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RESEARCH REPORT SERIES

IZA Research Report No. 55

## Migration from the Eastern Partnership Countries to the European Union – Options for a Better Future

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August 2013

This study was conducted under the project entitled “Costs and Benefits of Labour Mobility between the EU and the Eastern Partnership Countries” for the European Commission (Contract No. 2011/270-312, tender procedure EuropeAid/130215/C/SER/Multi). The European Commission retains ownership of the materials contained herein.

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# Migration from the Eastern Partnership Countries to the European Union – Options for a Better Future

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June 2013

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The views expressed in this study are those of the authors, and should not be interpreted as representing the official position of the European Commission and its institutions

## Acknowledgements

*We are very thankful to Costanza Biavaschi, Mikhail Bonch-Osmolovskiy and Mathias Luecke for their invaluable suggestions and contributions to the underlying Synthesis Report and Labor Market Matching Proposal.*

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## Abbreviations and Acronyms

EaP	Eastern Partnership
EU	the European Union
EU8	EU 2004 entrants minus Cyprus and Malta: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia
EU10	EU 2004 entrants: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia EU14 EU 15 Member States minus Luxembourg: Austria, Belgium Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom
EU12	EU 2004 and EU 2007 entrants: Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia EU25 27 EU Member States minus Bulgaria and Romania: Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom EU27 EU Member States as of June 2013: Austria (AT), Belgium (BE), Bulgaria (BG), Cyprus (CY), the Czech Republic (CZ), Denmark (DK), Estonia (EE), Finland (FI), France (FR), Germany (DE), Greece (GR), Hungary (HU), Ireland (IE), Italy (IT), Latvia (LV), Lithuania (LT), Luxembourg, (LU) Malta (MT), the Netherlands (NL), Poland (PL), Portugal (PT), Romania (RO), Slovakia (SK), Slovenia (SI), Spain (ES), Sweden (SE), and the United Kingdom (UK)
GDP	Gross Domestic Product
NiGEM	National Institute <i>Global Econometric Model (developed by National Institute of Economic and Social Research (UK))</i>

## Executive Summary

This study presents a summary of the findings and recommendations stemming from the project entitled “*Costs and Benefits of Labour Mobility between the EU and the Eastern Partnership Countries*” for the European Commission (Contract No. 2011/270-312, tender procedure EuropeAid/130215/C/SER/Multi). The project has resulted in the production of 11 country studies (for the six Eastern Partnership countries, and for five EU destination countries: United Kingdom, Spain, Italy, Poland, Germany), and two general reports: “Labour Migration from the Eastern Partnership Countries: Evolution and Policy Options for Better Outcomes” (Barbone, Bonch-Osmolovskiy and Luecke 2013) and “Labour Migration from EaP Countries to the EU: Assessment of Costs and Benefits and Proposals for Better Labour Market Matching” (Kahanec, Zimmermann, Kurekova and Biavaschi 2013).

In this Final Paper, we first summarize the evidence on costs and benefits of migration specifically for EaP and EU countries. We find that (i) the balance of costs and benefits is positive for both sending and receiving countries; (ii) costs can be reduced, and benefits maximized, by the use of appropriate policies that facilitate mobility and integration of migrants and their families, and that help manage the economic consequences of large remittance flows; (iii) labour migrants from the EaP countries could help the member states of the European Union to fill skills gaps at all levels over the next few years, as the demographic transition intensifies in Europe.

As a result of the analysis and findings of this project, we propose a gradual liberalisation of mobility between the European Union and the Eastern Partnership countries as a first-best policy alternative. Several possible initiatives that we propose to facilitate better mobility outcomes include:

For the EaP countries:

- The adoption of a migration lens in all aspects of public policies that affect migration and its outcomes, through explicit incorporation of migration issues in national strategies as well as sectoral action plans.
- Better institutional coordination, the adoption of a strategic vision for labour migration, and eventually the designation of a single national entity to coordinate and facilitate labour migration strategies.
- As Member States adopt legislation to implement the Single Permit directive, EaP countries should strive to negotiate supplementary treaties fully to enable non-EU migrants to obtain work and residence permits via a single procedure and greater access to countries’ social safety nets, including social security.
- Measures to increase the role of diasporas in promoting investment and growth, both on the policy side (better business environment) and on the government

organizational side (by providing voice and support to diasporas on matters of domestic concern)

For the EU and its Member States:

- The adoption of a visa-free travel regime;
- A stepped-up engagement with the EaP countries through EU-level, multilateral and bilateral mobility frameworks, encompassing a more comprehensive application of the Blue Card directive, work permit liberalization and facilitation, programs for specific professions and sectors, as well as simplification and increased transparency of immigration procedures.
- Enhancement of complementary migrant integration policies, including skill transferability, recognition of social rights, reduction of informational gaps, management of public opinion and involvement of relevant stakeholders.

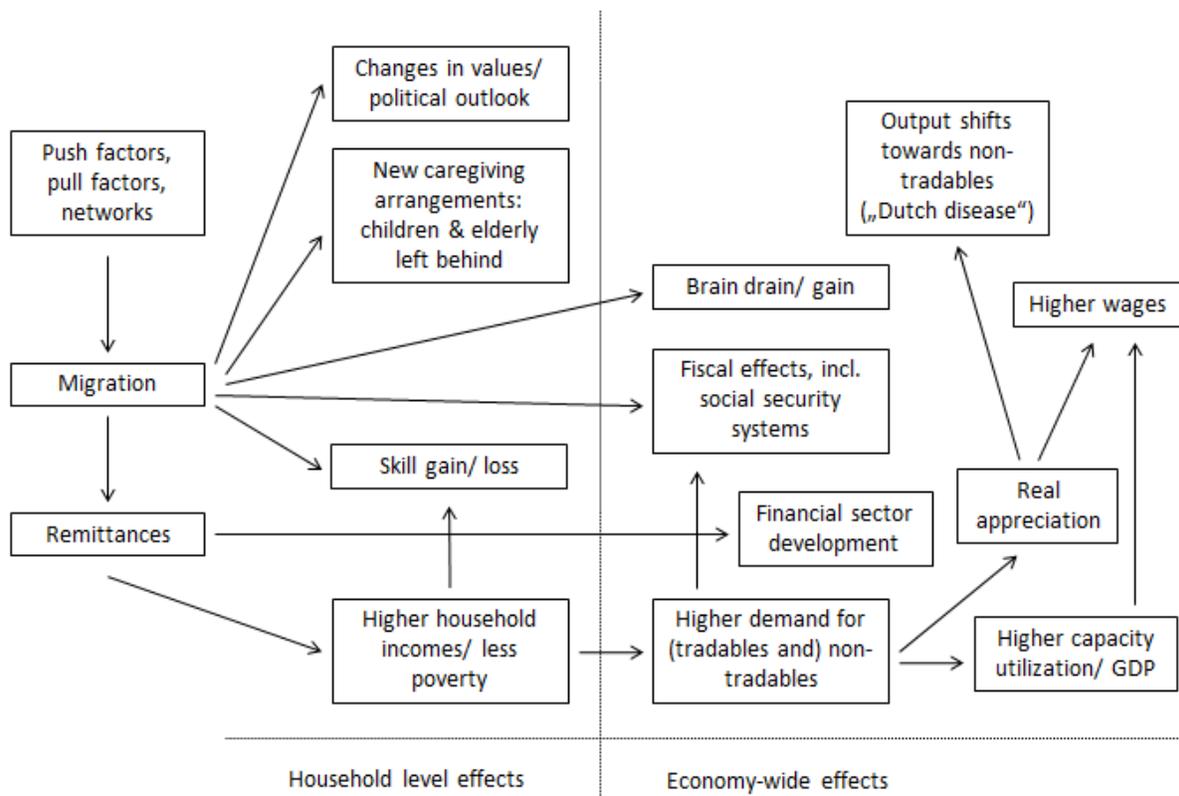
## Section 1. Costs and Benefits of EU-EaP Mobility

### The EaP Perspective

Migration is a complex phenomenon, involving clear economic dimensions (e.g., through the effects of remittances on consumption and investment patterns, the changes in the labour markets that are the result of the outflow of workers, the changes in relative prices of tradables and non-tradables) as well as non-economic ones (such as the resulting consequences on the social fabric of sending countries, the deadweight losses possibly caused by underemployment of skills). The conceptual framework we are using is contained in Fig. 1.

**Figure 1 - Potential costs and benefits of migration and remittances: overview**

Figure 1. Potential costs and benefits of migration and remittances: overview



The evidence in this framework provided in our country studies deals with both individual/household and macroeconomic effects. Among the household/individual level effects are:

- The effects of the extra income on household behaviour: overall, we conclude that the extra income due to migration and remittances reduces poverty in remittance-receiving households throughout the Eastern Partnership countries, leading to better nutrition, housing, and access to education and health care.
- The effects on professional skills: the concern is that migrants may not be able to fully utilize their skills abroad. However, from an individual point of view, we conclude that any possible loss of skills must be more than compensated for by income gains or other benefits of migration like the experiences and human capital effects of working abroad. We discuss in Section 3 how EU and EaP policies might contribute to reducing the *deskilling* phenomenon.
- Issues concerning the welfare of children and families left behind, the relationships between genders and more generally on societal values. Here, the evidence in the Country Studies is less quantified, but anecdotal evidence points at problems that should be addressed through better targeting of social policies in the EaP countries, and, through a EU migration framework that causes less disruptions in the family lives of those who choose to migrate.

With respect to the economy-wide consequences, the main channels concern the effects on labour markets and more generally on the possibility of Dutch disease<sup>1</sup> outcomes; the repercussions on labour markets, on the formation of human capital, and then on the functioning of financial markets and the impact on fiscal aggregates and public finance management. More specifically:

- Migration had an important role in EaP countries in facilitating the economic restructuring, whereby “old” jobs were eliminated, and surplus labour was reduced, allowing for greater productivity of those workers remaining in the country, and consequently resulted in higher wages over time.

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<sup>1</sup> The “Dutch Disease” refers to the effect on relative prices of non-tradables caused by large inflows of foreign exchange, resulting in loss of competitiveness of sectors exposed to international competition.

### **Box 1. Who Are the Migrants from the Eastern Partnership Countries?**

Labour migration from most Eastern Partnership countries started in the late 1990s and grew rapidly during the 2000s. Many of these migrants reside and work in their host countries irregularly; therefore, there are no comprehensive data on the number of migrants or how it evolved over time (our Country Studies discuss data availability in detail). However, on the basis of household surveys in countries of origin, which capture those migrants that continued to belong to households in their home country, some 850 thousand migrants from EaP countries had settled in the EU, the largest group hailing from Ukraine. Some 2.1 million other EaP citizens had instead migrated to the Russian Federation or other countries. Data compiled by Pytlikova from statistical offices across destination countries measure the stock of EaP migrants in EU27 in 2010 at 1.5 million (Kahanec, Zimmermann, Kurekova and Biavaschi, 2013).

Not surprisingly, labour migration is far more widespread in the three smaller Eastern Partnership economies (Moldova, Georgia, Armenia) than in oil-rich Azerbaijan, Belarus, or Ukraine. In Moldova (and probably in Georgia, too), migration was largely driven by deteriorating employment and income-earning opportunities in rural areas. By contrast, the rapidly growing oil sector in Azerbaijan and urban centres in Belarus and Ukraine have attracted large number of internal migrants.

In terms of migrant gender and destination countries, there is a marked contrast between Georgia, Moldova, and Ukraine, on the one hand, and Armenia, Azerbaijan and Belarus, on the other. Men account for the majority of migrants everywhere; however, their share ranges from 57 to 66 percent in Georgia, Moldova, and Ukraine, versus from 78 to 88 percent in the remaining countries. Similarly, Russia was home to 40 percent of Georgian migrants, 64 percent of Moldovans, and 47 percent of Ukrainians, versus 74 percent of Armenian migrants, 77 percent of Azerbaijanis, and fully 90 percent of Belarusians. Detailed analysis at the country level suggests that the differences in gender shares and destination countries reflect in part that a substantial number of female migrants from Georgia, Moldova, and Ukraine are in the European Union.

Patterns of employment vary widely, from low-skilled manual work, especially in the construction industry and agriculture, to the provision of long-term care, often in households. Gender differentiation across sectors is evident from the EU Country Studies: male and female EaP migrants find employment in different sectors. Male EaP migrants find employment predominantly in construction or agriculture, while female EaP migrants find employment mainly in the domestic care and service sector. Employment in low-skilled sectors implies low average earnings and higher labour market vulnerability. EaP migrants also often constitute the group of immigrants that has arrived more recently, and their migration patterns with respect to destinations within the receiving countries reveal the influence of migrant networks. Allocation to less skilled sectors and occupations of EaP migrants takes place in spite of the fact that they typically belong to the younger and better educated of all groups relative to both natives and other immigrant groups. Importantly, a high share of EaP migrants have technical and engineering degrees (Kaczmarczyk, Gora and Duszczak, 2013, Biavaschi and Zimmermann, 2013), but there is only a small proportion that works in highly skilled sectors (e.g. financial services in the UK, IT industry in Poland). Most EaP migration appears to be temporary. Duration of stay of EaP migrants varies depending on legal framework, sector of employment as well as country of origin. For example, seasonal migration frameworks in Poland have facilitated legal seasonal employment of EaP migrants in construction and agriculture. Employment in domestic care sector has more durable nature, but does not appear to be a stepping stone to permanent settlement in the host country. For further details see Table A1 in the Appendix.

In addition to temporary labour migration, some countries are beginning to see permanent emigration of whole families, particularly to the EU (See Table A2 in the Appendix). While temporary migration has peaked in the Eastern Partnership countries although it remains high, the available, scattered data from destination countries suggest that permanent migration may gradually be taking place. For example, through several waves of regularization, Italy had regularized 143,000 Moldovans and 218,000 Ukrainians by 2011.

Source: Barbone, Bonch and Luecke, 2013 and Kahanec, Zimmermann, Kurekova and Biavaschi, 2013

- The country studies suggest limits in the educational system, which negatively affect both the capacity to take advantage of new opportunities for those who chose not to migrate, and the ability of migrants to use their skills in their destination countries.
- There is evidence that, at least for some of the countries that have experienced the highest growth in remittances, the level of the real exchange rate (and the weight of the non-tradable sector in the economy) may suggest the presence of the Dutch disease, leading to a loss of external competitiveness and a potential dependence on remittances.
- There is also evidence in some countries (e.g. Moldova), but not all (e.g. Armenia), that the effect of remittances on the financial sector has been positive, contributing to financial deepening and the emergence of new financial products, which have helped to raise general economic efficiency and growth. The balance of the positive effects in this regard appears to be influenced by general policies with regard to financial sector stability and certainty of property rights.
- Remittances have also, particularly in the smaller countries, contributed to stronger public finances through their effects on consumption and imports, although in some cases there are indications that higher revenues may have weakened fiscal discipline.

Based on the evidence presented in our country studies, we conclude that labour migration in the EaP countries generates large benefits for the migrants and their families as well as for economic and social development in migrants' home countries. Many migrants from the EaP region look upon their work abroad as an employment option that implies additional hardship but allows them to save for future consumption (durables, housing) or investment (children's education, small enterprise) in their home country. Along the way, they may improve their professional skills, support community investment projects, or help develop financial intermediaries by placing some of their savings in financial institutions at home. The sooner these migrants attain their savings objective, the sooner they will return home for good. EU country studies identified differences in propensity to return across sending countries with preferences for more permanent migration among migrants from Moldova.

In sum, the available evidence suggests the important conclusion that the surplus of benefits over costs is proportional to the size of emigration in relation to the sending economy. Thus, for instance, in the case of Moldova it is quite apparent that there have been large benefits accruing to the macro-economy as well as to individual households. On the other hand, given the scale of the phenomenon, the costs (and associated risks)

have also been large. There is evidence of substantial poverty reduction through the effect of remittances, as well as of financial sector development as a result of product development spurred by remittances inflows. At the same time, both at the macro level (through increased demand for housing and other non-traded goods and services, and the resulting negative effects of competitiveness of the tradable sector) and at the micro level (through the effects on family life of the departure of heads of families, compounded by the inadequate safety nets in place), there are costs that need to be taken into consideration to foster better outcomes.

At the opposite of the spectrum are countries such as Azerbaijan and Belarus, where the scale of migration and its economic effects are relatively minor, and hence the overall macroeconomic benefits are likely to be limited. However, costs and benefits of migration are not necessarily equally low for the households experiencing them—if not well addressed through public policies in the areas of social protection and education, they might in fact tip the balance of benefits and costs in a negative way.

Review of evidence shows that costs and benefits can be altered by the adoption of specific policies and the strengthening of institutions dealing with migration. This issue is addressed in Section 3.

**Table 1 - Migration Costs and Benefits Scorecard for EaP Countries**

<b>Migration Costs and Benefits Scorecard for EaP Countries</b>							
	Benefits			Costs			
	Increase d GDP Growth	Contributio n to Poverty Reduction	Contribution to Financial Markets Developmen t	Evidence of Dutch Disease	Social Costs at househol d level	Brain Drain	Overall Benefits/Cost s
Armenia	H	H	L	H	M	M	H/M
Azerbaijan	L	L	L	L	L	L	L/L
Belarus	L	L	L	L	M	L	L/L
Georgia	H	H	M	H	H	M	H/H
Moldova	H	H	H	H	M	M	H/M
Ukraine	L	L	L	L	M	M	L/M

Legend: H: High, M: Medium, L: Low. The scores on individual dimensions are based on expert opinions from the Country Studies.  
Source: Barbone, Bonch, Luecke (2013)

## The EU Perspective

### ***Europe needs high-skilled and low-skilled migrants***

The European Union faces growing skill shortages in its labour markets, mainly as a consequence of adverse demographic trends in Europe. Projections of labour market skill needs have shown that skill shortages will appear at both the high and the low end of skill spectrum (CEDEFOP 2012). In the medium term (until 2020), shortages are expected for health professionals, IT staff, engineers, sales representatives, and accounting and finance staff, as well as in sales, services and elementary occupations. Our analysis of past mobility between the EaP and the EU indicates that EaP migrants exhibit characteristics that make them well suited to address labour market shortages in the EU both at the high-skilled and low-skilled spectrum.

Indeed, expert stakeholders identified employers and employers' associations as the key beneficiary group and the most likely supporter of a more liberalised migration policy towards EaP countries. Workers, trade unions and employee associations are generally seen as opponents and non-beneficiaries of more liberalised policy framework. A third of experts see their respective governments as likely to oppose moving towards a more liberalised migration policy framework.

### ***Costs and Benefits of EaP Migration to the EU***

Quantitative and qualitative analyses summarized in Kahanec, Zimmermann, Kurekova and Biavaschi (2013) shows that the economic effects of labour mobility in the European Union are diverse but on aggregate are on the positive side. More specifically, the EU country studies<sup>2</sup> report neutral-to-positive micro-level effects of EaP migrants in the host labour markets. This is not least due to the fact that EaP migrants enter the EU predominantly for employment purposes, which is reflected in their favourable employment rates, especially when compared to immigrants from other third countries. Average employment rates are well above those of other foreign groups, in the range of 60-70% (Spain, Italy and Poland). EaP migrants in Germany suffer an employment disadvantage with respect to natives, although this gap is unexceptional and in line with the same outcome for other non-EU migrants. In this context, gender asymmetries in labour force participation rates play in favour of the EaP migrants. In fact, in Italy, Poland, Spain and the UK (but not in Germany) EaP women are the typical breadwinners, with higher employment rates than males.

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<sup>2</sup> Biavaschi and Zimmermann (2013); Drinkwater and Clark (2013); Farré and Rodriguez-Planas (2013); Kaczmarczyk, Gora and Duszczuk (2013); and Marchetti, Piazzalunga and Venturini (2013).

EaP migrants cause no negative effects on wages of native workers or employment of other groups of workers in the analysed receiving countries. The occupational distribution suggests the presence of complementarities rather than substitution between migrants and natives. In addition, labour market effects are limited also in view of the relatively small size of the EaP migrant populations relative to the host populations or other immigrant populations in receiving countries. Labour market outcomes of EaP migrants have worsened as an outcome of recession that began in 2008. In Germany, for example, this led to difficulties in finding appropriate jobs, resulting in increased unemployment and receipt of unemployment benefits, compared to the natives. In Spain, similar difficulties were primarily caused by the high exposure of EaP migrants in sectors most affected by the Great Recession, such as construction.

In spite of the adverse effects of the Great Recession, EaP migrants do not have disproportionately high welfare take-up rates compared to other migrants in terms of access to social assistance or family benefits. On the contrary, EaP migrants have limited or no access to pension systems, while the transferability of their working period abroad towards rights accruing access to pensions upon return are problematic.

### ***Labour Mobility and Migration Framework***

Comparing past EaP flows with intra-EU mobility of EU8 and EU2 migrants after enlargement, we identify that benefits of mobility are larger and costs smaller when a more liberal migration framework is in place. A statistical analysis of the effects of migration flows between 1995 and 2010 on economies shows that immigration from countries with which the EU15 Member States maintained more liberal migration frameworks (EU8, EU2) positively impacted EU's GDP, GDP per capita or employment; but this was generally not the case for EaP migrants towards whom more restrictive migration regulation was applied. The key explanation is that such more liberal access to European labour markets typically provides for better labour market matching and filling up of skill gaps in EU labour markets.<sup>3</sup> To the contrary, restrictive migration frameworks limit the potential for positive impacts of mobility in a number of dimensions. On the one hand, restrictions hamper efficient reallocation of migrants and thus the possibility of migration for work as a natural smoothing mechanism of the business cycle. On the other hand, additional costs of restrictions arise at the micro level. Restrictive migration policies tend to push migrants to rely on irregular modes of entry and various intermediaries. More costly re-entry makes circular migration less likely, bringing less benefits and greater costs to home countries and those left-behind, especially children.

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<sup>3</sup> See Table A3 in the Appendix for a review of approaches to skill needs in the five EU countries covered by the case studies (Germany, Italy, Poland, Spain, UK).

### ***Downskilling as the Key Cost Factor***

While EaP migration has the potential to benefit the host regions, all country studies have detected *downskilling* as an important factor, impeding the advantages that would otherwise arise from this source of mobility. Despite their relatively high level of educational attainment, EaP migrants predominantly find employment in less skilled jobs. While highly qualified EaP migrants have filled up shortages in the domestic and private sector services in Italy and Spain, skill mismatches have resulted in higher unemployment rates in Germany. There are several negative consequences of poor labour market matching for the host countries. At the individual level, the market is unable to absorb the full productive potential of migrants, who instead become a vulnerable part of the population. Furthermore, the lower employment probability translates into a higher likelihood of receiving unemployment benefits compared to natives.

Important reasons for downskilling lie in institutional barriers, such as poor or complicated recognition of qualifications. This may be interacting with lower quality of education in the sending countries as well as poor knowledge of the host country language. Downskilling is also a function of the planned and actual length of stay in the labour market. Migrants may underinvest in country-specific human capital if their time horizon does not provide for adequate returns on such investment. Migrants tend to integrate with time spent in the host country.

## Section 2. Scenarios for Future Migration

A relevant question for both EaP and EU policymakers is the potential for continued (and perhaps moderately increased) labour migration in the future. Fears of uncontrolled migration flows have often been a strong element in the debate on migration policies, even though experience in this respect has generally been anti-climactic. The country studies and the summary papers have all addressed the issue of potential future flows. In this section, we review projections of possible future labour migration flows from Eastern Partnership countries to the European Union under different scenarios. We present projections until 2050 based on an evaluation of the demographic potential in the EaP countries as outlined in the *Synthesis* paper (Barbone, Bonch and Luecke, 2013). We then proceed to projections based on a prediction model taking into account demographic, socio-economic, and policy trends until 2020 as delineated in the *Labour Options* paper (Kahanec, Zimmermann, Kurekova and Biavaschi, 2013).

### Demographic Trends and the Migration Potential

The first approach we review is demographic, coupled with assumptions on the propensity to migrate to the EU vs. the Russian Federation. In brief, we assume, based on the evidence presented in the Country Studies, that EaP countries at present have reached a “steady state” as far as labour migration flows *overall* are concerned. The second assumption is that the propensity to migrate changes according to the age of the potential migrant, and tends to be higher for younger migrants and to decline with age, as the opportunity cost of migration increases.

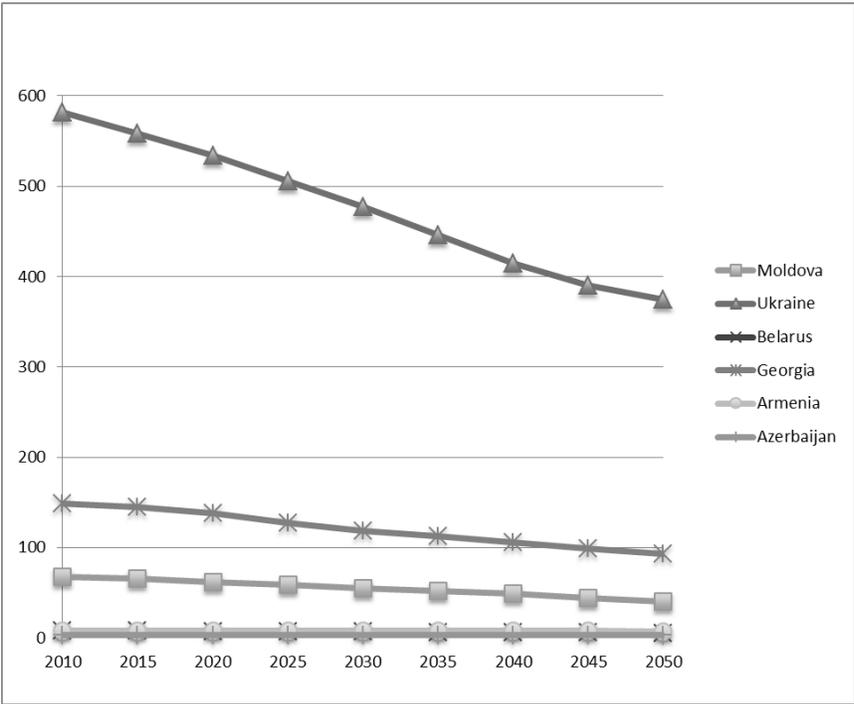
Based on these two assumptions, we utilize population projections by age cohort to calculate the amount of potential migrants over the years, taking into account the progressive aging of the population for (almost all) EaP countries. The numbers thus obtained can then be interpreted as the *potential supply* of labour migrants over time, ***other economic and non-economic factors being constant.***

We also provide simulations revolving around a very important parameter, namely the propensity to migrate towards the Russian Federation or towards the EU. The Synthesis Paper (Barbone, Bonch, Luecke, 2013) argues that the visa-free policy of the Russian Federation has created a virtually unconstrained situation for potential migrants, and hence can be considered a relatively stable equilibrium. Changes to the “propensity parameter” can then importantly affect the total amount of potential migrants going towards either of the two main destinations.

***Demographics-only Scenario – Migration Potential.*** In the year 2010, the total number of labour migrants from the EaP countries that were residing in the EU is

estimated to be at 817 thousands.<sup>4</sup> Based on the simulations in this Scenario, by 2020 we could expect this migration potential to drop by 60 thousands and by 2030 by a further 80 thousands (Fig. 2). The overall decline in migration potential by 2050 is estimated to be about 300 thousands or a drop of 40 percent. The largest contribution to this decline comes from Ukraine, which would send almost 200 thousands less migrants to the EU. The number of migrants from Georgia would decline by 50 thousands and from Moldova by 30 thousands. To repeat, all these projections are based on demographic changes alone.

**Figure 2 - Demographics-only scenario–Migration potential from EaP countries to the EU**



Notes: Number of Migrants to the EU, in thousands.

**Migration-diversion Scenario—a More Attractive EU.** As of 2010, Russia remains as one of the most important destinations for the EaP migrants, attracting more than a half of all the migrants, while EU attracted less than one third. However, changes in economic and political conditions in EU and Russia, changes in visa regulations and cost of travel may result in different allocation of migrants. For example, after the reintroduction of visa regime between Georgia and Russia and the closure of direct air travel between the two countries, the share of Georgian migrants going to Russia dropped from 64 percent to 40 percent, and share going to EU increased from 23 to 35 percent.

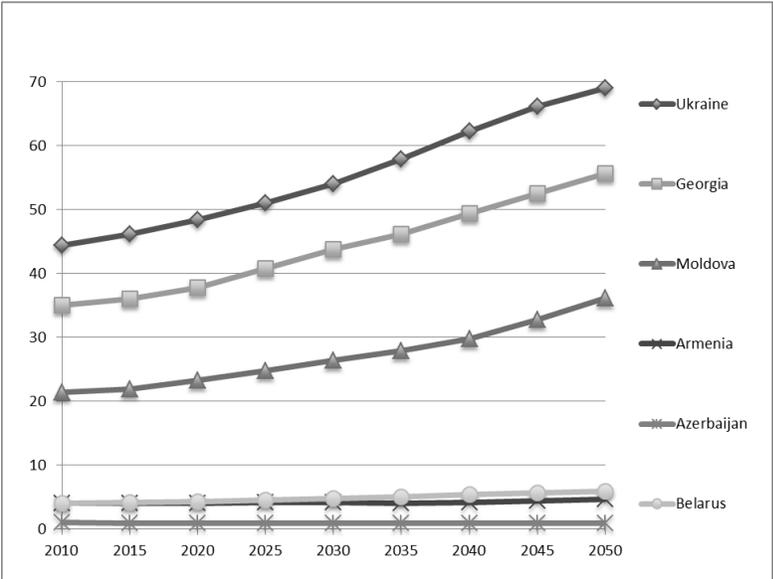
<sup>4</sup> Based on data compiled from the statistical offices of the EU Member States the stock of EaP migrants in the EU in 2010 was about 1.5 million. See Kahanec, Zimmermann, Kurekova and Biavaschi, 2013.

Given the indications provided by the first scenario, we now ask a different question, namely by how much should "EU-migration propensity" increase to compensate for the demographic decline and keep the overall number of EaP migrants to the EU constant (817 thousands, at the level of 2010). While there are many possible combinations of migrants from each of the six EaP countries that could result in an overall unchanged number of labour migrants, we have simulated a scenario in which all countries maintain the initial level of migration to the EU.

The results of this scenario are shown in Fig. 3. In order to maintain a constant flow of migrants from each EaP as of 2010, major changes in the propensity to migrate to the Russian Federation would be required. In particular, through the period 2010-2050, the share of migrants going to EU would have to increase from 44% to almost 70% in Ukraine, from 35% to 65% in Georgia and from 21% to 36% in Moldova. Changes for the remaining three countries are more trivial. The lesson from the demographics-only and migration-diversion scenarios is that demographic trends in the EaP countries are negatively affecting their potential to send migrants abroad.

However, not only the share of migrants going to the EU, but also the overall propensity to migrate in the EaP countries could change in reaction to changes in socio-economic variables and especially in migration policies. We discuss this possibility in the following section.

**Figure 3 - Diversion of Migrant Flows to the EU Required to Maintain Constant Stocks of EaP Migrants in the EU**



Notes: Share of Migrants Going to the EU, in per cent.

## Migration Projections Conditional on Economic, Demographic, Social and Policy Variables

In spite of the adverse demographic situation and alternative migration destinations such as the Russian Federation, surveys of migration intentions and of expert stakeholder views, as well as lessons from EU's Eastern enlargements, indicate that there is considerable latent migration potential towards the EU in the EaP.<sup>5</sup> Social, economic, and policy changes may activate some of this potential and increase the propensity of EaP citizens to migrate to the EU. We quantify these effects using a robust migration projection model along a number of archetypal migration scenarios defined by economic, social and demographic trends, as well as policy alternatives.

To estimate potential future flows from EaP countries to the EU27, we conduct a double extrapolation exercise in time and in space, building on the experience of labour mobility following the 2004 accession to the EU.<sup>6</sup> The new accession states share a number of characteristics with the EaP countries, such as similar demographic trends, educational attainment levels as well as experiences with labour market restructuring leading to individual-level risks in the home labour markets. Specifically, we estimate the structural relationship between migration flows and its determinants using an adaption of the model of Hatton (1995) to time series-cross sectional data for the time period from 1998 up to 2010 (for more details see the Labour Market Matching Proposal (Kahanec, Zimmermann, Kurekova and Biavaschi, 2013)).

We use the results of this projection framework to predict future EaP migration to the EU under different scenarios of economic development and the migration policy framework, taking into account demographic, economic, and policy variables as well as network effects. This helps us to project medium-term flows under the status quo migration policy scenario, but also to estimate future migration flows should a more liberal migration policy be applied vis-à-vis the EaP countries. The underlying demographic, social, and economic trends are based on available forecasts and expert evaluations.<sup>7</sup> Policy alternatives are modelled along the alternatives of no liberalization, selective liberalization, and full liberalisation of access to EU labour markets, as well as liberalisation of short-stay visa.<sup>8</sup>

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<sup>5</sup> See Table A4 in the Appendix.

<sup>6</sup> Given that after accession of Bulgaria and Romania in 2007 transition periods on free mobility were applied by all EU15 countries, we do not include these countries in the statistical calculations of projections and effects which were heavily based on modeling different policy arrangements, including liberalization and selective liberalization.

<sup>7</sup> For details see the Labour Market Matching Proposal (Kahanec, Zimmermann, Kurekova and Biavaschi, 2013).

<sup>8</sup> Selective liberalization reflects the experience of those EU15 countries that selectively liberalised access to their labour markets for citizens from new Member States following EU's eastern enlargements, while still applying transitional provisions. This includes selective liberalization by Belgium that made it easier to get work permits in sectors of the economy where jobs were hard to fill (nurses, plumbers, electricians,

We predict net migration flows under three archetypal scenarios: Closed Europe, Cautious Europe and Progressive Europe.

- **Closed Europe (“Fortress” Europe)** is a “no policy change” scenario which envisages that all EU countries maintain restrictions on access of workers from non-EU countries. This scenario best approximates the status quo in migration policy today.
- **Cautious Europe** scenario assumes that the EU Member States provide for selective liberalisation of their labour markets for EaP migrants.
- **Progressive Europe** models two periods of increasing liberalisation of labour markets: selective liberalisation until 2015, followed by full liberalisation over the period 2015-2020.

Under all scenarios sustained economic recovery and stronger job growth are assumed to characterise economic development in the EU.

Using the outlined projection framework, we project migration flows until 2020 separately for EU 14 (EU15 minus Luxembourg) and EU8. We can expect the following migration flows from the EaP countries to the EU14:

- under the baseline scenario of no policy change (Closed Europe) on average about 100 thousand migrants per annum (1.03 million migrants over 2011-2020),
- beyond seasonal and temporary migrant workers, short-stay visa liberalisation leads to essentially no additional migration,
- labour market liberalisation (Cautious Europe and Progressive Europe) is projected to result in on average 100 to 300 thousand additional migrants per annum (0.96 to 3.03 million additional migrants over 2011-2020), depending on economic conditions as well as migration policies (selective liberalization or full liberalization).

Correspondingly, to the EU8 we can expect:

- under the baseline scenario of no policy change (Closed Europe) on average about 40 thousand migrants from the EaP per annum (0.4 million migrants over 2011-2020),
- essentially no additional migrants beyond temporary or seasonal migrants if short-stay visa is liberalised,

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car mechanics, builders, architects, accountants, engineers and IT workers in the Brussels Region); liberalization measures adopted by Denmark permitting workers from new Member States to look for a job for six months, and providing them with residence and work permits if they succeed in obtaining a full-time job complying with Danish standards; and Germany, which in spite of generally restrictive policy simplified the procedures and facilitated acquisition of work permits for citizens from new Member States in practice. Short-stay visa liberalization is studied exploiting the experience of Slovakia whose citizens were required to obtain visa to enter Belgium, Denmark, Ireland and the UK during several periods before 2004.

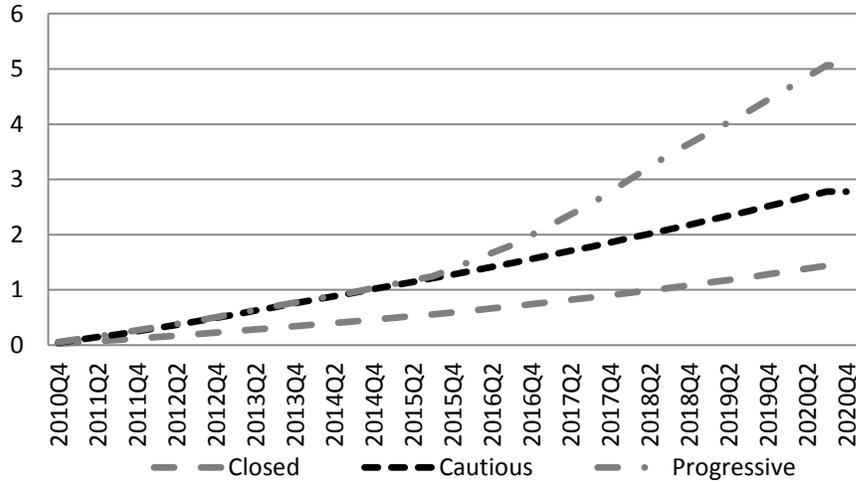
- selective labour market liberalisation (Cautious Europe) is projected to result in little additional migration, up to 8 thousand migrants per annum. Full liberalisation (Progressive Europe) is projected to result in on average 37 thousand additional migrants per annum, i.e. between 0.08 and 0.56 million additional migrants over 2011-2020, depending on economic conditions as well as migration policies.

We find that the policy framework has a key role in affecting observable migration flows. The most crucial variables affecting observable flows of migrants are policy indicators, while migration costs and economic conditions have a significant but smaller effect. Among policy factors and as expected, selective liberalisation is less powerful than full liberalisation. Liberalisation of short-stay visa leads to no additional increase in migration beyond temporary or seasonal workers, and thus the above projections are valid whether short-stay visa is liberalized or not. Observed flows follow an inversed U-pattern and after initial steep rise, they tend to decline.

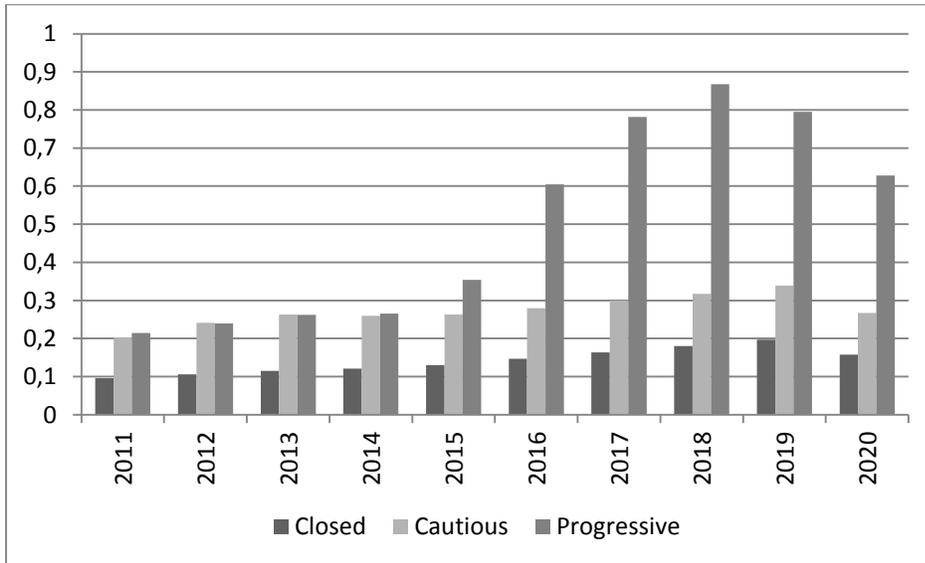
In absolute terms, under the “Closed Europe” over the period 2011-2020 one can expect about 1.45 million people migrating from the EaP countries to the EU25 (minus Cyprus, Luxembourg and Malta), with about 120 thousand of them choosing Germany as their destination country, 65 thousand potentially moving to the UK, and 35 thousand moving to Poland. The largest outflows of people are expected to materialise from Ukraine. In relative terms, expressed in per cent of receiving countries’ populations, the projected stocks of migrants from the EaP in the EU countries in 2020 are modest under “Closed Europe” scenario. They correspond to about 0.39 per cent in the case of Germany, about 0.51 per cent in the case of Spain, and about 0.70 per cent in the case of Italy in 2020. The largest immigrant stocks in relative terms, over 1 per cent of receiving countries’ populations, materialise in the case of the smallest countries – Estonia, Latvia, Lithuania, as well as Slovenia and Ireland. The Czech Republic, Slovakia and Finland may expect migration inflows of slightly less than 1 per cent of their population until 2020 (See Kahanec, Zimmermann, Kurekova and Biavaschi, 2013, for detailed projections).

As expected, a more liberalised policy model towards potential movers from EaP countries leads to higher numbers of migrants. From the EU-wide perspective, selective liberalisation is projected to lead to about two times larger migration flows than under the “Closed Europe” scenario. Even more progressive approach to labour market liberalisation modelled after 2015 under “Progressive Europe” scenario leads to about twice as large inflows when compared to “Cautious Europe” scenario in the second half of the decade. Given, the very modest migration projections under the Closed Europe scenario, a robust projection framework predicts moderate migration flows and ***fears of massive inflows following liberalisation of labour markets are unjustified.***

**Figure 4 - Projected inflow of EaP nationals to the EU25 under three scenarios (EU14 and EU8 as a whole)**



Notes: Stocks, in million



Notes: Net flows, in million

Several additional findings are important to mention. First, under all scenarios migration flows will start to subside around 2018-2019, and thus the effect of policy liberalisation is temporary and migration flows are expected to stabilise after a relatively short period of time. Convergence to stable migration flows is a robust general prediction of the projection model. Second, while selective as well as full labour market liberalisations lead to additional migration flows, EU-wide selective liberalisation does

not increase migration flows to EU8 countries. The reason for the modest additional inflows to EU8 countries is the relatively low impact of selective liberalisation in combination with our assumptions on economic developments. Figure 4 depicts the estimated scale of potential migration from the EaP countries to the EU under the scenarios graphically.

### ***Estimated costs and benefits of projected flows***

Using an established NiGEM macroeconomic model<sup>9</sup> (NIESR, 2013), we have simulated the economic effects of projected migration flows on EU Member States. In the baseline scenario “Closed Europe” we find:

- Positive effects on GDP and GDP per capita, reaching 0.129 percentage points of GDP in the EU14 and 0.296 percentage points of GDP in EU8 above the no-migration scenario in the last quarter of 2020.
- Anti-inflationary effects, attaining -0.15 percentage points in the EU14 and -0.297 percentage points in the EU8 by 2020 compared to the no-migration scenario.
- Very small negative effects on unemployment, increasing it by 0.009 percentage points in the EU14 and 0.058 percentage points in the EU8 by 2020, with respect to the no-migration scenario.

Regarding the last result, it is important to mention that the positive effects of the complementarity of high-and low-skilled immigrant and native labour on employment are not modelled by NiGEM. This means that the estimated effects on unemployment can be seen as upper bounds, the true effects being even smaller and perhaps negative.

Under cautious and progressive Europe scenarios the magnitude of the effects increases, yielding:

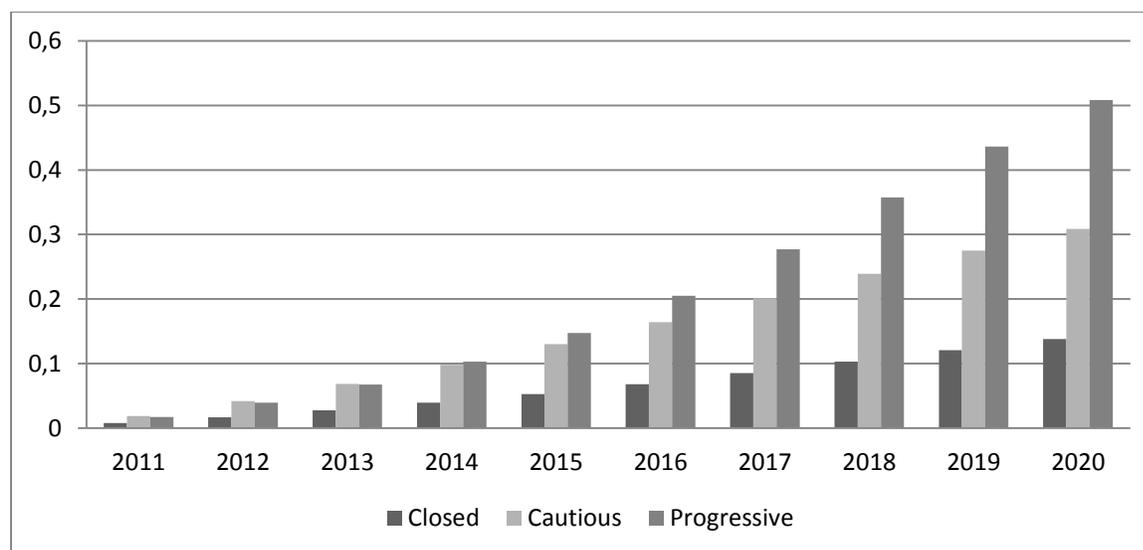
- 0.307 percentage point increase of GDP in the EU14 and 0.868 percentage point increase of GDP in the EU8 by 2020 under “Cautious Europe” scenario,
- 0.490 percentage point increase of GDP in the EU14 and 1.919 percentage point increase of GDP in the EU8 by 2020 under “Progressive Europe” scenario.

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<sup>9</sup> NiGEM is a large-scale quarterly macroeconomic model of the world economy. The key parts of the model relevant to the simulations of effects of migration flows from Eastern Partnership countries are the production functions and the labour markets in each of the countries. Most OECD countries are modelled separately (about 50 countries), and the rest of the world is modelled through regional blocks. By incorporating the models for individual countries and country blocks into the global context, we ensure that any international movements of labour or capital, or any policy shifts have, via links between countries, their impacts on all economies. For example a migration-driven change in demand in one country will, through trade and competitiveness channels, affect GDP in all of its trading partners. The model is essentially New-Keynesian in its approach, in that agents are presumed to be forward-looking, but nominal rigidities slow the process of adjustment to equilibrium.

The combined effect on EU14 and EU8 growth is presented in Figure 5.

**Figure 5 - The role of migration policies towards the EaP nationals for growth in the EU14 and EU8 as a whole**



Notes: Percentage point deviations from the no-migration benchmark

### **Summary**

To summarize, our results based on robust analytical frameworks and analysis of hard data show that:

- Given the demographic trends EaP countries exhibit a declining migration potential.
- Assuming fixed propensity to migrate across age groups, even maintenance of current stocks of EaP migrants in the EU would require significant reallocation of EaP migrants to the EU (as opposed to alternative destinations such as the Russian Federation).
- There is, however, evidence of a definite latent migration potential in the EaP
- Part of this potential may be realized if economic or social circumstances, or migration policy, change.
- A robust projection framework predicts that under plausible scenarios of demographic, economic, and social circumstances, as well as migration policy alternatives, while liberalisation of short-stay visa cannot be expected to increase migration flows (beyond temporary or seasonal mobility), labour market liberalisation will lead to increased inflows of EaP migrants to the EU until 2020.

- However, the predicted migration flows from the EaP countries to the EU will be moderate and the effect of liberalisation on migration flows temporary.
- Moreover, an established simulation model shows that increased mobility in the EU of the scale predicted by our projection framework would positively affect receiving countries' GDP, decrease inflationary pressures, and only rather negligibly affect the unemployment rate.
- This indicates that in regard of improved labour market matching the policy challenge does not concern the quantitative, but rather qualitative dimension of EaP-EU mobility, and thus enhancement of the EaP-EU mobility framework is much needed.

## Section 3. Policies for Increased and Mutually Beneficial Mobility between EaP and the EU

The current migration policy framework between the European Union and the countries of the Eastern Partnership is far from satisfactory, and as discussed leads to reduced benefits for both sending and receiving countries (and the migrants themselves).

Based on the combined findings from our reports, we propose gradual liberalisation of mobility between the European Union and the Eastern Partnership countries as the first-best policy option. We evaluate gradual liberalisation as a win-win scenario, in regard of the economic benefits and improved allocative efficiency of labour markets in receiving countries, potential for brain circulation and remittances for the sending countries and increased range of career possibilities for migrants themselves. Additional benefits lie in the relative simplicity and low implementation costs of liberalisation policies (compared to current frameworks), lower migration costs for migrants and lack of rents for migration intermediaries.

In this section, we summarize concrete policy recommendations emerging from this project, with implications for both the European Union and its Member States, and the countries of the Eastern Partnership.

### Recommendations for the EaP Countries

The Country Studies and the Synthesis Report show that general, macroeconomic, and sectoral policies affect the individual decisions to migrate and the potential for positive or negative outcomes. It is not feasible to list all possible ways in which these policies interact with migration, but it is possible to provide a general, methodological recommendation for the EaP countries going forward:

- *A Migration Lens should be part of macroeconomic and sectoral policy formulation, through an explicit treatment in national development strategies as well as sectoral strategies and policy options*

This “lens”, i.e. ensuring that macroeconomic and sectoral policies are framed with a view to direct and indirect consequences on migration should also become more important as the importance of migration rises. The need for an institutionalized “lens” is important, as experience shows that sectoral policy discussions very often are dominated by domestic concerns and lobbying effort by different stakeholders, who may not be particularly interested in the nexuses with migration and its socio-economic effects.

A complementary lesson is that:

- *The Migration Lens needs to be implemented/facilitated by an agency empowered with sufficient clout among government organizations. The purpose of this agency should be to protect and promote the rights of migrants, and to regulate where necessary labour intermediation agencies to prevent fraud and abuse. There are several options and models existing in the world, EaP countries should choose the one that best fits institutional capacity and scope of mission.*

These two recommendations imply that migration should be recognized as part of the national strategy in the EaP countries, and that this recognition should be backed by an institutional setting that would favour its effectiveness. National development strategies for migration-sending countries would be well-advised to take a holistic approach to maximizing the benefits from labour migration flows, but this requires the existence of a powerful advocate that can help mediate among sectoral interests and maintain the focus on the migration strategy and on the implications of individual policy decisions on migration outcomes.

EaP countries are also at very different stages in the provision of migration-targeted assistance, both pre- and post-departure. In this respect, the EaP governments could learn a lot from international best-practice in areas such as regulation of employment intermediaries, pre-departure education courses in languages, survival skills, financial literacy, as well as consular assistance in countries of destination. Action in this respect would offer opportunities for joint work and collaboration with the EU and its member states.

#### *Facilitation of return and integration after return*

Integration into home state labour market after absence due to migration can lead to loss of continuity, social ties and familiarity with the local environment from institutional or legal perspective (contractual arrangements, job opportunities, taxation and social rights). Sending countries could assist migrants in their integration by providing targeted information on various aspects of re-integration in order to facilitate return, circulation and integration. Integration of this service in ‘one stop shops’ in the EaP countries would provide for cost-efficiency and synergetic benefits. ‘One stop shops’ could function as service-centres for circular and return migrants but also for potential migrants. The centres should incorporate a range of support services which can enhance labour market matching, such as pre-departure profiling of qualifications, information on job openings matching skills of potential migrants. Offering multiple services under one roof in the EaP countries but also in the EU Member States would be convenient for migrants and cost-effective.

*Maximizing the benefits of the relations with the Diaspora.* Diasporas from the EaP countries are very active in a number of EU member states, and have served both as informal social safety and informational networks for migrants, as well as purveyors of investment and knowledge towards the countries of origin. EaP countries have adopted very different models in dealing with the diaspora. We recommend that EaP governments, with possible assistance from the EU, evaluate the effectiveness of their present arrangements and, as part of the overall Migration Strategy, proceed to upgrade where necessary the institutional commitments to Diaspora collaboration.

## **Recommendations for the EU and its Member States**

Shifts towards a more liberal migration framework can be conducted in different steps and at different levels to take into account country-specific labour market needs and political feasibility of changes across the EU member states. We present them organized in themes relating to different areas of intervention.<sup>10</sup>

### **Visa Regimes**

#### ***Visa Liberalisation and Facilitation***

Visa liberalization and facilitation negotiations have been underway between the EU and EaP countries for some time. We propose that visa liberalization be accelerated as a first step in gradual liberalisation. Although visa liberalisation would not imply *per se* labour market liberalization, it would represent a concrete step towards ensuring an easier entry and re-entry of migrants and thus enhance short-term or seasonal mobility between the EU and EaP countries. Such mobility is much needed to mitigate existing internal labour market inflexibilities and provide for labour market adjustment. The additional benefits of short-stay visa liberalisation include easier intra-family contact and thus easier reconciliation of migration trajectories with family life within migrant households and strengthened contact between diasporas and their home countries, leading to an improved potential for benefits from trade and business ties and exchange of information and technologies.

Beyond temporary or seasonal mobility, we find short-stay visa liberalization to have essentially no effect on the scale of additional net migration. This implies that additional instruments are needed to provide for long-term adjustment in European labour markets. We therefore see liberalisation of short-stay visa as a first step on a more encompassing sequence of mobility enhancing policies, which would together provide for an increased potential for circular migration and improved economic efficiency and labour market matching in Europe.

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<sup>10</sup> See Tables A5-A7 for an overview of current and proposed policies in five EU countries covered by the case studies (Germany, Italy, Poland, Spain, UK).

We acknowledge that the regulation of long-term visa policies predominantly rests with EU Member States. We however propose that multilateral and bilateral methods of coordination are utilised to harmonize requirements for short- and long-term visa across the EU to ease up orientation of migrants. This in particular concerns duplication of administrative procedures and documents in case of repeated visa application or application of holders of visa of one EU Member State in another Member State.

### ***Work-permit Liberalisation and Facilitation***

As a general recommendation we suggest to liberalize and facilitate acquisition of work permits with the objective of providing a flexible migration policy framework satisfying EU's needs for temporary and permanent migration. Following good practice already applied by a number of Member States, we propose abandoning the policy of administrative labour market test in favour of labour market driven selection (i.e. of those obtaining a job offer in the country), possibly combined with general universally applied selection criteria. This approach would best serve the purpose of labour market matching, provide a transparent and credible policy rule, and reduce the costs of policy implementation. We also propose to adopt transparent policy rules for and decrease the costs and the length of work permit acquisition, renewal or change. In addition, to further facilitate labour market matching we recommend that work permits facilitate mobility of migrants to increase allocative efficiency of EU labour markets. A related proposal is to provide for grace periods regarding expiration of work and residence permits to facilitate adjustment by migrants, e.g. when seeking new employment. Similar provisions should govern work and residence permits for graduating students and immigration of family members. We outline a more concrete proposal at the end of this Section.

### ***Full Labour Market Liberalisation***

We see fully liberalised labour migration between the EU member states and EaP countries as the policy option providing the greatest benefits to receiving and sending countries as well as migrants themselves, and as the long-term policy objective. Its key benefit lies in its simplicity and low implementation costs for the countries, lower migration costs for migrants, lack of rents for migration intermediaries and best possibilities for allocative efficiency of migrants across the EU member states. We argue that the ensuing migration flows would be modest and the EU labour markets would absorb them to the benefit of increased labour market matching, but also to the benefit of migrants themselves. The removal of the barriers to enter and re-enter the EU labour markets would also provide conditions conducive to circular migration between the EU and EaP, thus providing for brain gain and other benefits for the sending countries.

## **EU-level, Bilateral and Multilateral Frameworks**

EU-level migration frameworks, such as the EU Blue Card, have the potential to provide for greater labour mobility in Europe, including that with the EaP countries. While this paper is concerned specifically with recommendations with respect to EU-EaP relations, we note that it would be beneficial for these relationships if the Blue Card migration framework were extended to encompass broadly-defined skilled workers, based on a transparent points system rewarding qualifications, job experience, language skills and age. Of central importance are complementary provisions for immigration of family members, measures facilitating integration into the labour market but also social services and assistance, and transparent rules for long-term residence and employment in the EU. To truly contribute to intra-EU mobility, the Blue Card framework needs to provide for frictionless mobility of Blue Card holders and their family members across the EU member states.

While concerted efforts at the EU level for more transparent and unified policies are desirable, specific multilateral and bilateral migration frameworks could go beyond the full implementation and monitoring of the Blue Card directive to accommodate different labour market needs across the EU labour markets. Migration frameworks between EU Member States and EaP countries, especially concerning temporary and seasonal migration, would allow for targeted opening based on needs of receiving countries and possibilities of sending countries. Considerable scope exists for enhanced special migration provisions between the EaP countries and EU Member States which are in need of domestic and care service workers, or specific types of high-skilled workers. The existing bilateral frameworks on transferability of social rights need to be reviewed to identify functional mechanisms and possible bottlenecks for different types of migrant workers (by sector, age, type of employment contract, etc.).

## **Integration and Skills Matching**

Although we consider liberalisation of access to EU labour markets for EaP as a first-best policy option, its successful implementation in terms of improved labour market matching requires complementary migrant integration policy frameworks. These relate to many spheres of life, including skill transferability, social rights, elimination or reduction of informational gaps, management of public opinion, and involvement of relevant stakeholders. The key areas of policy intervention are presented below.

### *Tapping the existing potential of EaP migrants*

In some countries, the potential of EaP migrants which are already in the EU is not fully utilised. Some barriers which we identified lie in the legislation which prohibits spouses

of migrants to enter employment or limits the possibilities of EaP students studying in the EU to seek employment in the EU upon graduation. Improvements in these areas would improve the labour market matching of EaP migrants already in the EU and help to fill up existing skill shortages.

#### *Facilitation of Skill Transferability*

An important factor limiting the potential for improved labour market matching is the downskilling of migrants into jobs below their level of qualification. To overcome barriers leading to downskilling, we propose to facilitate recognition of qualifications in the spirit of the rules applying to intra-EU mobility. To overcome the discrepancies in the scope and quality of formal qualifications in the EaP and the EU, this includes the provision of a qualification recognition framework. Such a framework should stipulate correspondences between requirements applied in the EU and formal qualifications and educational institutions in the EaP countries. Automatic recognition of qualifications along such corresponding lines would provide for increased predictability of the recognition process, provide better incentives for potential migrants, and lead to an improved labour market matching in the EU. The qualification recognition framework, including the whole set of correspondences, needs to be transparent and well-communicated to potential migrants already at the pre-departure stage, in order to properly inform their migration decisions and thereby strengthen the potential for improved labour market matching.

#### *Provision of information and 'one-stop shops' for migrants*

Due to the nature of immigration, migrants enter host countries with informational deficiencies. These lead to limitations concerning their opportunities and choices. Lack of information also disempowers migrants and exposes them to risk of exclusions or abuse. Therefore, effective institutions of reach-out and social support should be developed to ensure dissemination of information, protection from abuse, and provision of shelters in the cases of violence and psychological counselling to migrants. It is important to make information and help services for migrants more flexible and proactive. The availability of free consultancy centres for migrants, hot-lines and outreach trainings would help reducing the risk of abuse of the migration system by some intermediaries. Offering these services under one roof as 'one stop shops' in the EaP countries and EU Member States would be convenient for migrants and cost-effective for providers. One-stop shops could also be used as points of reference providing expert advisory services for EU and EaP administrations in case of specific questions that may arise in dealing with more complex migratory trajectories. One-stop shops should in particular integrate specialized services facilitating the process of recognition of qualifications.

### *Provide better information about labour market opportunities for migrant labour*

In the labour market a lack of information about job opportunities results in poor labour market matching. Strengthening of the capacity of employment agencies to provide for the needs of migrants is needed to ensure better labour market matching of migrants in host labour markets. The paradigm should also become more pro-active, providing better access to information already for potential migrants when they are making their decision about whether/where to migrate. Cooperation of EU and EaP employment agencies can assist migrants in making informed choices with respect to destinations. Services similar to EURES should be supported in EaP countries, as publicly funded institutions and, exploring manifold synergies, placed within 'one-stop-shops' in the host countries.

### **Portability of Rights**

#### *Improvement of access to and portability of social rights*

A more specific concern in the domain of social rights is the need for more inclusive and transparent mechanisms for easier access to paying contributions and claiming social benefits. During their migration spells regular migrants contribute to social security and pension schemes of host countries. For most migrants, however, access to their pension rights remains limited. This is not only inconsistent with the principle of equal rights; it also creates incentives to evade contributions and taxes. In particular, it is desirable to simplify the process of claiming social benefits and improve their portability to other EU Member States and third countries.

The EU Single Permit Directive, which was recently adopted by co-decision by the European Parliament and the Council, and should be introduced into national legislation by all Member States by 2013, should provide a common platform to address issues of portability for pensions, and access to public services for certain categories of legal migrants. However, given the partial coverage provided by the Directive, it seems likely that supplemental bilateral agreements (e.g. to cover categories such as seasonal or temporary migrants) will continue to be required in the future. We therefore propose that the application of the Single Permit Directive in individual Member States be closely monitored to verify the extent to which it leads in practice to equal access to social benefits including pensions for all migrants, including those from the EaP countries.

#### *Invest into Legislative Improvements in Employment and Labour Regulation in the Geriatric and Care Sector*

The need for migrant labour in geriatric and care sector is likely to grow. More control and awareness-building over the work conditions (working hours, tasks and living conditions) and fair payments is desirable. More supportive employment and labour regulations should be passed that would shelter the migrants in cases of the death of the

employer and would allow migrants time, shelter and security needed to find a new job. Employers in the domestic and care sector should be actively encouraged to allow a possibility of circularity among hired migrants by accepting substitute employment.

### **Administrative Provisions**

*Greater stability and transparency* The rules governing the acquisition of citizenship and permanent residency for migrants differ widely across the Member States. In order to attract skilled migrants to fill up labour market gaps, more stability and better prospects for possible full integration need to be available as an option. We propose to promote “best practices to citizenship/permanent residence path” to increase the transparency and predictability of migrants’ plans. We in particular suggest to reduce the costs of procedures and to promote best practice concerning the minimum period of prior residence in the country required to obtain permanent residence or citizenship.

#### *Increased transparency of migration intermediaries*

Cumbersome and expensive process of visa obtaining has strengthened the role of intermediaries which assist migrants. While some intermediaries provide migrants with needed information and services, the inherently asymmetric information favouring the intermediaries over migrants create a risk of rent-seeking and abusive conduct, or monopolization of access to regularised or legal employment Provisions increasing the transparency of the conduct of migration intermediaries would help to reduce the risk of such adverse conduct. This aspect of mobility could be regulated at the EU level.

### **Other Areas of Intervention**

#### *Inform public opinion about migration*

Negative public opinions about migration represent a key obstacle for Europe in benefiting more from EaP migration. EU committees which bring together member states and various stakeholders can play a positive role in sharing evidence from independent research relevant to the topic of migration to actively shape discussion on the impact of migration on EU, which has been generally positive. Some aspects of migration are currently viewed negatively also in the sending countries. For example, we identified blaming discourses and negative images linked to female migration. A more balanced portrayal of migration can be achieved by opening up public and media space for discussions, direct self-representation of migrants and raising issues linked to migration. Further, focus could be dedicated to creating open access programs and spaces that would promote richer communication between migrants and their families, facilitate transnational communication and exchange of information. Improved dissemination of information about migration and its costs and benefits can help to break the vicious circle of negative attitudes towards migration leading to suboptimal

policy reaction, which in turn results in adverse socio-economic outcomes, eventually further reinforcing the negative attitudes.

### *Support stakeholders who can assist migrants*

Involvement of a broad range of stakeholders who can assist migrants needs to be promoted. Governmental and non-governmental organisations, civil society organisations, trade unions and the business sector, and migrants' representatives in particular can provide social fabric conducive to migrant integration in receiving and sending countries. These stakeholders should be actively involved in design and implementation of migration and integration policies. Existing examples of the work of labour unions demonstrate that even in an institutionally adverse environment stakeholders can assist migrants in important areas, such as the recognition of qualifications and information sharing on national labour law legal framework, and so facilitate better integration of migrants.<sup>11</sup>

### **Way Forward: A Two-Pronged Approach**

On the background of the migration and integration policy enhancements offered above, we propose a specific two-pronged policy approach to mobility between the EU and EaP countries. Specifically, we propose a general policy enabling temporary and seasonal mobility based on a 3+2+2 rule, whereby work (and residence) permits are initially issued for 3 years. These work permits would be offered to EaP citizens with a specific job offer in an EU Member State; and would provide basic social rights. If the job is terminated after six or more months of continuous employment, the migrant would be entitled to a grace period of one month to search for a new job; otherwise he or she would need to leave the country. Based on transparent criteria of continuous employment, fulfilment of tax and social security duties and clean criminal record, the work (and residence) permit should be renewable for two years. In this second period the work and residence permit would provide for full and transferable social rights and a two-month grace period for job search. The second renewal for additional two years would be possible on similar conditions and would carry the same rights and duties. Additionally, it would provide for employment and residence in the whole EU, on the conditions similar to those governing intra-EU mobility of EU citizens. The third renewal would be an upgrade to a permanent work permit, and a three-month grace period for job search.

Given the conditionality on having a job (with grace periods), the 3+2+2 rule is not foreseen as a channel of permanent immigration. Rather, we conceive the 3+2+2 rule as a flexible framework providing for increased mobility between the EU and EaP countries

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<sup>11</sup> See Table A8 on how systems of collective bargaining interact with migration trends.

that would respond to changing labour market conditions across Europe, provide for a better labour market matching and thus increase productivity in receiving and sending countries, and facilitate additional benefits by means of brain circulation.

As a complementary approach helping Europe to satisfy its permanent migration needs we propose a targeted policy enabling high-skilled mobility between the EU and EaP countries. We suggest as a first best the policy of full mobility, conditional on a skill criterion. This could be an enhanced Blue Card, based on a points system with a skill-threshold and providing broad employment and social rights as well as provisions for family members. This framework should be complemented with a transparent pathway to permanent residence and citizenship. Efforts should be made to harmonize this framework at the EU level, to make full use of its potential to provide for a better labour market matching in the European Union.

## Conclusions

This paper argues that there is much the EU, EU Member States, and EaP countries can do to enable all the involved stakeholders to benefit from increases in labour mobility between the EU and EaP countries. An overarching paradigm should be that of transparent, participative and informed debate with stakeholders including the general public.

Evidence-based policy making based on best practices should be a fundamental policy standard. The role of data collection, independent evaluation and dissemination of findings, as well as implementation of lessons from the gathered evidence in policy making, are essential in this process. As concerns practical policy making, the paradigm of migration mainstreaming, whereby all labour and social regulations are scrutinised for their effects on mobile workers and all categories of migrants, needs to be adopted.

The concrete migration and integration policy measures as suggested above need to be effectively implemented. Under such approach the EU and EaP will mutually benefit from increased mobility between the two blocs, providing for sustainable prosperity and strengthened competitiveness vis-à-vis their global partners.

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## Appendix

**Table A1: Overview of EaP migrant profiles based on country studies**

		UK	Spain	Poland	Germany	Italy
<b>Education</b>	Primary-Low	18.7*	8/9**	n.a.	20*	7.2*
	Secondary-Medium	14.7	34/44**	n.a.	31	69.1
	Tertiary-High	53.5	45/37**	25.9*	44	23.7
	In Education	12.1	n.a.	18	20	n.a.
<b>Age</b>	Average Age	n.a.	37	n.a.	44*	n.a.
	Age Groups	36.4*	n.a.		n.a.	13
	(see notes Table A.3 Annex A.3)	44.5		53.3*		14
		12.9				21.5
		5.1				29.5
		1		1.4		21.5
<b>Gender</b>	Female	59.0	56	57.7*	61*	67
	Male	41	44	42.3	39	23
<b>Occupation</b>	Low Skilled-Unskilled	47.1*	90/94**	24.2*	25*	96.5*
	Medium Skilled	31.2	6.3	35.8	41	2.5
	High Skilled	21.7	4.3	1.4	34	0.9
<b>Economic Activity</b>	Employed	67.8*	63/78**	87.5*	31*	76/72* **
	Unemployed	7.8	n.a.	n.a.	16	7.8
	Inactive	24.4	n.a.	n.a.	n.a.	19/22**
<b>Sectoral Allocation</b>	Manufacturing-Production	13.7*	0/10.24**	9.1*	16*	3.9/23.3* **
	Construction	6.5	0/42.19**	29.6	3	0/28.3**
	Retail-Hospitality	28.8	23.73/2.88* *	2.3	17	8.7/10**
	Transport-Communications	2.9	n.a.	6.9	7	0.4/8.3**
	Business Services-Finances	24.5	n.a.	6.8	18 <sup>ij</sup>	0/0**
	Public Services	15.8	n.a.	n.a.	33	0/0**
	Domestic Services	n.a.	56.23/2.56**	20.5		72.1/8.3* *
	Agriculture	n.a.	3.71/4.15**	6.3	1	2.4/6.7**
	Other Services	7.9	4.71/1.58**	n.a.	n.a.	n.a.

*Notes:* In per cent of the respective population. \* Refers to Ukrainian migrants only. \*\* Female/male.  
*Sources:* Kahanec, Zimmermann, Kurekova and Biavaschi, 2013; see Table A.3 in Annex A for extensive details. Based on country studies Biavaschi and Zimmermann, 2013; Clark and Drinkwater, 2013; Duszczuk, Góra and Kaczmarczyk, 2013; Farré and Rodríguez-Planas, 2013; and Marchetti, Piazzalunga and Venturini, 2013

**Table A2: Prevalent nature of migration**

	Temporal nature			Legal aspect		Reasons for migrating		
	Permanent	Temporary or circular	Seasonal	Irregular	Regular	Work	Family	Study
<b>Non-EU</b>	63%	61%	17%	35%	81%	81%	55%	47%
<b>EaP</b>	47%	49%	18%	36%	66%	71%	30%	19%
<b>EU15</b>	57%	65%	11%	2%	82%	77%	30%	49%
<b>EU12</b>	61%	64%	30%	11%	84%	87%	37%	36%

Source: Kahanec, Zimmermann, Kurekova and Biavaschi, 2013. Notes: Own calculations based on IZA Expert Opinion Survey 2012. Respondents were asked “What is the prevalent nature of migration to your country?” Multiple responses were possible; percentages do not need to sum up to 100. N= 83.

**Table A3: Labour needs in five case countries and potential for EaP matching**

Country	Labour Market Needs	Potential EaP Migration Matching
<b>UK</b>	<b>Current</b> <ul style="list-style-type: none"> <li>- 34 occupations figure on the “shortage occupation list” of which 16 require an education in the STEM subjects</li> <li>- there is a focus on attracting high-skilled non-EEA migrants to the UK</li> <li>- migrants might also offer particular soft skills (linguistic and cultural skills)</li> </ul>	<ul style="list-style-type: none"> <li>- EaP migrants are not regarded as matching shortage occupations identified by MAC, but mostly due to downskilling</li> <li>- future opportunities for EaP migration to the UK lie where a strategic or sectoral shortage of skill has been identified by MAC</li> </ul>
	<b>Future</b> <ul style="list-style-type: none"> <li>- the UK does not produce enough graduates in the STEM subjects</li> </ul>	
<b>Spain</b>	<b>Current</b> <ul style="list-style-type: none"> <li>- a “difficult to cover occupations”-list is published quarterly</li> <li>- vacancies are in the fishing and the naval sector</li> <li>- prior to 2008 – vacancies in construction and restoration sector</li> </ul>	<ul style="list-style-type: none"> <li>- candidates with technical degrees and for the care sector are in the focus</li> </ul>

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**Future**

- many skilled natives (e.g. engineers, business men, architects) have left or are leaving the country and are not likely to return
- skilled immigrants are regarded as “good candidates” to cover the resulting vacancies
- additionally, there will be an increase in demand for elderly care service

- EaP migrants are regarded as “good candidates” to cover future labour market demands

**Poland****Current**

- employment of immigrant workers mainly in managerial and professional positions (employment based on specific skills)
- deficit profession are industry manual workers and craftsmen (2007-2011)

- Ukrainian immigrants play an important role in industry and services
- EaP immigrants are relevant in the ‘secondary labour market’

**Future**

- medium & large firms display a potentially higher demand for foreign labour (in sectors such as industry & mining, or construction)
- demand is also predicted for the agricultural sector (seasonal) and services sector

- most intense inflows are expected from Ukraine and Belarus
- language similarities facilitate EaP migrant employment, e.g. in the household/service sector

**Germany Current**

- high skilled and skilled workers

- current matching has not been good due to poor recognition of qualifications and poor selection

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**Future**

- shortage of graduates and individuals with vocational training by 2020
- engineering, health care, legal, management and business administration, and science occupations are expected to experience shortages

- EaP migration is desirable for two reasons: 1.) it is seen to help to alleviate future demographic problems, and 2.) EaP migrants, especially females, have favourable degrees in STEM and engineering, more-so than other migrant groups

**Italy****Current**

- demand for unskilled workers
- demand across all sectors (construction, or services, e.g. tourism, restaurants & hotel sector, health, social services, private health sector)

- current employment in family sector (female) and construction (male)

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**Future**

- demand for unskilled workers will continue  
 – construction, health and social services

- there is a lack of estimates for the household sector, the most important sector currently for female EaP migrants

Source: Kahanec, Zimmermann, Kurekova and Biavaschi, 2013. Authors' elaboration based on EU country studies: Biavaschi and Zimmermann, 2013; Clark and Drinkwater, 2013; Duszczyk, Góra and Kaczmarczyk, 2013; Farré and Rodríguez-Planas, 2013; and Marchetti, Piazzalunga and Venturini, 2013.

**Table A4: Migration intentions across the EaP countries**

<b>Country</b>		<b>male</b>	<b>female</b>
<b>Armenia</b>	EU, some months	13.6	5.7
	EU, some years	10.2	3.9
	Russia, some months	24.6	7.1
	Russia, some years	16.1	5.3
<b>Belarus</b>	EU, some months	23.4	18.2
	EU, some years	13.3	8.3
	Russia, some months	12.0	2.9
	Russia, some years	6.3	0.8
<b>Georgia</b>	EU, some months	10.1	13.3
	EU, some years	10.1	11.4
	Russia, some months	3.6	3.0
	Russia, some years	3.6	2.7
<b>Moldova</b>	EU, some months	35.3	30.9
	EU, some years	27.5	23.2
	Russia, some months	16.2	12.4
	Russia, some years	5.4	5.2
<b>Ukraine</b>	EU, some months	20.9	22.2
	EU, some years	9.5	11.5
	Russia, some months	7.4	5.2
	Russia, some years	2.0	2.4

Source: Kahanec, Zimmermann, Kurekova and Biavaschi, 2013, and reference therein. Calculations courtesy of Alexander Danzer. Notes: Per cent of the respondent population. No data for Azerbaijan.

**Table A52: Policies towards third country nationals in five EU counties: general overview**

Country	Visas	Work permits	Occupational quotas and/or shortage list	Blue / green card	Points system	Self-employment	Provisions for staying students	Other
Italy	+	+	+	+/-	+	+	-	-
Germany	+	+	-	+/*	-	+	+	-
Poland	+	+	+	+/-	-	+	+	Local border agreements; Card of a Pole
Spain	+	+	+	+/-	-	+	+	-
UK	+	*	+	-/-	+	+	+	-

Note: As of 2012: (+) currently operating, (\*) previously applied, but not anymore, (-) not applied in the country. Source: Kahanec, Zimmermann, Kurekova and Biavaschi, 2013 and references therein.

**Table A6: Overview of key temporary migration frameworks**

Country	Relevant migration framework	Skill focus	Sectoral focus	Impact on and relevance for EaP countries	Quota
Italy	Central quota system	Labour shortage based	Labour shortage based, high quota granted to care sector	Bilateral agreement in place with Ukraine and Moldova; Care sector regularisation in 2009	Yes. Defined at the beginning of the year, but is lower than the actual labour demand
Germany	Residence permit qualifying for employment (no specific framework applicable to EaP)	Qualifications have to be proven	Labour market test to establish shortage, tied to job offer	Employment related entry remains difficult	No.
Spain	“General regime”	Based on labour market test	Based on labour market test	EaP migrants can enter through this legal route	No
	“Contingente regime”	Based on list of shortage occupations	Based on list of shortage occupations, since crisis mainly fishing and naval sectors	EaP countries are not among the countries where migration agreements were signed to manage the flows within Contingente	Based on existing shortage, limited to countries with which Spain signed bilateral migration agreements
Poland	Simplified employer-declaration-	Not given centrally, based on	Not given centrally, based on	Has served as major channel for hiring seasonal	No quota, but selective by sending

	based procedure	employers' demand	employers' demand	workers from EaP	countries: Ukraine, Belarus, Moldova, Georgia, Russia No
	Work permit	Subject to labour market test	Subject to labour market test	Serves as a more cumbersome procedure for possible entry of EaP migrants	
<b>UK</b>	Seasonal Agricultural Workers Scheme (SAWS)	Low-skilled, as defined by agrisector needs	Scheme for agricultural sector	EaP migrants are largely excluded	Quota is set, and 40% earmarked to EU2 migrants, 60% to students from non-EEA countries
	Point-based system	Skilled workers	Occupations defined based on skill needs by Migration Advisory Committee	Favors skilled EaP migrants, Tier 2 most used, but access for EaP migrants is tight	Cap on total migration Tier quota changes based on regular evaluations of skill needs.

**Source:** Kahaneč, Zimmermann, Kurekova and Biavaschi, 2013 and references therein.

**Table A7: Recommended policy changes: EU country study findings**

Country	Scope	Policy Recommendations
<b>Italy</b>	General	<ul style="list-style-type: none"> <li>- demand for unskilled labour will continue, currently there is a mismatch between the quota system and levels of applications</li> <li>- selection and hiring of immigrants should be reformed as well as the process of integration in the Italian labour market</li> <li>- temporary &amp; circular forms of migration should be supported</li> </ul>
	EaP migration specific	<ul style="list-style-type: none"> <li>- EaP migrants in Italy do not receive adequate attention</li> <li>- more attention should be given to the problematic issues such as employment in the informal economy, channelling of migrants into sectors perceived as “jobs for foreigners”, and unfavourable employment situation in the care and domestic sector of female EaP migrants</li> </ul>
<b>Germany</b>	General	<ul style="list-style-type: none"> <li>- higher immigration should be stimulated, along with mobilisation of internal capacities</li> </ul>
	EaP migration specific	<ul style="list-style-type: none"> <li>- Visa facilitation agreements for highly qualified EaP workers</li> <li>- temporary migration schemes</li> <li>- improving migrant selection and matching by improved system of recognition of foreign qualifications</li> </ul>
<b>Poland</b>	General	<ul style="list-style-type: none"> <li>- development of an institutional framework for the management of immigration flows</li> </ul>

	EaP migration specific	- special attention to Ukrainian immigration in the development of an institutional framework for the management of immigration flows
<b>Spain</b>	General	- correct design, regulation and implementation of migration policies to ensure better matching between immigrant skills and labour market needs - clarification of legalisation processes for those already in the country - employment equity policies and anti-discrimination policies - reduction of the informal sector and structural change of the Spanish economy
	EaP migration specific	- suggestion to establish bilateral agreements with EaP countries to cover the anticipated demand in the care sector
<b>UK</b>	General	- employer interests should be better taken into consideration in the “shortage occupation list“
	EaP migration specific	- bilateral agreements are suggested with certain EaP countries and for particular sectors (e.g. agriculture), but scope for more extensive EaP immigration is limited politically and economically

Source: Kahanec, Zimmermann, Kurekova and Biavaschi, 2013. Authors’ elaboration based on EU country studies: Biavaschi and Zimmermann, 2013; Clark and Drinkwater, 2013; Duszczyk, Góra and Kaczmarczyk, 2013; Farré and Rodríguez-Planas, 2013; and Marchetti, Piazzalunga and Venturini, 2013.

**Table A8: Bargaining systems and migration trends**

	<b>Sweden</b>	<b>Germany</b>	<b>UK</b>	<b>Spain</b>
<b>Collective bargaining system</b>	encompassing	dualised	fragmented	informal-statist
<b>Overall migration levels</b>	low levels of net economic immigration in the 2000s		high levels of immigration in the 2000s	
<b>Typical sector/ employment type for migrants</b>	equally distributed across sectors	atypical employment in services	services	construction, agriculture, personal services
<b>Benefits for migrants</b>	possibilities for upward mobility, more equal wages	entry to the labour market of formerly excluded (youth, female) groups of migrants	easy entry to the labour market in good times, low levels of labour market segregation	easy entry to the labour market in good times
<b>Benefits for the economy as a whole</b>	maintenance of solidarity and the fiscal base of the welfare state	increasing employment (without disrupting the productivity coalition of core sectors)	flexibility	flexibility

<b>Costs for migrants</b>	difficult for immigrants to find entry points	segregation, no upward mobility	social dislocation in hard times	insecurity in good times, dislocation in hard times
<b>Costs for the economy as a whole</b>	possible atrophy of the system through loopholes (posted workers)	redistributive struggles between insiders and outsiders, wage dumping in certain sectors	pressure to lower wages in the low-skilled sector	loss of tax revenue in good times, social upheaval in hard times

*Source:* Kahanec, Zimmermann, Kurekova and Biavaschi, 2013, and references therein.