

Labour market relevant migration policy

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In late 2005 the Commission of the European Communities has presented a policy plan on legal migration including admission procedures capable of responding promptly to fluctuating demands for migrant labour. The EU migration policy plan stresses the importance of having a coherent agreement on common EU migration rules and actions among the member states. The following paper gives some guidelines for a labour market relevant European Migration Policy (EMP). According to the view of the EU commission it looks at both sides of the internal migration and the inflow of foreigners to the EU. Furthermore, it is not limited to the issue of admission of immigrants. It also addresses questions of stay and work and the aspects of illegal migration. The objective of the paper is to formulate a coherent conceptual EMP in order to ensure an efficient management of migration flows both toward and inside Europe.

Contents

- 1 The need for an internal labour market
- 2 The need for a European Migration Policy (EMP)
- 3 Conclusion

References

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In an enlarged European Union, the Europeanisation of the labour markets should be developed further along two dimensions: an internal and an external one. The internal dimension should stimulate an ongoing fusion of the (still) national labour markets towards a real Common labour market. The external dimension means that the EU will have to define a common migration policy against the outside world. Both strings are of equal importance for the well functioning of the labour markets in an enlarged EU. And both dimensions have to be treated simultaneously, because they belong together and are the two sides of the same coin. Consequently, in this contribution, I will focus on the internal labour market first (section 1) and on the external challenges later (section 2).¹

1 The need for an internal labour market

From the very beginning of the European integration process, the freedom of workers has been an integral constitutional part of the Single Market. Workers with a passport of a country of the European Union (EU) are allowed to move without any substantial legal restrictions from one country to all other member states. After the European Legal Court has taken some path-breaking decisions in the 1990ies, the right of free movement within the EEA has been enlarged from “workers” to “people” in general. As long as people are able to live on their own financial resources (or by social transfers from countries where they have worked before) they are free to move and to stay without legal restrictions in the whole EEA.

However, the free movement of persons is still the least used freedom of the Single Market in the EU. In 2003, of the 380 million people living in the EU-15 countries about 6 million of EU citizens (or 1.6 % of total EU population) presently live in another EU country than their own country (and some 14 million or 3.7 % of total population were third-country (i.e. non – EU) nationals).² The free movement

of workers did not initiate large inner-E(E)C migratory movements. EC citizens in the past or EU citizens today preferred to live in their home country, even if wages were higher in other EU member states. Neither the considerable inner-EU welfare gap in individual purchasing power nor large differences in unemployment rates succeeded in creating strong incentives for cross-border migration within the EU from southern to northern Europe. Sociological and psychological factors at the individual level as well as social, cultural and language differences between home country and host country remained strong barriers to inner EU-migration. This mobility impediments have to be vanished in the near future to make the EU more efficient.

Freer mobility of labour could increase the benefits of economic integration, since a common market without a common labour market can rarely be an efficient Single market. Labour mobility is needed as a reaction to existing trade impediments or as a reaction to the physical non-tradability of certain goods which prevent “goods for goods” trade. In the absence of commodity trade, emigration from the labour-abundant country would reduce factor price disparities, thereby driving commodity prices together. Thus, labour mobility drives economies of an integrated area towards the efficiency benchmark, that is the equalisation of goods and factor prices.

The more inflexible goods markets and the more rigid prices are and the more non-tradable goods or services are involved, the more necessary it is to open up and to increase the flexibility of national labour markets in order to overcome regional or sectoral labour market disequilibria. By migrating from regions with abundant labour and consequently relatively low wages to places with scarce labour and consequently relatively higher wages, mobile workers support the trend towards equal standards of living in the integrated area.

The mobility of workers will become even more urgently needed once the new EU members fulfil the Maastricht criteria and therefore will qualify for full membership of the Euro area. The theory of optimum currency area stresses that in a monetary union with relatively unequal participants and relatively asymmetric shock absorption capacities, migration would be one of the adjustment valves. Joining the Euro zone means for the Eastern European EU members that the values of their currencies will be fixed to the Euro for ever. However, fixed exchange rates require much more flexibility of goods and factor markets. With flexible rates the negative effects of sticky prices and rigid wages can at least partly be compensated by the flexibility of the for-

¹ In a recent Green Paper the Commission of the European Communities (2005) has identified possible options for an EU legislative framework on economic migration.

² See EU Commission (2004: 53). Münz/Fassmann (2004) indicate that the number of EU citizens not residing in their country of birth is much higher and could reach about 33–36 million. This would increase the EU 15's foreign born population to a share of about 8 to 9%. “The growing difference between the legal foreign resident population and the foreign-born (= migrant) population is largely a result of higher naturalisation rates observed in the 1990s” (EU Commission 2004: 53).

eign exchange rate. With fixed rates goods and factor markets alone have to do the job of adjustment. This requirement can be analysed further by the so called Mussa-Box (Mussa 1974).

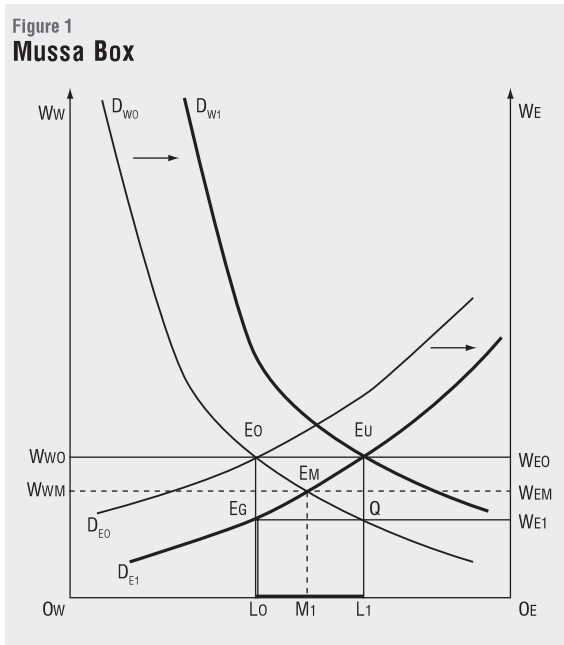
In figure 1, the width of the Mussa-box (= length of the x-axis) corresponds to the total labour force (L) available in the enlarged European Union. L sums up L_W (i.e. the labour force in the old (“Western”) EU member states (W)) and L_E (i.e. the labour force in the new (Eastern) EU member states (E)). The two vertical axis stay for the real wages. The left axis shows the real wages in the old EU member states (W_W). The right axis shows the real wages in the new EU member states (W_E). The width of the Mussa-box is fixed and constant. It means that the labour supply in the West and the East is fully independent of the real wages (i.e. complete wage inelasticity of the labour supply).³ The demand for labour depends on the real wages and follows D_{W0} in the West and D_{E0} in the East.

It is assumed that trade, labour migration and capital mobility will eventually equalise factor prices in East and West (i.e. W_{W0} equals W_{E0}). With real wages being the same in W and E, $0_W L_0$ people work in the West and $0_E L_0$ people work in the East. The Single market functions efficiently in the internal market equilibrium E_0 .

What happens, if West and East are hit by the same external shock (e.g. a devaluation of the Dollar, or economic turbulence in Russia or cheap products coming from China) but West and East do not react symmetrically? What happens if in the West goods and capital markets absorb the shock completely and in the East only incompletely leaving some need for adjustment to the labour market? The shock absorption in the East might lead to a shift of the labour demand curve from D_{E0} to D_{E1} (and it might leave the labour demand curve in the West unchanged). Figure 1 shows that now the common labour market has four options to react to the asymmetric external shock absorption:

(1) *Price reaction:* Wages in the East react flexibly and adjust for the decreasing demand for labour.

³ The assumption that the labour supply is fully wage independent simplifies the graphical presentation in figure 1. However, this assumption is not fundamental at all. In Fischer/Straubhaar (1994: 112–120) we have used the Mussa-Box with a wage elastic labour supply curve. As indicated by the theoretical analysis it has been shown that migration flows within a common labour market with no legal impediments to move freely from one country to the others, empirical migration flows have followed the assumptions of the neoclassical model (i.e. that trade and capital flows have been strong substitutes for migration, making the cross-border mobility of labour less attractive).



They fall to W_{E1} . In the West wages remain where they were (i.e. $W_{W1} = W_{W0}$). The new internal market equilibrium is reached in E_G . This corresponds with a wage spread between West and East of $W_{W1} (= W_{W0})$ minus W_{E1} . This also means that the per capita income in West and East diverge.

(2) *Quantitative reactions:* If wages in the East are rigid (e.g. for administrative reasons or due to wage agreements between employers and employees), the adjustment has to happen over quantity reactions. Employers in the East will reduce their demand for labour from $0_E L_0$ to $0_E L_1$. The new internal market equilibrium is a disequilibrium with E_0 in the West and E_U in the East. Consequently, there will occur unemployment of $0_E L_0$ minus $0_E L_1$.

(3) *Mobility reactions:* Unemployed labour in the East will move towards West ($0_E L_0$ minus $0_E M_1$). In the West labour supply increases and as a consequence average wages will fall from W_{W0} to W_{WM} . The new internal labour market equilibrium is E_M with an identical wage level in the West and East of W_{WM} (resp. W_{EM}).

(4) *Productivity increase:* The West might take the chance of an external shock or structural change to invent and implement new technologies, increasing the labour productivity in the West. After the new technology is implemented, labour demand will move from D_{W0} to D_{W1} . In

this case wages could stay where they were before the external shock has hit the internal labour market (i.e. at the level W_{W0}). This happens if some workers from the East react by moving towards West (0_{EL_0} minus 0_{EL_1}) where they could be used in the regions that have become more productive due to the new technologies.

The four potential reactions differ substantially with regard to the allocation effects and the following distribution impacts (reflected in figure 1 by the areas below the labour demand curves):

- (1) The worst option is the quantity reaction (2): Here, the miss-allocation of labour and unemployment (0_{EL_0} minus 0_{EL_1}) leads to a loss of the area $E_U E_M E_G L_0 L_1$. Workers with a job protect the relatively high wage level against the competition by the unemployed. This is the well known insider-outsider phenomenon.
- (2) The price reaction (i.e. option (1)) is the second worst solution. Here, the wage spread leads to the outcome that (0_{EL_0} minus 0_{EL_1})-workers in the East get a wage of W_{E1} and a total income of $L_1 L_0 E_G Q$. This allows the capital owners in the East to increase their capital income (compared to option 2) by $E_U E_G Q$.
- (3) The mobility option (3) is the second best solution. It increases (compared to option 2) the total factor income by $E_0 E_G E_M$. However, this solution has the politico-economic disadvantage that all employees have to accept a decreasing wage level from W_{W0} ($= W_{E0}$) to W_{W1} ($= W_{E1}$). On the other hand the employers (or the “capitalists”) increase their income. Consequently, it is fundamental how wage and capital income are distributed within the population.
- (4) Option (4), the productivity improvement, is the first best solution. The internal labour market equilibrium E_U knows only winners. However, with regard to some long-term dynamic impacts, this option might lead to a corner solution with the well-known core-periphery-pattern. Especially younger, more risky and better qualified workers might left their regions of origin, leaving the elderly and lower qualified back home in more or less desperate options for long term growth and prosperity. This “mezzogiorno-effect” might provoke some lower developed regions in the enlarged European Union to fight for all kinds of subsidies, funds and transfers to be compensated for this brain drain.

The mobility option would be the easiest way to accommodate shocks and structural changes in an inter-

nal common labour market. However, it requires flexible wages in both regions – in the one that is harder hit but also in the other one that is not so much affected by shocks or changes. This means that the politico-economic pressure against a free mobility of labour within a common labour market is comparably stronger and better organised. This is a convincing explanation for the transition rules that delay the free movement of labour for the new EU members from Eastern Europe for up to five or even seven years. Thus, it looks like the European labour force will not be flexible enough to react quickly enough either by regional or professional mobility, producing a substantial danger that the “unemployment” mechanism will be the most probable scenario to adjust to structural changes in the enlarged EU – or the more successful countries have to bear even higher transfer burdens!

The EU today faces the problem of too little, not too much mobility. It is becoming ever more urgently necessary to open up national labour markets to overcome regional or sectoral labour market disequilibria, as demonstrated by the fact that the economies which were particularly successful in coping with structural change were those in which the labour markets were most open and unregulated. They were able to react more quickly and more flexibly to changes in the macroeconomic environment. The comparison of employment trends in the USA and in the EU offers convincing empirical evidence in support of this thesis (see *Blanchard/Katz* 1992, and *Decressin/Fatas* 1994, 1995).⁴ The chronically high structural unemployment in the EU is also the result of macroeconomic rigidities on the goods and labour markets, of economic policy interventions

⁴ Jörg Decressin and Antonio Fatás have compared labour market performance over the past twenty-five years across fifty-one European regions and fifty US states. To make the comparison with the US, they have replicated the seminal paper by Olivier Blanchard and Lawrence Katz which studies how US states respond to regional employment shocks. Surprisingly, given the fabled flexibility of US labour markets, Blanchard and Katz discover that state *employment* shocks tend to persist over time, even though state *unemployment* rates invariably return to their starting points. The mechanism that drives this response at the state level is out-migration by displaced workers in search of new job opportunities. The out-migration of unemployed workers swamps any in-migration of firms offering new jobs at lower wages. Decressin and Fatás similarly find that, while out-migration tends to return US state unemployment rates to their starting points following permanent employment shocks, such migratory phenomena do not occur between European regions on anything like the same scale. Instead, it is shifts in participation rates which reconcile the asymmetric pattern of employment and unemployment rates in the first years following the shock. Unemployment rates tend to fall back not because employment increases or workers leave the region, but because they drop out of the labour force entirely. People are much less inclined to migrate, and unemployment rates return to their starting points only because unemployment becomes hidden as inactivity.

which inhibit adjustment, but also of the lack of individual mobility of workers. This is contributed to by false signals set by social policy, which subsidize immobility and place disadvantages on mobility.

2 The need for a European Migration Policy (EMP)

Most of the national migration policies in Europe have in common that they try to avoid *front door* immigration which means the legal entrance and residence of new members. They are largely reactive and defensive. Very often they act according to a short-term “muddling through” behaviour. *Kubat* (1993: xxiv) sees migration policies as “a matter of waiting to see what will happen next while issuing ad hoc regulations”. Of course this is mainly due to the fact that for tactical reasons politicians first tend to follow the interests of their voters (the citizens). Hence immigration policies are often changed immediately in favour of some vested interests.

However, it is also a common phenomenon in Europe that the restrictive attitude against immigration is not very successful. In almost all major industrialized democracies there is a wide and growing gap between the *goals* of national immigration policy and the actual *outcomes*. *Cornelius/Martin/Hollifield* (1994) empirically supported this “gap hypothesis” of declining efficacy of immigration policies for nine industrialized democracies. *Jonas Widgren* has addressed the failures of national migration policies many times – also and especially with regard to the Eastern enlargement of the European Union. Consequently, he has asked the central question of how migration management has to be moved from the national to the international and multilateral levels.⁵

The main reason for the *failure* of national migration policies is the loss of effective competence to control today’s migration flows on a national level. Once national governments closed the *front door* of legal immigration more or less strictly, most of the entrance to fortress Europe occurred through the *side door* (asylum seekers, refugees, family reunion) or through the *back door* (illegals). In many cases the seeking of asylum was a substitute for the stopping of legal economically motivated immigration. Similarly, illegal immigration was and is a response to the demand of the labour markets for cheap un-

qualified occupations that are not met by the domestic labour force for several reasons (regulations, minimum wages, non existing qualifications).

The inefficiency and inefficacy of national migration policies has made it more than obvious to the members of the European Union that an independent procedure by single nation states is no longer adequate. Migration policies bounded to their national territories are not competent to regulate activities with external effects that *overlap* several countries, such as migration. A Single European Market without borders and with no control of intra-community economic activities and the hopefully further Europeanisation of the national labour markets require a common European migration policy to regulate the entry, stay and work of people from the outside.

However, simple solutions for complex migration phenomena are either economically costly, politically naive or not more than populist arguments. Neither an open Europe nor a fortress Europe are feasible alternatives. EU-voters are simply not in favour of open door policies – even if it was economically beneficial for the society as a whole. Distribution aspects of immigration make it unlikely that a completely free *laissez-faire* immigration policy towards the rest of the world will be socially and politically optimal. Still, a fortress Europe is also not acceptable for humanitarian grounds as well as for economic reasons. The openness of factor markets was one, is one and will be one of the most important aspects of economic growth. Even in the field of unskilled labor, some immigration will continue to be economically needed. More important, however, will be the immigration of highly skilled specialists. A fortress Europe would imply that also immigrants with higher skills or with large positive externalities would be excluded from entrance and work. This would definitely harm the economic success of the EU.

In section 1, I have argued that free mobility of labour is an important precondition for the exploitation of the benefits of economic integration. This is not only true for the inhabitants of a common market but also for *third country immigrants*. Henceforth, third country immigrants should not only be granted free mobility within a member country, but within the whole Single European market. If we allow for different migration policies within the same common market and do not grant free mobility to third country nationals, different policies act like different taxes. They correspond to location-specific changes in the endowment with immobile factors, only that they are not market based. Separate immigration policies and immobility of third country na-

⁵ In Jandl and Stacher (2004) the “three big gaps” in migration are examined by three experts in demography, economics and political science, respectively.

nationals between member countries of a common market give room for strategic action, distort comparative advantage and hamper efficient factor allocation. Nationally independent migration policy and inter-country immobility of third country nationals are in permanent conflict with the goals of free movements within a Single European Market. As a solution, one could grant third country nationals free mobility and leave nation states the sovereign right to define entry regimes. But provided that market mechanisms work this would mean that the EU country with the most open entry regulation would implicitly set the policy for the EU as a whole. Exactly this argument was in the focus of the Commission of the European Communities (2005: 4) to accept the need for a coherent Community immigration policy in early 2005: "The need for a European strategic initiative is strengthened by the fact that, in its absence, migration flows are more likely to be able to bypass national rules and legislation. As a consequence, in the absence of common criteria for the admission of economic migrants, the number of third country citizens entering the EU illegally and without any guarantee of having a declared job – and thus of integrating in our societies – will grow."

The EU countries and their governments realized rather early that they have to co-ordinate their migration policies. *Schengen* was a first step, *Maastricht* the next and the *Treaty of Amsterdam* has set a useful framework for a further elaboration of a practical and economically efficient policy. Since the Tampere European Council of October 1999 the Commission has launched an in-depth discussion on a common migration policy. However, since after September 11, security issues have gained momentum in the public debate. The search for a European Migration Policy, EMP, has become much more complex. Security has overplayed by far every other aspect. The search for a EMP has been slow down. The Thessaloniki European Council of July 2003 and the Treaty establishing a Constitution for Europe of 2004 have only brought some vague policy declarations but no specific actions. Therefore a still to find EMP has to concentrate on two crucial issues: First – and most important in the anxious eyes of most Europeans – it goes about *control of entry at the outer border*. And only secondly, it goes about *control of stay and work* to avoid illegal activities of people from outside. Therefore, EMP has to secure first and above all the *external border control*. An open door strategy is politically not feasible. No society will allow for free entry without any control at the external border. EMP has to make sure, that at the outer borders controls follow a minimal standard and no EU border country allows the entrance without controls. Only if this first step is absolutely

granted, EU members might agree to give up systematic *controls of intra-EU movements*. As it happened in Schengenland control of movements of people between EU member states might then be dropped and everybody (i.e. the EU citizens and the non-EU citizens) is allowed to move and travel freely within the EU. Only entrance controls at the outer border of the EU would remain.

a) Temporary Workers

People from outside the EU with the intention to stay longer in the EU have two possibilities. They could stay *up to one year on a national ticket as temporary workers* or they could *stay longer than a year on a EU immigration ticket*.⁶

Temporary workers are only permitted to work on a specific contract offered by an EU-employer and issued by a single EU nation. This means that they have to find a European employer who is willing to pay a fee for a temporary work permit. The scale of the fee should follow market principles. Basically it is higher if the (national) demand for temporary foreign labour force is stronger. We could think about a national quota that is allocated by an auction process. The fee would be substantially higher if the foreign worker would like to bring along a family. The family members are not allowed to work or to move their residency away from the owner of the permit.

The *validity* of the temporary work permit should be strictly *restricted to one year* (and not 5 years as it was in the German Green Card case) to avoid the well known problems of the guest-worker programs. However, it could be renewed by another year (if the employer gets the permission again by paying the fee). Temporary workers are not entitled to work with another employer or to move from one place to another place in the EU. During the validity of the work permit they are bound to the employer who paid the entrance fee. Consequently the number of temporary work permits issued (i.e. the quota) and the level of the fee should be determined by national governments (or by an auction) and the fees should flow into their national budget.

Actually, this type of temporary specific work permit comes very close to the so called Green Card regulation that has been implemented in Germany

⁶ The main problem is that an ex ante decision of being a temporary migrant could be changed in practise after people from outside have moved to an EU country. After a while people could decide to stay. From the experience of the Guest workers in Europe we know that nothing has been more permanent than the temporary migration. Sanctions for overstayers can help but might not really solve this problem.

in summer 2000. Both are issued under a national regulation to fulfil national labour market goals and to bridge national labour market shortages. However, there are *three important differences*: a) EMPs temporary workers would be an option for *every* industry and service activity and not just for information specialists, b) they would *cost a fee* according to the demand of such temporary workers and c) the temporariness would strictly be *limited to one year*. After this period the contract has to be renewed again.

The temporary work permit for non-EU citizens could also be restricted to purely *seasonal* activities. Their validity would be between one month and one year. Again, this segment of the labour force is immobile and fixed to the employer. The national governments decide how many seasonal workers from outside the EU they are willing to accept. They also fix the level of the fee and collect it.

Refugees would also be allowed to stay and work temporarily as long as their lives would be threatened in their home countries. Once the danger would be over they should be supposed to return home. If the temporary period lasted more than a certain amount of time (e.g. 18 month) they should get asylum and become permanent residents.

b) Permanent Residents

People from outside who want to stay *longer than a year* could become *permanent* residents if they fulfil certain criteria that are defined on a *EU-wide level*. The right to stay *permanently* could either be obtained by humanitarian reasons over international asylum law or by an economically driven selection process. There is no connection between these two possibilities to get permanent residency. This makes clear that EMP fully respects international asylum law. If, according to the asylum procedure, people ask for asylum with good reasons they have to be accepted and they get the right for permanent residence. If they fail to show good reasons they have to leave the EU.

There are several ways to become a *permanent EU-resident by economic criteria*:

- a) The *annual quota* of new permanent residence permits for foreigners should be fixed by the *EU commission*. *Permanent* residents could be chosen according to a *point system* similar to the one in Canada, Australia, New Zealand or the UK (see Sachverständigenrat 2004: 171). However, the main difference is that a European point system should be limited to a very few basic criteria like

age and qualification. Already the language criteria becomes crucial in a European context with more than 20 official languages within the EU! Once allowed in, permanent immigrants should have the same rights and duties as natives. They could bring their family members along (kids only) and the family members get the right to stay and work immediately. In order to insure economic efficiency within the EU, permanent residents should not be restricted to change jobs or move within the common European market from one location and one employer to another.

- b) Permanent residence could also be assigned by a *random lottery* or by an *auction* where people have to bid and pay.⁷ The lottery procedure means that people willing to stay could win residence permits by just signalling their interest with no more than to pay the direct transaction costs for the running of the draw. The immigration authority would then pick as many winners as they would like to have new foreign residents (i.e. the annual quota). In the auction procedure the winners are not selected completely arbitrarily. They have to pay a fee for the ticket. This fee could either be fixed in advance by the immigration authority – what is more or less the same as with a private money lottery. Such a fee setting is relatively easily to handle from a technical point of view. However it has the problem that the fee could be relatively too high and not enough people are willing to pay the price or it is relatively too low and more people as wanted would get a residence permit. Thus, an economically more efficient way is to auction the limited permits. People interested to get residency could post a bid. This bid could be sent by mail (together with a deposit to ensure the seriousness of the bid) to the embassy of the potential host country. After a deadline the people with the highest bids would get their permits. The payments would flow into the EU budget and could be used directly for EMP. Of course there are many slightly different ways to organize the auction to exclude black markets, hoarding, slavery and other misuses of the residence permits.

People fulfilling the criteria of acceptance are treated the same as natives – first economically, after a while (3 to 5 years) politically. Consequently, they should have the right to get citizenship after a

⁷ According to my knowledge the idea of auctioning immigration permits goes back to Barry Chiswick (1982), Gary Becker (1987) and the late Julian Simon (1989). They have shown, why auctioning immigrant permits is more and not less morale than any other selection criteria.

while and to become fully equivalent citizens. Of course permanent status would also include the right of immediate family reunification. The same would apply for recognized *asylum seekers*. If they fulfil the humanitarian criteria of international law they would be accepted and treated as permanent residents.

c) *Illegal Activities*

EMP needs a strong political signal that *illegal stay or work* is not tolerated at all. So far most illegal residents and illegally employed foreign workers have entered the EU legally. Many have come as tourists, for contract work, as asylum seekers or refugees and have stayed longer than legally allowed. It is not their entry which is illegal but their stay or work.

To ensure and enforce rules and laws the costs of an unlawful behaviour have to be increased by stronger employer sanctions and higher fines. This should happen on a penalty scale that has a real discouraging effect. Illegal migrants break laws and rules and clearly challenge the credibility of judicial systems and the confidence in the power and authority of constitutional settings. They also challenge the public transfer system. Illegal foreign workers do not pay direct income taxes, but use on the other hand public goods or publicly subsidized services like schooling or medical treatments for their children. Illegal immigrants compete with legal migrants for job opportunities but have the possibility to avoid certain obligation, costs, taxes and fees compulsory for the legal workers. These legal, economic and social provocations make it easy understandable that EMP will be efficient only if politicians and their voters are not willing to accept the phenomenon of illegal migration.⁸

However, there is also a need and demand for illegal immigrants. For many politico-economic reasons there are strong pressures of vested interest groups for illegal activities of illegal foreign workers and against a severe enforcement of sanctions against unlawful behaviour. Some people (like house owners needing some help in cleaning and maintenance) and economic groups (like restaurant owners or farmers) benefit from illegal migrants. They try to avoid direct labour costs, indirect social payments and costly regulations. The supply of and demand

for illegal foreign workers create an economic market for illegal migration and a political market for the supply and demand of border controls and labour market regulations. Consequently, the phenomenon of illegal migration has to be analysed within an economic framework but also with an understanding of the political economy behind the setting of laws and rules. In many cases illegal employment of natives and of foreigners is the consequence and not the cause of inefficiencies on the labour market. Finding and eliminating the cause and nature of those inefficiencies might present an efficient long-term strategy to lower the economic incentives for illegal immigration.

d) *Final remarks*

EMP is a clear and transparent way to select people from abroad to stay and work within the EU. It tightens up the outer border controls but abolishes internal border controls for everybody – that is for EU and for non-EU citizens. EU nation states keep the competence to regulate temporary work permits for a one year period. These permits allow people from outside to work only with a specific (national) employer (contract workers) or within a specific period (seasonal workers). From an economic point of view, the temporary work permits should be sold for a fee that goes to the national budget. The fee should be higher if temporary workers from abroad wish to bring along their family members.

Longer stays and the issue of permanent residence and work are regulated on the EU level. Recognized asylum seekers are treated according to international law and get full rights to move and work freely within the EU. The same rights are given to economically motivated immigrants if they are accepted according to EU regulations. The most efficient way is to implement a point system that is restricted to a very few criteria like age and qualification.

EMPs different channels to enter and work in the EU have to follow the concept of *non-communicating tubes*. This means that an easy and direct shift from one category to the other is not permitted. Non-EU temporary workers (accepted by a national regulation) can get a permanent status only over the regular way of being qualified according to the EU point system or by being accepted as asylum seekers according to international law.

EMP respects humanitarian criteria of international asylum law and family reunification and it is economically efficient because it selects immigrants according to the needs of the host society (reflected in

⁸ In reality, executing the severe sanctions might be extremely difficult. Deporting illegal migrants is not an easy job. The experience of the national migration authorities shows that there are strong morale impediments against a full implementation of migration laws.

the point system). Like every migration policy it needs controls (at outer borders) and sanctions (mainly for illegal employment). Unlawful behaviour has to be sanctioned harder than in the past. Illegal residents and illegal foreign workers have to be deported without long procedures. Their employers have to be punished strongly.

3 Conclusion

The enlarged European Union has to search for mobility incentives within the internal labour market and for time-adequate migration laws to cope with new forms of contemporary migration. The future will bring a dramatic increase in the mobility of high skilled specialists, managers and business people. Very often it will happen as inner-firm migration, i.e. it takes the form of a cross-border placement or transfer within the “internal labour market” of a multinational enterprise. In future it can be expected that the importance of this form of migration will continue to increase with the growing internationalisation of large numbers of previously national enterprises. The resulting migration can take different forms, however. It need not necessarily have a permanent character, precisely because of the geographical proximity within Europe, but can instead take place in the form of relatively temporary, shorter-term (project-)oriented “functional mobility with non-migration of people”, such as weekly stays or business trips or as periodic commuter movements. So, with these structural change from mass employment in labour intensive standardized industrial production activities towards knowledge and service based economies, the European societies have to modernize their views about mobility and migration issues.

New migration patterns need new migration policies! In the last four decades the world has become more integrated in many respects. “Globalisation” has opened up national economies and their labour markets. In Europe, the Single Market and the European Monetary Union have contributed to built up a Europe without nations. The East enlargement by 10 more countries has brought along much more heterogeneity. In such an economic space without borders national migration policies lose a lot of their effectiveness. EMP is a first step from national ad hoc regulations towards a more conceptual European mobility strategy within the internal labour market and towards a common European migration strategy vis-a-vis the outside world.

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