



## Eurasylum's Monthly Policy Interviews

(ISSN 1756-1272)

Each month Eurasylum conducts a short interview of a leading player in international migration and asylum affairs, within relevant policy, academic or practitioners' areas of expertise. Three basic principles guiding these interviews are the policy relevance, topicality and international resonance of themes addressed. Eurasylum's interviews may be reproduced freely on condition that both the original source and the URL are explicitly acknowledged.

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**April 2012**

**Prof. Klaus F. Zimmermann**

Director of the Institute for the  
Study of Labor (IZA, Bonn)

on

*“The debt crisis in Europe and its implications for  
current and future labour immigration”*

□ **Eurasylum:** *According to the World Bank, the ongoing debt crisis in Europe and high unemployment in many developed countries “is affecting the employment prospects of existing migrants and hardening political attitudes toward new immigration”. Some member states, in particular the United Kingdom, have imposed tougher admission criteria for non-EU migrants. Can you discuss, briefly, some of the current and anticipated implications of the debt crisis in Europe for labour migration from non-EU member states, and for third-country nationals already established in the EU?*

□ **Prof. Klaus F. Zimmermann:** With currently 24 million unemployed persons in the EU, it seems natural to ask whether Europe still needs immigrants. However, any reasonable analysis should quickly find out that the structural adjustments which are required after the crisis request migration as well as the necessary responses to the long-lasting demographic disruptions which are already in place. The demographic changes are only about to affect labour markets with full force. Against the background of population ageing and imminent shortages of skilled labour, a long-term European strategy needs to be developed.

Key to its success is a selective immigration policy that is open for labour migration from non-EU member states. The ongoing debt crisis involves the risk that some member states – not only the United Kingdom but also, for example, Italy and Spain – actually establish much too restrictive criteria for migrants from third countries. This sends wrong signals and also affects the perspectives of already established migrants

in Europe negatively. The global competition for the world's best and brightest minds will certainly increase in the future, with the United States and China appearing as the major players from today's perspective. European countries will only play a role if they decide to enter this competition early.

This requires a proactive approach, which I argue should be initiated better today than tomorrow. In this context, it is crucial that the long-term needs of European labour markets dominate any short-term concerns about immigration raised by the debt crisis. Qualified immigrants are beneficial for the society. This is true today, and it will also be true tomorrow. It is a popular myth that scores of immigrants come to take advantage of the welfare state. While individual cases may exist, they are rather due to ill-designed immigration policies than to generous public benefits.

It is paramount for the future economic development in the EU to prevent emigration of "own" skilled labour while at the same time establishing Europe as a priority destination for skilled workers from around the world. To reach this ambitious goal, there appears to be a need for a battery of general policies that enable immigrants to achieve outcomes marking their full integration and participation in the social and economic life of the host society. This includes effective anti-discrimination legislation and management of attitudes towards migrants. Europe should actively promote immigration and the successful adjustment of workers with good labour market prospects. In particular, it is necessary to improve the ability to attract skilled migrants. This includes improving Europe's image among potential high-skilled migrants. Tools of positive selection such as the UK points system or the EU Blue Card are useful starting points for further developments.

Other policies needed to ensure integration of immigrants into the labour market include policies that aim to improve the educational attainment, training and language skills of migrants, frictionless recognition of foreign qualifications, unrestricted access to public sector jobs, and effective dissemination of labour market information among migrants. Day-care centres, nurseries, kindergartens and all types of schools need be accessible to (also irregular) immigrants' children. Housing and access to credit are other important areas that deserve attention.

**Eurasyllum:** *In various interviews in the German media, you have stressed that in view of the skilled labour shortage in Germany, policymakers should ease the current restrictions on labour immigration. In particular, you have indicated that an export nation like Germany "cannot survive in the globalised world" without opening its labour market to qualified foreign workers. You have also called for the establishment of a "Federal Ministry for Immigration and Integration" to ensure a consistent policy with regard to all economic, social and educational aspects surrounding this issue. Can you expand on these proposals, including in relation to the significant increase in labour migration to Germany from Southern EU member states such as Greece and Spain since 2010?*

**Prof. Klaus F. Zimmermann:** Europe faces great challenges which have a direct impact on the labour market. The economic crises in Greece, Spain or Portugal are in stark contrast to favourable labour market developments in Scandinavia and other countries. Germany, in particular, is currently reaping the harvest of its courageous reform efforts some years ago.

There is a real danger that dramatically high rates of youth unemployment in countries like Spain and Greece could destroy the perspectives of an entire generation of well-educated youths. Even a rapid implementation of labour market reforms would improve the situation only over the medium term. On the other hand, the German labour market faces a growing scarcity of qualified labour both in the high-skilled segment and among those with vocational training. This once more underscores the rising importance of labour mobility within the EU. Successfully increasing cross-border mobility of skilled labour would not only stabilize Europe's economy as a whole but also relieve countries whose labour markets are burdened with high unemployment.

I therefore support the initiative by Germany's Economics Minister to recruit high-skilled workers from southern European countries that are facing high rates of unemployment. Both Europe and Germany could benefit from this plan. The introduction of the euro took away the instrument of exchange rate

flexibility, and hence it was clear that labour mobility would be needed as a channel of adjustment for regional disparities. However, the eurozone states not only failed to meet the deficit targets, they also failed to stimulate mobility between the national labour markets. For example, Germany neglected a great opportunity by closing its borders to labour migration from eastern European countries during the first years after EU enlargement. Mobility is traditionally low in Europe. It should not need government intervention to get jobless skilled workers from southern Europe to come to Germany at least temporarily. The common free European labour markets and existing ethnic networks should do the trick. But the reluctance even among high-skilled workers to move within the EU shows that much remains to be done in terms of European integration.

I argue that Germany is well-advised to take the lead in this initiative. However, labour immigration from other EU countries alone is unlikely to fill Germany's labour shortages in the long term. In the absence of consistent and targeted policy measures, the need for qualified labour is likely to exceed actual immigration numbers over the next years. Moreover, the current German immigration policy is unable to select immigrants based on qualification and other relevant characteristics. Put differently, neither in quantitative nor in qualitative terms will immigration under the current system substantially reduce the skilled labour shortages.

The acceptance of immigration policy suffers from a lack of predictability: without quotas it is difficult to estimate reliably the number of immigrants moving to Germany within any given period of time. Therefore, I have long been advocating a German immigration policy based on transparent and predictable selection criteria and quotas. These could be regularly adjusted to economic conditions within a comprehensive concept differentiating between permanent and temporary labour immigration. As labour markets are increasingly characterized by demand fluctuations, temporary movements and new forms such as chain and circular migration are gaining importance. Therefore, a modern concept should treat permanent and temporary migration separately to meet the needs of each target group. In particular, it must help to attract the high-skilled with academic education and the medium-skilled with relevant vocational qualifications. In both segments of the labour market, growing shortages are expected to rise, which cannot be absorbed alone by improvements in the education system.

□ **Eurasylum:** *According to the World Bank's Migration and Remittances Unit, the drastic reduction in the amount of savings migrants send home during the global financial crisis appears to have ended in 2011, with officially recorded remittances to the developing world reaching an estimated US\$351 billion in 2011, an 8 percent increase from 2010. How could such a development be explained?*

□ **Prof. Klaus F. Zimmermann:** Remittances are savings. It therefore comes as no surprise that their amount varies during the business cycle. Whatever causes them to vary over time, there has been a tremendous increase over the last decades – at least until the great recession has had an impact. Several factors may explain the surge in the (measured) amount of remittances, which include better data, a growing number of migrants, lower transaction costs and an improved access to banking transfers.

The growing importance of remittances flows as a source of foreign exchange has certainly attracted increased attention from both researchers and policymakers. The global financial crisis, however, has not only had a major impact on the amount of remittances, but very likely also on the number and composition of migrants around the world. In response to the crisis, migrants may have increasingly decided to return to their home countries. In this context, return migration should be viewed as another form of capital transfer. Whereas remittances involve the transfer of physical capital, migration is a transfer of human capital and social capital.

The drastic reduction in the amount of savings migrants send home during the global financial crisis therefore may have been compensated by actual movements of people. In addition, transfers of money may have been substituted by transfers in kind. Such developments, however, cannot easily be measured and hence the overall consequences of the global financial crisis on remittances and migration flows are still hard to assess. However, it seems that within Europe, migrants have rather decided to switch sectors or to move within the EU than to return home.

This is in line with the increasing global importance of circular migration movements. At a time of ongoing labour market globalization, migrants no longer make permanent migration decisions. Global workers return, move on, or become circular movers. As policymakers are seeking ways to regulate migration pressures and to balance demand for human capital with worldwide supply, the nature and mechanics of circular migration should be taken into account when designing a migration program. As many countries start considering temporary rather than permanent migration, circular migration can be the link that aligns the interests of migrants, home countries and host countries. Additionally, it could even mitigate the brain drain from depleted third world countries. In fact, “brain circulation” could alleviate some of the negative consequences of the economic crisis and partially compensate for demographic decline. In this context, remittances are only part of the full picture, but an important part – especially for home countries.