB developed these scenarios around two major uncertainties: far-reaching international co-operation versus national sovereignty and public responsibility versus private responsibility. *Figure 8.2* presents the four scenarios for Europe and the accompanying GDP per capita<sup>77</sup> and unemployment figure for the EU 15 in 2040. In this section I will make international migration projections which are based on the assumed levels of GDP per capita and unemployment in these scenarios.

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<sup>76</sup> The EU 15 consists of Austria, Belgium, Denmark, Finland, France, Germany, Greece, the Irish Republic, Italy, Luxemburg, the Netherlands, Portugal, Spain, Sweden and the UK.

<sup>77</sup> Lejour (2003) published only index figures (GDP per capita 2000 = 100) for the EU 15 in 2040 for the four scenarios. I estimated absolute values with real GDP series, obtained from the GGDC (2003), and the midyear population, obtained from the Council of Europe (2001). The database of the GGDC does not contain time series for Luxemburg. Therefore, I used real GDP in 1998 for Luxemburg (source: Maddison (2001)).

Figure 8.2. Four economic scenarios for Europe

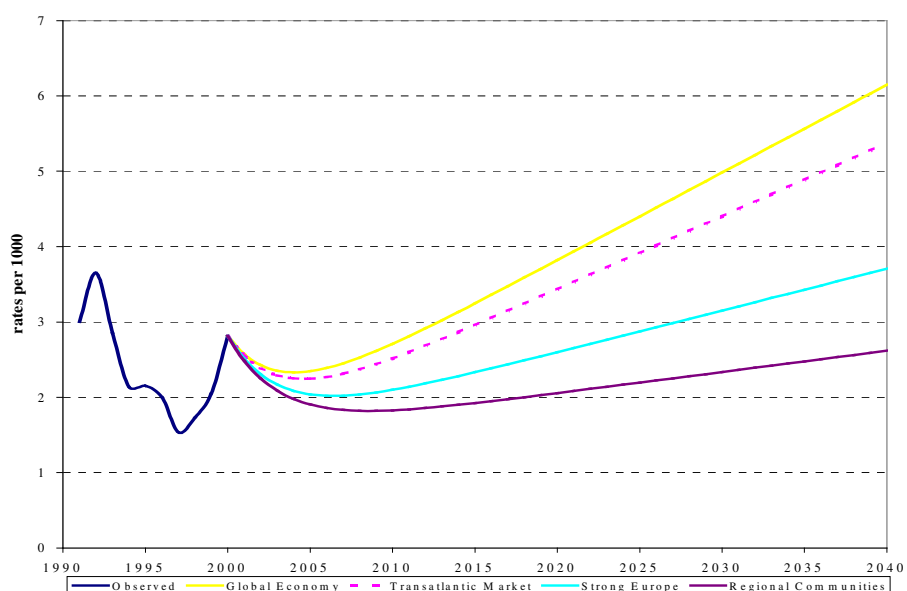


Source: Lejour (2003, p. 12).

The output of model B, presented in table 4.11 was used, to forecast international migration in the EU 15 in the four scenarios. This seemingly unrelated regression model aims to explain net migration in Western Europe (EU 15 plus Norway and Switzerland minus Luxemburg) in the period 1960-1998 with GDP per capita, unemployment, a number of country-specific dummy variables, and an autoregression term of the first order. The output of this model implies that we may forecast net international migration per 1000 ( $I$ ) according to the following formula:

$$I_t = -0.31 + 0.73 * I_{t-1} + 1.70 * (10^{-4}) * (GDPpc_t - 0.73 * GDPpc_{t-1}) - 0.07 * (unempl_t - 0.73 * unempl_{t-1}).$$

Figure 8.3 shows four projections of net international migration in the EU 15 in the period 2001-2040 if we assume that in each scenario real GDP per capita will increase linearly and that unemployment, which was 8.5% in 2000, will decrease linearly to the values reflected in figure 8.2.

*Figure 8.3. Net migration projections for the EU 15*

As we can see in figure 8.3, net international migration in the EU 15 first decreases in all scenarios. This means that net international migration in 2000 was larger than what we would expect given the GDP per capita and unemployment level in that year. After 2010 net international migration increases almost linearly. For the medium term the extent of net international migration will be more extensive than in 2000 in the global economy and the transatlantic market scenarios, while it will be smaller in the strong Europe and regional communities scenarios. In the long term there will be more net international migration in all scenarios, although this will not occur before 2040 in the regional communities scenario. The differences between the scenarios increase over time. In 2040 net international migration will reach a level of more than six per thousand in the global economy scenario, while it is only at a level of 2.6 per thousand in the regional communities scenario. These net international migration projections, based on four economic scenarios, are examples of how the outcomes of the analyses in this dissertation can be used to forecast international migration. Population forecasters may also prefer, for instance, more advanced assumptions about the developments of GDP per capita and unemployment than just a linear trend. The making of international migration projections, which are based on the assumed levels of GDP per capita and unemployment in the CPB scenarios, is further complicated by the fact that the CPB, in its turn, used assumptions about future population developments and the volume of immigration from the new EU member states in Central and Eastern Europe and Turkey to estimate GDP per capita and unemployment. Turkey will become a full member of the EU in the strong Europe and global economy scenarios. This brings us back to the problem of the existence of reverse effects of international migration on economic developments, which was not studied



in this dissertation (see also section 1.2). According to the CPB scenarios, migration to the EU 15 will be highest in the global economy and the strong Europe scenarios followed by the transatlantic market and the regional communities scenario. In my opinion, the CPB underestimates the attraction of the economic prosperity in the EU 15 on potential migrants from outside the (enlarged) EU in the global economy and transatlantic market scenarios.

## **8.5 Future trends of the different migration types**

The aim of this section is to formulate deliberate statements about future developments of the most important international migration types (labour, return, family, ethnic and asylum migration) in the post-industrial era. The conclusions of chapter 5, which described the historical setting and (the developments of) the size of these migration types in different parts of Europe in the post-industrial era, and the conclusions of the analytical chapters 6 and 7 will be amalgamated to achieve this aim.

### **8.5.1 Labour migration**

Low-skilled labour migration within the EU 15 is insensitive to immigration policies and is, therefore, mainly influenced by GDP per capita and unemployment differences. Within the EU 15 these differences will probably decrease, as I think that the former labour-exporting countries in Southern Europe which have yet to achieve an economic level of prosperity which is comparable to that of other EU 15 countries will further close the economic gap with Northern Europe. Furthermore, the EU 15 will not need low-skilled labour migrants from outside the EU in the short term, because EU enlargement involving Central and Eastern European countries will provide many workers who are willing to carry out low-skilled work in Western Europe, and the still considerably high unemployment rates in Western Europe are likely to persist for several years. In the long run, however, the number of Central and Eastern European workers, who are prepared to migrate, may be insufficient to solve the Western European labour shortage. Moreover, in all likelihood unemployment in Central and Eastern Europe may decrease due to the ongoing ageing of the population and to a probably revitalised economy. In the long run the new EU member states may even become labour-importing countries themselves. Therefore, it is not inconceivable that labour shortages will induce the authorities and employers in the enlarged EU to recruit foreign non-EU labour at a later stage.

The consequences of EU enlargement for international low-skilled labour migration in Europe depend on the way 'free movement of persons' is spelt out in the agreements with the candidate countries before they join the EU. If citizens of the candidate countries are allowed to work in the rest of the EU immediately after joining the EU, there will probably be large east-west labour flows. Especially Germany and Austria fear massive (labour) migration.

Therefore, it is likely that similar to the enlargement of the EU to include Greece and Portugal and Spain, a transitional agreement with respect to the free movement of persons will be formulated. Low-skilled labour migration from Central and Eastern European member states to the rest of the EU can be compared with low-skilled labour migration from the EU 15 to the very rich EFTA countries (e.g. Switzerland or Norway) in this scenario. As we have seen in section 6.2.2, the dual labour market theory provides an adequate description of the mechanisms underlying low-skilled labour migration in this situation. Unemployment in old EU member states, which will probably decrease as we have seen in the previous section (according to the CPB, unemployment will decrease in all scenarios), will be an important determinant of low-skilled east-west labour migration in the EU. Therefore, low-skilled labour migration from the new EU member states will increase in all likelihood despite the probable introduction of barriers to obstruct the free movement of labour from the eastern to the western part of the EU.

The volume of high-skilled east-west labour migration will depend less on the way ‘free movement of persons’ is encapsulated in the agreements with the candidate countries before they join the EU, because many high-skilled labour migrants are already offered a job by companies, which also take care of their work and residence permits. Although we cannot completely compare future high-skilled east-west labour migration with migration between two Nordic countries (see section 6.2.3), we may tentatively state that differences in GDP per capita and differences in unemployment have a large impact upon high-skilled east-west labour migration after the enlargement of the EU eastward. A possible increase in high-skilled labour migration from Eastern to Western Europe may be at the expense of high-skilled labour migration from the rest of the world to the EU 15.

The recognition of diplomas between states may be an important determinant of high-skilled labour migration in the EU/(EFTA) region. European policies aim to stimulate the international recognition of diplomas. Therefore, future high-skilled labour migration in the EU/(EFTA) region will probably increase under constant socio-economic circumstances.

### **8.5.2 Return migration**

Return migration from the former labour-importing countries to both the former European labour-exporting countries and the important recruitment areas outside Europe (i.e. the Maghreb area and Turkey) has been declining. An important cause of this declining trend is that increasing numbers of original labour migrants who still live in the former labour-importing countries got their family to come over or started a family in their new home country. Moreover, the share of second generation migrants, who are less inclined to “return”, has increased.

Return migration to Southern Europe is not solely of Northern and Western European origin. Many Spanish, Portuguese and Italian nationals live in Latin America. The economic

and political situation in this region is unstable. Therefore, it is possible that large numbers of Southern European nationals will return from Latin America in the future.

The political situation in the country of origin and the type of residence permit in the receiving country have a large impact on return migration of asylum migrants. Therefore, it is very difficult to forecast return rates of asylum migrants in the long term.

### **8.5.3 Family migration**

Family migration has been very popular among migrants from Turkey and the Maghreb area after the recession of 1973/1974. Family migration has remained an important migration type in the post-industrial era, because family formation has replaced family reunification as the main channel of entry to Northern and Western Europe for people from Turkey and the Maghreb area. From an economic point of view we may expect that family (formation) migration from Turkey and the Maghreb area will increase in the near future. The main cause for this increase is the decreasing unemployment in Northern and Western Europe, which will have a considerable impact on family migration as this is a migration type which is sensitive to immigration policies. Moreover, the large gap in prosperity levels between the Northern and Western European countries and Turkey and the Maghreb area will probably remain for decades. However, unemployment is not the only factor that influences the societal (and political) views on family migration. The integration of specific minority groups leaves a lot to be desired in many Western European countries. This may negatively affect family immigration policies. Nevertheless, I think family migration will increase due to increasing family migration following (labour) migration from Central and Eastern Europe, although the migration of the majority of the workers from the new member states will probably be temporary.

Family migration may also follow asylum migration. Family migration in the wake of asylum migration occurs on a smaller scale than family migration that follows low-skilled labour migration from outside Europe, because asylum seekers migrate more often in families and the countries from which asylum seekers come have higher exit thresholds. Nevertheless, I think decreasing unemployment figures in Europe will also lead to more family migration which follows asylum migration.

### **8.5.4 Ethnic migration**

Ethnic migration from Eastern to Western Europe in the post-industrial era has consisted for the overwhelming part of ethnic Germans who have migrated to (West) Germany. As mentioned in section 5.7, this ethnic migration flow will probably fade away after 2010. However, this does not mean that ethnic migration from Eastern to Western Europe will completely disappear from the scene at that point in time. The enlargement of the EU in 2004

will move the border between prosperous and less prosperous Europe further to the east with the lapse of time, if the (economic) integration of the new former communist member states is successful. This implies that ethnic migration from Romania, Ukraine and Serbia to Hungary will become comparable to what we currently call ethnic migration from Eastern to Western Europe. Unemployment in the receiving country has an impact on this migration type, which is sensitive to immigration policies (see section 6.5.2). Therefore, in view of probably decreasing unemployment in the EU, I think ethnic migration to Hungary will increase.

As we saw in section 5.7, the size of the Slavic population in non-Slavic former Soviet states is still very large. Outbreaks of (ethnic) violence, which are difficult to predict, in Central Asia, the Transcaucasian republics, Moldova or some autonomous regions in the Russian Federation may cause large migration flows to Russia, Ukraine and Belarus. The EU membership of the Baltic states will probably have a positive effect on their economic development. The GDP per capita gap between the Baltic states and the Slavic former Soviet states, which appeared to be an important determinant of ethnic migration between these two types of successor states of the Soviet Union (see section 6.5.4), will probably increase in the near future. Therefore, it is likely that Slavic migration from the Baltic states will further decrease to a very low level.

### **8.5.5 Asylum migration**

The actual causes of international refugee flows lay in the countries of origin and are difficult to predict. However, in section 7.5, I argued that it is not very unrealistic to assume that a fairly constant number of asylum seekers will apply for asylum in Northern and Western Europe annually. Unemployment appeared to be the most important determinant of the distribution of asylum seekers over the separate Northern and Western European countries. The number of asylum seekers in Southern and Eastern Europe has been very small. However, further political integration of the EU and economic growth may induce a larger proportion of the asylum seekers who enter Europe to submit their asylum application in Southern Europe or in the new former communist member states of the EU, respectively. A European-wide asylum policy may lead to similar asylum policies in each country of the EU. In this case the impact of economic determinants on the distribution of asylum seekers over the individual countries will be very large. Furthermore, a European-wide asylum policy may also lead to a redistribution system of asylum seekers over the countries (for instance proportional to the population of a country). However, the probability that this will be realised is low, as it is not in the interest of many European countries. Especially the Southern European countries and the new member states will not be very enthusiastic about a redistribution system.

In section 7.5 I stated that it is possible that economic determinants also have an impact on the number of asylum seekers who prefer Europe above other receiving areas. If we

consider the matter from this point of view, we may expect that the total number of asylum applications in Europe will increase somewhat in the global economy and transatlantic market scenarios, while this number may be stable or even decrease somewhat in the strong Europe and regional communities scenarios.

## **8.6 Final remarks**

The goal of this dissertation was to identify and quantify the macro-economic determinants of international migration in Europe and to assess the usefulness of these determinants for migration projections. In general this dissertation showed that GDP per capita and unemployment are important determinants of a country's migration figures. Especially, unemployment appeared to be a considerably robust determinant, which is, therefore, a suitable basis for net international migration projections. Nevertheless, in the short term the unpredictability of international migration is quite large. Unexpected political events or a sudden economic crisis in an important sending country can have a very large impact on the migration figure for a particular year or a longer period. In the long term, however, net international migration in a European country is nearly as predictable as the economic developments in this country. However, the prediction of economic developments is not an easy job either.

The poor availability of international migration data considerably impeded the analytical part of this dissertation. I had to make two important improvisations: I used computed net migration data in chapter 4 and case studies in chapter 6. Even these improvisations could not avoid the necessity of estimating many missing data. So, the construction of a complete migration matrix of flows to and from each European country as well as to and from other continents would be a very important contribution to the research on international migration in Europe. Solving parts of the international migration puzzle is essential for European population forecasts, as international migration has become an increasingly important factor of population dynamics in this part of the world.