

Studies and Comments 1

**Ralph Rotte / Peter Stein (eds)
Migration Policy and the Economy:
International Experiences**



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Preface

Peter Stein

This compilation brings together the experiences that have been made in 16 countries around the world with migration and migration policy. It gives an overview of the global status of research in a subject which is attracting growing attention in the field of scientific research as well as public policy. The contributions also show which questions still remain to be answered. The case of Germany, for example, shows that there still is a lack of empirical evidence on some of the most important questions of migration research – questions which are for good reason discussed in public with great intensity.

The issue of migration policy is indeed likely to gain more attention in coming years as the global demographic situation develops with remarkable dynamism: the 16th revised edition of the "World Population Prospects" published by the United Nations in 2000¹ presents world-wide population estimates and projections for the first half of the 21st century. According to this study, by 2050 the world's population is estimated to be between 7.9 billion (low variant) and 10.9 billion (high variant), with a medium variant of 9.3 billion. In spite of that growth, 39 countries are expected to have a smaller population by 2050 than today as a result of low fertility levels (e.g. the population of Japan and Germany will be reduced by 14%, Italy and Hungary by 25%). The decline due to fertility levels below replacement level goes hand in hand with a high level of economic and social development; thus it will be in the developed countries where a decrease in the native population will take place. At the same time, the population of the less developed regions is projected to rise drastically from the current 4.9 billion to 8.2 billion in 2050 (medium variant). This situation of simultaneous and accelerating population decline in highly developed countries and population-growth in less developed countries will lead to a severe increase of the socio-economic pull and push factors of migration.

For developed countries, it will become a major challenge to maintain prosperity in times of a declining native population. Immigration can be a countermeasure. However, migration policy must be integrated into a strategic framework of economic and social policy which must take into consideration that population decline by low fertility levels also means an ageing of the native population: according to the above-mentioned study of the United Nations, in the developed regions the population aged over 60, which actually constitutes about 20% of the population, will account for 33% by the year 2050.

The effects of a declining and ageing population on the economy take place in a multi-causal context:

- For the demand side of the market, the impact cannot be exactly determined as there are contrary effects: on the one hand, a smaller number of consumers and households must lead to a decline of consumption; on the other hand, an ageing of consumers implies a shift towards higher per capita expenses. In the empirical testing of these hypotheses, it must be taken into consideration that the available empirical evidence of consumer behaviour is inevitably based on data which describe the situation of past years and decades; therefore it cannot be simply applied to the context of scenarios of future

¹ United Nations: World Population Prospects – The 2000 Revision, New York 2001; available on internet: www.un.org/esa/population/unpop.htm.

population development. The elderly of tomorrow will have grown up and lived under different historical circumstances, will have been educated and socialized by more sophisticated educational and vocational training systems, may have different attitudes towards the trade-off between leisure and labour and last not least, they will profit from a dynamic concentration process of the current increase of assets by inheritance. A declining fertility level leaves a smaller number of individuals to whom assets are to be passed on from generation to generation.

- For the supply side of the market, the maintenance of productivity under conditions of a declining and ageing labour force will be the key issue. To balance out the declining labour force, the remaining labour force – which, however, is in the process of ageing – must meet higher productivity demands, for example by an adjustment of wages or by introducing new technologies of production under circumstances of an increasing dynamism of process-innovations. The inter-relationship of an individual's ageing process and the individual's development of qualification does not imply a general de-qualification, but rather a shift from physical capabilities and mental flexibility towards social skills and experience-related potential. In economic theory, the economic value of different kinds of qualifications is determined by its scarcity on the labour market which in turn is dependent on the structure of demand and the existing technologies of production. Estimates and projections of the development of demand structure and production technologies on a longer-term basis, say decades, would be mere speculation.
- In addition, the implications of demographic development for fiscal and social policy must also be taken into account. The consequences of a declining or ageing population have especially profound effects upon the maintenance of pension and healthcare systems and the financing of social security as a whole. This could lead to a vicious circle which would be bound to accelerate: malfunctions of social policy may have negative implications for the quality of supply of human capital to the labour market, which would add to the demographically induced quantitative reduction of available human capital and thus would reduce the resources which finance social policy. The pressure for the required policy-making can be much higher than the public perception of actual problems may imply, because many reforms in the field of fiscal and social policy require time for the decision-making process, for advance notification and for gradual implementation.

The urgent need for strategies to meet the demographic challenge should in fact not be underestimated just because of the long-reaching time-scale of demographic processes. Due to the fact that the impact of the ongoing demographic process is distributed over a long period, enterprises and economies may have a chance to adjust their technologies as well as their training efforts in time. If necessary, there could also be time to introduce an ongoing shift in the international division of labour on a longer-term basis. However, especially under conditions of competition, the question of whether one acts rather than just reacting to the given situation will become a matter of economic survival.

As mentioned above, the situation of the labour markets will shift in the future: immigration policies will be faced with growing world-wide competition for highly qualified personnel, as all developed countries will have to deal with the same shortage in labour supply. According to the results of the "World Population Prospects" published by the United Nations, the more developed regions will start with a population decline in 2003, and by 2050, the population in these regions will be 126 million less (without immigration). The process of globalization may take another step forward, this time with emphasis on international labour markets. This may also change public attitudes towards the globalization issue: in the context of labour

markets, major factors for competition will be life-style, the quality of recreational facilities, a successful environmental policy and positive attitudes towards an influx of qualified immigrants from many different parts of the world; tolerance and mutual respect may become factors of economic competition in a globalized labour market.

This volume's account of experiences made with various types of migration policy over the past decades in different parts of the world was made possible by the Academy for Politics and Current Affairs of the Hanns Seidel Foundation. This project, which came into existence through a world-wide co-operation of experts, is not only meant to be an important contribution to the current discussion on immigration in Germany but it is also hoped that it has the potential to promote decision-making in other countries.

Special thanks go to our native speakers Monica Forbes and Anna Pomian. With great commitment they have undertaken the task of carefully revising the contributions.

Introduction

What Can German Migration Policy Learn from Other Countries?

Ralph Rotte

Due to the growing demographic and skill-related problems of labour markets and social security systems, immigration has become a major concern of West European politics in recent years. Public discussion has especially focussed on the socio-economic consequences of increased immigration from non-EU countries or from potential sending countries which are expected to join the Union within the next years or decades. Although the need for skilled migrants is hardly disputed among mainstream parties any more, the relationship of economically desired and non-economic (e.g. refugee) migration as well as the actual amount of immigrants acceptable for the social and political coherence of European nations is still a matter of intensive dispute. This is particularly important in Germany where, since the end of large-scale labour recruitment in 1973, no systematic immigration policies have been devised, although the debates about asylum migration in the early 1990s have led to some important changes of the legal basis of immigration. Public discussion here, as elsewhere in Europe, is still dominated to a large degree by fears of potential negative socio-economic and political effects of increased immigration. Despite the need for foreign labour as emphasized by employer organizations and experts, there are still massive concerns about the additional strains on the social security system created by foreigners who might become unemployed or live on welfare benefits, about increased competition for natives in the labour and housing markets, rising criminality, as well as about a potential loss of national identity due to the influx of foreign cultures. As a result, German and West European politics have to find a balance between the needs of economic pressure groups advocating increased immigration, social interests concerning non-economic migration, and the potentially negative reactions of more sceptical voters at the ballot box. In contrast to the United States as the supreme model of traditional immigration countries, European governments and democratic parties are also haunted by the actual and potential future successes of right-wing extremist parties which rely on fear of foreigners, xenophobia and racism.

Given this background and in order to contribute to the current debate in Germany, the Hanns Seidel Foundation has initiated this publication project which takes a look at the migration experience of various countries and draws some fundamental conclusions that might be relevant for the German case. From the point of view of standard economic theory, the effects of immigration are quite straightforward. An increase in the foreign-born population means an increase of labour supply which, other things being equal, tends to decrease the equilibrium wage in the labour market. As a result, at least some foreign workers will be substituted for natives, since they are probably better prepared to accept lower wages. Therefore, average wages will decrease and unemployment among the natives will rise with immigration. In the long term, however, lower wages, higher labour supply (as one of the two basic production factors apart from capital), higher returns on capital and higher productivity will lead to higher economic growth and thus to increased employment and a higher income of the whole population. The natives' short-term losses will thus be probably offset by the long-term economic advantages of immigration. Since the native worker's as well as the politician's time horizon is limited, however, there will be political resistance against immigration which may be interpreted as a long-term investment in the economy. This will be especially true in labour market circumstances in which there is already high unemployment among natives due to

structural specialties or deficiencies typical for European labour markets in contrast to countries such as the U.S.

This simple pattern of economic thought, especially as far as the labour market effects of immigration are concerned, seems to be the foundation of many public discussions about the economic effects of immigration. The sceptical view of immigration with high native unemployment seems especially relevant, in cases such as the position of the trade unions and populist politicians. Nevertheless, this approach is much too simplistic for an actual assessment of the migrants' impact on the economy since it depends on a decisive assumption which is seldom given in reality: homogeneous labour and unlimited transnational transferability of skills, i.e. the idea that all workers have the same occupational qualities and qualifications and that they are therefore substitutable among each other. Changing this unrealistic assumption, however, leads to more differentiated results of immigration in which the immigrants' skills and the structure of the labour market is of major importance. If there are strictly separated, segmented labour markets for natives and foreigners, for example because for some reason foreigners specialize in trades unacceptable to natives, the impact of increased immigration on the natives' labour market position might be negligible. If there are differentiated but complementary labour markets for, say, high and low-skilled workers, and migrants are mostly low-skilled, then they will compete only with low-skilled natives who will lose, while high-skilled natives will gain due to additional demand for high-skilled labour. On the other hand, if in such an environment high-skilled immigration is accepted, then low-skilled natives may benefit from immigration, due to improved employment opportunities. Obviously, it is the harder to assess the potential economic consequences of immigration the closer one gets to the actual structure of the labour market. It is therefore absolutely necessary to include empirical and institutional aspects of the economy in an analysis of the socio-economic impact of migration and migration policies.

This collective volume, to which a number of internationally renowned economists and social scientists have contributed, does exactly this in focussing on the empirical economic consequences of migration which play a major role in enlightened political debate and rational policy-making. The migration issue is addressed from the perspective of three basic groups of countries: first, the traditional, self-proclaimed immigration countries which have been founded on immigration are analysed: the United States, Canada, Australia and New Zealand. A second group consists of European countries which have experienced a major influx of migrants in recent decades or even centuries, and which have developed more or less effective political instruments to cope with immigration: France, Switzerland, the Netherlands, Great Britain, Austria, Germany, Denmark and Sweden. Finally, we look at a third group of countries which have a distinct record of emigration although they have recently changed in part from being sending to destination countries of transnational migration: Italy, Greece, Mexico and Poland.

Barry Chiswick and Teresa A. Sullivan give an overview of the immigration system of the United States and the structure and performance of recent immigrants accepted under the current regime of immigration quotas. They conclude from their empirical work that since the 1980s, the number of immigrants and the proportion of foreign-born in the U.S. population have clearly risen while their diversity in terms of country of origin, skills and labour market adjustment has also increased. Although their socio-economic characteristics converge in time vis-à-vis fertility, English language fluency, occupational status and earnings, an increasing number and proportion of immigrants have been arriving with very low skill levels which inhibit their successful adjustment in the labour market. Since the modernizing economy offers fewer and fewer jobs for low-skilled workers, the past successes of the U.S. in

integrating low-skilled people in its economy do not seem replicable any more. Don DeVoretz and Christiane Werner emphasize a particular aspect of the Canadian immigration experience by interpreting migration from the perspective of the *entrepôt* theory of trade.

Actually, recent immigration to Canada by a point selection system has been offset economically by massive emigration of skilled Canadians who mostly head for the U.S.. Although Canada has been successful in balancing the numbers of inflows and outflows, migration is overall costly for Canada in the sense that the loss in human capital and productivity by Canadian emigration cannot be equalized by rest-of-the-world immigration. This does not mean that immigrants are per se costly for the Canadian economy from a fiscal point of view: transfer costs for immigrants provided by the Canadian welfare state are ultimately offset by immigrant treasury payments. Canada is therefore better off with immigration than it would be without. Nevertheless, according to the authors, the overall balance of migration to and from Canada might be considered negative, which is why the current political consensus supporting an open albeit regulated and selective immigration policy seems fragile and might be undermined by rising domestic unemployment or continued return migration.

Peter L. Münch-Heubner stresses the multicultural aspect of the recent Australian immigration policy and its consequences for Australian national identity traditionally defined as "Anglo-derived" or European. Under the new regime, there remain differences in the welfare dependence and unemployment rates of various immigrant groups according to their country of origin, with Europeans and North Americans on average doing better than others. The actual performance of the Australian economy since the introduction of a selective immigration policy with a point system, however, does not support anti-immigration positions held by, for example, the xenophobic One Nation Party. The Australian policy of selected immigration thus is advantageous for the economy. In 1991, New Zealand also introduced a new migration policy by giving up the traditional source country preference and switching to a point-based selection model aiming at general human capital instead of occupational skills. According to Rainer Winkelmann, the economic results of this new approach are somewhat ambiguous: the region-of-origin composition of immigrants shifted towards Asia, while immigration from Europe and the Pacific Islands decreased. Immigration to New Zealand is associated with high initial unemployment rates due to factors such as increased language problems of the new immigrants. While this may be a temporary phenomenon or the price to pay for attracting culturally more diverse immigrants, New Zealand's recent immigration experience may also be an "illustration that with a limited supply of highly skilled, internationally mobile workers, a country's ability to implement a skill-based immigration policy faces serious obstacles."

Turning to the European immigration countries, Catherine Wihtol de Wenden explains the French experience. Especially during the "thirty glorious years" between 1945 and 1975, there was a massive, uncontrolled influx of migrant labour, before State control became increasingly stricter since the mid-1970s up to the present political aim of "zero migration". This movement has been fostered by the election successes of the anti-foreigner Front National since the 1980s. Migration policies have shifted from mass migration from the Maghreb to selective immigration from the rest of the world. According to de Wenden, in the current situation of increasing transnational mobility and globalization, the nation state faces serious tensions between public opinion, market interests and human rights principles. In France, political management according to public opinion aggravates this problem and leads the State to stress strict and dissuasive immigration policies while following underground and discretionary measures in favour of immigration in order to comply with the pressures of

markets and diplomacy despite persistently high unemployment rates among non-European immigrants in France. Concerning the socio-economic situation of immigrants, there are special problems with substandard salaries and working conditions of illegal migrants from North Africa and with second-generation immigrants who have been hard to integrate into the French economy and society. As a result, the "permanent conflict between market logic, State logic and Human Rights logic leads to question national identity and citizenship". Stefan Golder and Thomas Straubhaar take a look at Swiss migration policy which has been traditionally very strongly oriented towards the economic needs of the country, favouring rotation and prohibiting integration, e.g. by facilitated naturalization of immigrants. Since 1991, Swiss migration policy has been determined by a country-of-origin orientation. On the basis of the two most recent periods of policy between 1963 and 1998, Golder and Straubhaar conclude that there have been substantial discrepancies in the socio-demographic profiles of immigrants from different countries of origin, with North Europeans being most favourable for Swiss economic needs. Due to the attraction of unskilled labour and sectoral misallocation by mobility restrictions, the overall economic effects of immigration to Switzerland are considered negative: immigration is found to have slowed down economic growth, to have lost its intended cyclical buffer function for the economy and to have hampered structural change. Nevertheless, the analysis of the distributional effects of migration indicates a positive overall transfer balance effect for natives.

For the Netherlands, Aslan Zorlu and Joop Hartog give an analysis of the restrictive response of policy-makers towards the Dutch immigration surplus since the 1960s aimed at prohibiting the immigration of groups supposed to be a burden for the welfare system. Among the main immigrant groups, Indonesians with Dutch citizenship status have been integrated into the economy rather smoothly while Moluccans have performed relatively badly, and the guest workers of the 1960s and 1970s have ended up to a very large extent in unemployment, early retirement and disability benefit programmes. Especially second-generation Turks and Moroccans still have disadvantages in education and labour market accomplishments. The overall impact of immigration on the economy is not clear. While, as in the Swiss case, non-EU immigrants seem to be substitutes for low-skilled and complementary to high-skilled natives, the downward pressure of the guest workers on the wages for unskilled workers seems to have vanished after the 1960s when minimum wages were introduced, thus leading to additional unemployment. Similar to the Netherlands, Great Britain has turned from an emigration to an immigration country during the last forty years. Timothy J. Hatton's contribution cites econometric studies for the 1970s and 1980s, finding that the key short-term forces driving net immigration were differentials in wages, unemployment, and employment growth between home and overseas countries. It has also been found that housing costs exert an important influence on the decision to migrate. Except for recent increases in asylum migration, Britain has mainly attracted relatively young and high-skilled immigrants, which is why there may be economic and demographic advantages in maintaining, or even raising, current levels of immigration in the medium term. Hatton concludes that for less skilled groups who have clear disadvantages on the labour market, upward mobility has to be fostered by providing education and training schemes as a bridge to employment.

According to Peter Huber's assessment of immigration to Austria, in contrast to popular belief that immigration has negative aggregate effects on the labour market, migration increases the welfare of residents as well as GDP. Effects on the labour market, however, are small. Moreover, concerning distributional aspects of immigration, blue-collar workers and low income earners are negatively affected, while high income earners tend to benefit from the additional supply of foreign workers. Issues of distribution should thus be more important in the debate than issues concerning aggregate macro-economic effects. Furthermore, the

number of residents of the same sending country in a region is a powerful determinant of the choice of location for migrants as well as the economic development of these regions. Network effects thus play a central role in immigration to Austria. Michael Fertig and Christoph M. Schmidt address one specific problem of immigration to Germany. They concentrate on the welfare dependence of immigrants and contrast the actually very moderate public transfer payments to migrants in Germany with the perception of migrants' dependence on public assistance by Germans from various population strata. When analysing the empirical causes of the natives' false or exaggerated perceptions of migrants' welfare dependence, they find that agreement with proposed, completely unreflected statements increases significantly with low education, young age, gender (women tend to agree more emphatically) and right-wing attitudes, while actual fears of job loss remain insignificant, and contact with immigrants reduces xenophobic misperceptions. According to the authors, this empirical evidence on the divergence of the perception of immigrants by natives from what is really known suggests that comprehensive education programmes and initiatives to ascertain that this evidence is becoming more transparent to the general public may provide the basis for a more realistic perception of what is a large, albeit heterogeneous, population group in Germany.

In their chapter on immigration to Denmark, Peder J. Pedersen and Nina Smith stress the economic problems caused by a shift in the composition of immigrants that has occurred in recent years. Non-OECD immigration has resulted in high unemployment and low participation rates among immigrants. The reasons for these problems can be found on the demand side of the labour market, i.e. high minimum wages and discrimination, as well as on the supply side, with weak or counterproductive financial incentives to work. Björn Gustafsson also emphasizes the selection aspect of immigration to Sweden. While immigrants from the Nordic or other West European countries do relatively well in the labour market, people who recently arrived as refugees or as relatives of refugees from the Middle East, Bosnia-Herzegovina or North Africa are characterized by severely high unemployment rates and welfare dependence.

Italy and Greece were important sending countries of labour migration to northern Europe after the Second World War. Nevertheless, since the 1980s and 1990s, both countries have become important immigration countries for people from the former socialist countries and from North Africa as well as for return migrants. While emphasizing the problem of illegal immigration and the need to legalize irregular work, Salvatore Strozza and Alessandra Venturini find that the actual impact of recent immigration on the economic position of the natives has so far been rather positive. Contrary to the standard theory as well as to findings for countries such as Switzerland, immigrants have no negative effect on native workers' wages or native employment and unemployment. On the contrary, immigrants are generally found to be complementary to native workers in the regular labour market and competitive in certain sectors of irregular employment. This result is considered as encouraging the continuation of recent approaches to regularize illegal immigration as a corner-stone of Italian migration policy. Ross Fakiolas also hints at the problem of employment of undocumented immigrants in Greece, which empirically affects low-skilled Greek workers negatively, while high-skilled natives benefit from it. In order to reduce the shadow economy fuelled by illegal immigration, and taking into account the impossibility of strict border controls, a change of the Greek perception of immigration towards acceptance of a multi-ethnic society and actual integration of foreigners is proposed.

Francisco L. Rivera-Batiz provides some valuable insights into the socio-economic aspects of migration from the perspective of a classical sending country. According to his paper, wide

differences in wage and employment opportunities between Mexico and the U.S. continue to motivate Mexican migrants to move across the border. One can expect Mexican migration to the U.S. to remain high. The key motivation for Mexican emigration to the U.S. is economic, and the most visible impact of emigrants on the Mexican economy is related to the income remittances that the migrants send back home. Concerning the use of those remittances, case studies have documented that, first, a significant portion of so-called consumption spending consists of household investments in housing, automobiles and durable goods, whose long-term wealth-raising capacities are substantial. Second, remittances are used for community investment projects stimulating local development. Third, the multiplier effects of the increased consumption spending in generating local economic activity may be substantial. On the other hand, as the process of migration is costly and sometimes dangerous, migrants have been known to be positively-selected from the general population in the source country, and as having above-average motivation or skills. The loss of such a group of workers can result in negative externalities for those Mexican communities suffering from substantial emigration. In addition, local labour shortages may result in the collapse of traditional production structures, rising prices of services, and a growing spiral of dependency on migration as a source of income. Remittances may or may not offset these negative effects for Mexico. For the U.S., the impact of Mexican migration on the wages and employment opportunities of U.S.-born labour has generally been found to be negligible. Partly, the explanation lies in the fact that Mexican immigrants have concentrated in very specific sectors of the labour market that do not compete with U.S.-born labour. According to Rivera-Batiz, the unilateral attempts of the U.S. in the 1980s and 1990s to control undocumented migration from Mexico have been a major failure.

Finally, Pawel Kaczmarczyk and Marek Okólski analyse the case of Poland where temporary and partly illegal migration to Germany, Austria, Belgium and Italy represents a particularly favourable alternative for the "losers" of the transformation of the economic and societal systems since the early 1990s. In contrast to emigration in the 1970s and 1980s, large numbers of people can move about more freely due to the lifting of a wide range of barriers and a decrease in costs, e.g. of transportation. Migrants from Poland are more and more frequently individuals with no vocational qualifications and little formal education. In other words, contrary to the Mexican example, they do not seem to be positively self-selected. They may, however, successfully operate in secondary sectors of the destination countries' labour markets while in Poland, it is harder and harder to get a good position without having high qualifications. Young people aged 20 to 45 have the highest propensity to migrate due to the high unemployment rate in this age bracket. Along with the streams of migrants from Poland there has been a rapid expansion of migration networks in the form of contacts between migrants and their families or other members of their local communities. These networks reduce the costs of migration and, perhaps more importantly, the risks associated with it.

According to the paper, it is difficult to assess the contribution of migrants' remittances to domestic savings or the investment process in Poland. The allocation of most transfers for current consumption has caused inflationary pressures in the short term, but might be beneficial for the economy in the long term through multiplier effects. Concerning fears of mass migration from Poland to the European Union after Polish accession, Kaczmarczyk and Okólski claim that migration from Poland has already reached a level that will be difficult to surpass. Because of cumulative causation, outflows from regions considered to be traditional emigration centres will continue but, due to fewer and fewer material incentives, i.e. a shrinking wage gap and increasing opportunity costs, the outflows should at least not increase dramatically. It has been shown that a large component of the Polish

general populace is not of a high mobility propensity. Furthermore, demographic forecasts for the upcoming years predict a drop in the relatively mobile under-45 population. These arguments indicate that Poland's accession to the EU should resemble the earlier experience of Spain and Portugal. If so, despite continuing disparities in living standards and a wage gap, no mass exodus will occur into Western Europe. Moreover, Poland has already acquired the status of an immigration country vis-à-vis its eastern neighbours. Since the demise of communism, irregular employment and the bazaar trade of migrants from the former Soviet Union have become an important aspect of the Polish migration experience. Furthermore, Poland has become an important transit country for illegal migration to Western Europe. The up-coming accession to the EU will probably accelerate the rate of economic change, lead to improvements in the standard of living, strengthen the currency and permit the local labour force to find work in Western European countries. At the same time, this development might also lead to a higher attractiveness for immigrants from third countries, especially the Ukraine, Belarus, and the Balkans. Thus, Kaczmarczyk and Okólski conclude that Poland might soon begin to play a role as an important immigrant country in the region.

Although the migration experiences of the countries covered in this volume are rather heterogeneous, the contributions seem to give some fundamental insights for an economically rational migration policy to be devised for Germany. First, immigration seems generally profitable from an economic point of view if it is suitably managed. This has been demonstrated by the experience of the Anglo-Saxon countries. Nevertheless, effective management seems necessary in order to avoid economic problems arising from immigration as in the Swiss, Danish or Swedish case. Second, an economically profitable immigration policy therefore depends on the selection of immigrants. In general, high-skilled immigration seems economically preferable to low-skilled immigration. Although point systems concentrating on the potential immigrants' human capital, like in Australia, New Zealand and Canada, are not perfect, their selection performance seems superior to quota and country-of-origin oriented systems like in the U.S. or most European immigration countries. Establishment of effective selection mechanisms, however, does not automatically lead to positive economic effects, since no selection mechanism works without errors.

Thus, third, an important element of an economically rational migration policy is accompanying immigrants by providing programmes improving their opportunities on the labour markets, e.g. language and training schemes. Immigrant performance in Great Britain, the Netherlands, Austria, Sweden or Denmark supports this view. Even in an economically oriented migration policy, integration of immigrants is a key to success. Moreover, as the case of New Zealand shows, immigration countries aiming at acquiring high-skilled migrants from the rest of the world find themselves in an intensifying competition among each other. As a result, fourth, a consistent immigration policy has to improve the country's attractiveness for potential immigrants. This includes economic incentives as well as social integration opportunities.

Fifth, since the actual socio-economic position of immigrants and its perception by natives diverge massively, as demonstrated in the paper by Fertig and Schmidt, education and information provided for the public are extremely important. Rational migration policy therefore also means fulfilment of the task of information, addressing the natives and combating prejudice and false assumptions about immigration instead of using them for political tactics and party interests. Together with integration programmes for immigrants and their relatives, especially second-generation migrants, this may contribute to avoiding ethnic and minority conflicts like in France or other European countries. Sixth, in the long term,

accepting managed immigration not only fosters the destination country's economy but may also contribute to the development of the sending country. As demonstrated by the cases of Italy, Greece or indeed Poland, immigration does not mean endless inflows of workers but is a process shrinking in time. Thus, from an economic point of view, the fears of being confronted with an overwhelming tide of immigrants seem greatly exaggerated, despite the example of persistent Mexican migration to the U.S. Taking into account the principal ineffectiveness of solely administrative, restrictive measures of migration control, which mainly promote illegal migration, means that the motivation underlying an economic migration policy should be a basic openness and positive attitude towards (selective) immigration. These conclusions are of course subject to further discussion. The editors are sure that the scientific expertise and empirical evidence assembled in this volume will provide a valuable contribution to this discussion.

I. Traditional Immigration Countries

U.S.A.: The New Immigrants

Barry R. Chiswick/Teresa A. Sullivan

Preface of the editors

This article is an excerpt from a larger essay with the same title, originally published in Reynolds Farley, ed., *State of the Union: America in the 1990s*, Social Trends, Russell Sage Foundation, New York, 1995, pp. 211-270. It was revised by the authors in 2001. Among many other institutions, supporting and funding this project, the Hanns Seidel Foundation is especially indebted to the Russell Sage Foundation, which kindly agreed to the publication of this revised and excerpted version.

The excerpt focuses on the results of the original Chiswick/Sullivan paper which are of special interest from the point of view of political advisory services in Germany and Bavaria, since the Academy for Politics and Current Affairs of the Hanns Seidel Foundation provides these services for members of parliamentary and governmental institutions. Excerpting the original essay was not easy to accomplish, as the Chiswick/Sullivan paper is an absolutely brilliant document of the American experience of immigration, which is far ahead of experiences available in Europe. Significant aspects of the original paper, such as many tables and figures, many footnotes with suggestions for further reading and especially explanations of methodological and geographic background, could not be taken into account in this excerpt. Also, the literary quality of the original text is much better. Some data and examples were transferred to the footnotes. Unfortunately, it was necessary to observe a strict page-limit. Omissions in this excerpt are attributable solely to the editor. For purposes of further research, we do recommend the original essay.

1. Introduction

From the colonial period to the present, and we can expect far into the future, immigration has posed persistent economic, social, and political issues for the U.S. The nature of the concerns, both the opportunities and the problems, may change over time, but the issue is seldom far from America's consciousness. Immigration has played a vital role in the development of the American population, society and economy. Since the start of record keeping in 1820 by the year 2000, over 66 million people have been recorded as immigrating legally to the U.S. According to the 2000 Census of Population there were nearly 30 million foreign-born persons in the U.S. (excluding those born abroad of American parents and those born in dependencies of the U.S.), comprising 10.0% of the total population. In recent decades immigration has become an important national and local issue because of both perceptions and misperceptions regarding the immigrants' characteristics and their impact. This essay uses data from the 1990 Census of Population to explicate the demographic, social, and economic circumstances of the foreign-born population of the U.S.¹

¹ The microdata files for the 2000 census are not yet available. Earlier census monographs on immigrants include Carpenter, Niles: *Immigrants and Their Children*, 1920, U.S. Government Printing Office, Washington, DC 1927, Hutchinson, Edward P.: *Immigrants and Their Children, 1850-1950* John Wiley, New York 1956 and Jasso, Guillermina, Rosenzweig, Mark R.: *The New Chosen People: Immigrants in the United States*, Russell Sage Foundation, New York 1990.

Three themes emerge sharply in an analysis of immigrants in recent decades:

1. Increased numbers of immigrants and an increase in the proportion of foreign-born in the population, especially since 1980.
2. Increased diversity among immigrants and the foreign-born population in terms of country of origin, skills, and labour market adjustment, among other characteristics.
3. Converging characteristics with duration of residence between the foreign-born and the native-born populations, although the gap may not be closed. Characteristics that converge include fertility, English language fluency, occupational status, and earnings, among other characteristics.

2. Immigration, immigration law and diversity

2.1 Trends over time

Data from the Immigration and Naturalization Service indicate that after the great wave of immigration from the 1880s up to World War I, there was a period of decline and then very low immigration during the 1930s and early 1940s (Table 1). The difficulties in leaving Europe and the dangers of ocean transport during World War I, the restrictive immigration legislation enacted in the 1920s, the Great Depression of the 1930s and World War II limited immigration from Europe, which was until then the primary source of immigrants to the U.S. Following World War II, and particularly following the relaxation in 1965 of immigration barriers enacted earlier against Southern and Eastern Europeans and Asians, immigration has increased decade by decade both in absolute numbers and relative to the size of the U.S. population.

Table 1: Immigration and proportion foreign born in the U.S., 1871-1998

Period	Number	Immigration Rate ^(a)	Percent Foreign Born ^(b)
1991-98	7,605,680	3.7	10.0
1981-90	7,338,062 ^(c)	3.2	8.0
1971-80	4,493,314	2.2	6.2
1961-70	3,321,677	1.9	4.7
1951-60	2,515,479	1.7	5.4
1941-50	1,035,039	0.8	6.9
1931-40	528,431	0.4	8.8
1921-30	4,107,209	3.9	11.6
1911-20	5,735,811	6.2	13.2
1901-10	8,795,386	11.6	14.7
1891-00	3,687,564	5.9	13.6
1881-90	5,246,613	10.5	14.7
1871-80	2,812,191	7.1	13.3

^(a) Annual immigration in the period per 1,000 of the population in the census year preceding the period.

^(b)Percent of the U.S. population that is foreign born (excluding those born abroad of American parents) at the end of the period.

^(c)Includes 1,329,209 former illegal aliens who received permanent resident alien status from 1991 through 1998 and 1,359,184 former illegal aliens who received permanent resident alien status from 1989 and 1990 under the Immigration Reform and Control Act of 1986. Some may have come to the U.S. to stay in an earlier decade.

Sources: Statistical Yearbook of the Immigration and Naturalization Service, 1998, Table 1, Statistical Abstract of the U.S., 1992, Tables 1 and 45. Historical Statistics of the U.S.: Colonial Times to 1957 (1960) Tables Series A 5, 53, 57, 62, 63, 68, 69.

Immigration in the past few decades has been characterized not merely by a rise in the numbers, but also by a dramatic change in the source countries. Whereas during the 19th century and the first half of the 20th century immigrants came primarily from Europe and Canada, immigration is now predominantly from Asia, Mexico and other parts of Central and South America (Table 2). The "New Immigration" from Asia, Mexico and other parts of Latin America is having a profound effect that perhaps rivals the effects on the U.S. of the "New Immigrants" of a century ago, who were from Southern and Eastern Europe.²

Table 2: Region of origin of immigrants, by period of immigration, 1921-1998 (percent)

Period of Immigration	Europe/ Number	Other				
		Canada ^(a)	Mexico	America	Asia	Africa
1991-98 ^(b)	17,0	25,4	22,2	30,9	3,7	7,605
1981-90 ^(b)	13,1	22,6	24,6	37,3	2,4	7,338
1971-80	22,5	14,3	26,1	35,3	1,8	4,493
1961-70	47,0	13,7	25,6	12,9	0,9	3,322
1951-60	68,7	11,9	12,7	6,1	0,6	2,515
1941-50	78,0	5,9	11,8	3,6	0,7	1,035
1931-40	86,8	4,2	5,5	3,1	0,3	528
1921-30	82,7	11,2	3,2	2,7	0,2	4,107

^(a)Includes Australia, New Zealand, Oceania and countries not specified.

^(b)Includes over 1.3 million and nearly 1.4 million former illegal aliens receiving permanent resident alien status in 1991-98 and 1989 and 1990, under the Immigration Reform and Control Act of 1986.

Source: Statistical Yearbook of the Immigration and Naturalization Service, 1998, Table 2.

Just over one-quarter of the total foreign-born population of the U.S. in 1990 was born in Europe and Canada, with another one-quarter coming from Asia. Mexico and other parts of Latin America each account for one-fifth. Less than 2% of the foreign born were from Africa. Reflecting trends over the past few decades, among the most recent arrivals, those

² Changes in the flows of immigrants affect the proportion of immigrants in the population, but only after a time lag. For the three decades starting with World War I, while the large number of turn-of-the-century immigrants gradually died and new immigration flows remained small, the proportion of the foreign born in the population dwindled from its peak of nearly 15% in 1910 to about 7% in 1950 and less than 5% in 1970. The proportion of foreign born in the population has since increased to 8.0% in 1990 and 10% by 2000 (Table 1). Despite the recent rise, however, the proportion of foreign born remains substantially below the levels recorded in the late 19th and early 20th centuries.

immigrating between 1985 and the 1990 according to Census, only 13% were born in Europe and Canada, whereas 26% came from Mexico, 31% from Asia, 22% from other parts of the Americas, and only 2% from Africa. Thus, the foreign-born population is increasingly Asian and Latin American in origin.

2.2 Where they came from: policy and geography

Immigrants to the U.S. have not always come from "everywhere." Through the first two-thirds of the Nineteenth Century the principal immigration to the U.S. came from the Northwest European countries and the Low Countries. Immigration from Eastern Europe and Asia was very small. After the Civil War, however, the immigrant flows changed in composition. On the West Coast, Japanese, Chinese, Korean, and Filipino workers came as contract laborers. On the East Coast, a shift occurred toward the so-called "new immigrants" from the city-states of the Italian peninsula, from Poland and Russia, from Greece and the Balkans. They differed from the earlier immigrants in their languages, socio-economic background, religions, and appearance. Fears mounted on both the East and West Coasts that these immigrants could not be assimilated.

In a reaction to racial prejudice and economic competition in the West Coast states, where most Asian immigrants lived, measures were taken by the Federal government as early as the 1870s to exclude the Chinese, and in 1907 immigration from Japan was halted through diplomatic means. To restrict Southern and East European immigration, legislation enacted in the early 1920s attempted to force the nationality composition of the immigrant population of the U.S. to be the same as the distribution of the origins of the white population. The National Origins Quota Act of 1924, which barred some nationalities entirely and subjected others from the Eastern Hemisphere to quotas, continued with some modifications until the major changes wrought by the 1965 Amendments to the 1952 Immigration and Nationality Act. An important feature of the 1965 legislation, which took effect in 1968, was to make people from all independent countries of the world eligible for visas. Although it was first applied only to the Eastern Hemisphere and then to all countries, there was an overall numerical quota and a uniform country limit for certain categories of immigrants, but admission of individual immigrants was determined by a preference system. Preference was given primarily to persons being reunited with family members already residing in the U.S. (i.e., spouse, parents, children and siblings) and secondarily to persons based on their skills. Provision was also made for some refugees and for investors.³

³ This legislation had three important ramifications. First, Asian and African immigrants were again permitted to enter the U.S., and most of the initial entrants came under the skilled-worker preferences and the investor category because they did not have immediate relatives in the U.S. They were now identified as the "new" immigrants. Second, Latin American immigrants came under numerical restriction for the first time. As a result, many workers who had previously migrated back and forth across the U.S.-Mexico border legally suddenly found themselves redefined as illegal immigrants. Third, to a much greater extent than had been anticipated, family reunification visas came to swamp the visas for skilled workers and investors. The framers of the legislation had anticipated that family reunification would apply principally to the European relatives of the now-aging immigrants already resident in the U.S. By linking new visas to kin already residing in the U.S., family reunification would merely replicate the countries of origin of the foreign-born population. Instead, family reunification was extensively used by the relatives of the newly arrived skilled workers, investors and refugees, creating new patterns of chain migration. And, seemingly, the more immigrants admitted under family reunification provisions, the more new applicants there are for those family-based visas.

The pressures on the U.S. immigration system were intensified by a number of overwhelming pull and push factors. American higher education, reputed to be the world's best, attracted thousands of international students who were the best and brightest of their countries and who received a first-hand taste of the world's most vigorous economy. Wage rates for unskilled workers in the U.S. that might seem very low by U.S. standards seemed very attractive to those with even poorer labor market opportunities in their country of origin. Especially for Mexicans, an undetected entry across the southern border of the U.S. was easy, resulting in a large number of illegal entrants. Even for Asians and Africans, for whom the cost of air travel declined, overstaying a tourist or student visa proved easy to accomplish.

Tensions over the illegal portion of the immigration stream led to a legislative compromise in the Immigration Reform and Control Act of 1986 (IRCA).⁴ This legislation initiated sanctions against employers for knowingly hiring undocumented immigrants, while providing that legally resident workers, regardless of their origin or citizenship status, could not be legally discriminated against in hiring. As a result of confusion over the employers' legal responsibilities neither to hire illegal aliens nor to discriminate against those with legal rights to work, minimal funding for enforcement of employer sanctions, and the virtual absence of any penalties against illegal aliens who are apprehended by the authorities, the illegal alien flow into the U.S. continues. By 1992 apprehensions of illegal aliens increased to 1.3 million, the level that had been attained prior to the 1986 legislation. The law has apparently failed to eliminate the flow of illegal aliens attracted by jobs and other benefits from living in the U.S., although there is some indication that the flow would have been even larger in the absence of employer sanctions. The 1986 Act provided for amnesty for undocumented workers who could prove that they had resided continuously in the country since January 1, 1982. An alternative provision permitted those who had worked at least thirty days in seasonal agriculture to apply for amnesty. Approximately 3 million applicants have been granted legal permanent resident status under the 1986 Act. These amnesties have created the expectation of future amnesties, and some limited amnesty provisions have been written into subsequent legislation. The Immigration Act of 1990 did not affect the characteristics of the immigrant population in the 1990 Census. Nor is it likely that the 1990 Act will be the last major legislative initiative on immigration. Legislative controversies for the 1990s include the definition of refugees and the mechanisms for granting asylum, the admission of skilled workers and the growing illegal alien population.

3. Where immigrants live and their citizenship

3.1 The geographic location of immigrants

Immigrants are attracted to a locality for much the same reason that the native-born are, and so from the beginning of our history there have been distinctive geographic clusters of immigrants. The availability of jobs and of amenities attract migrants. Immigrants also tend to settle, at least initially, in ports of entry. Finally, they also tend to settle near earlier entrants from their place of origin. Explicit government policies to channel immigrants to specific areas have seldom been adopted in the U.S., and when attempted have failed because of subsequent internal migration.

⁴ Bean, Frank D. Vernez Georges, Keely, Charles B, *Opening and Closing the Doors: Evaluating Immigration Reform and RAND Corporation and Urban Institute, Control*, Santa Monica, Ca and Washington, DC, 1989.

Americans are deeply interested in the local economic impacts of immigration, but these impacts are difficult to measure. Because these localities are often growing through internal as well as international migration, it is technically difficult to identify a separate effect of the foreign-born within a labor market. As the number of migrants attracted by jobs rises, local wages should fall and unemployment may rise, but this effect occurs whether the migrants were born in the U.S. or abroad. Some recent work indicates that the internal migration of native-born workers may slow, cease or be reversed in response to international migration, even though immigrants and native-born workers tend to be attracted to areas with growing employment opportunities. Admission to the U.S. is a matter of federal law, and as a matter of constitutional right the states are not permitted to limit migration, neither into nor from their territory. Much like the native-born population, however, once immigrants have entered the U.S. they are entitled to settle and re-settle at will, moving from city to city and from state to state. Indeed, Federal government efforts to distribute Cuban and Vietnamese refugees throughout the country proved fruitless as they tended to concentrate through secondary migrations within the U.S. To the extent that immigrants cluster in only a few states or localities, the impact of immigration, both costs and benefits, will also be concentrated. Thus, while the Federal Government makes immigration policy, much of the impact may fall disproportionately on certain states and localities that have no control over the influx of immigrants into their areas. This imbalance between where policy is made and where the policy may have its largest impacts has resulted in tension between the Federal Government and states and localities that have received the largest numbers of low-skilled immigrants.⁵

3.2 The local impact

Besides absolute numbers of the foreign-born, it is useful to consider the relative impact of immigration on the state and locality. One political issue in this account is the expense borne by cities and states to provide services to immigrants. The cost of providing many public services may differ little for an immigrant or for a native-born migrant with the same level of income, age and family structure, and the immigrants and migrants bear the costs of many of these services through sales taxes and user fees. There is little evidence that immigrants are able to avoid such taxes. Moreover, immigrants are specifically barred from receiving some types of welfare benefits until after some years of residence in the country.

The tension over providing services to immigrants is enhanced, however, in programs whose costs have been shifted to states and cities. When fewer federal dollars were available, states became concerned about the immigrant as a "free rider," especially for costly services such as Medicaid. Although the Federal government disburses some impact payments for refugees and for immigrants legalized under the 1986 amnesty provisions, for the most part the states cannot recover the additional costs of providing public services for immigrants, except through their normal taxing mechanisms. The impact that the immigrants have on state and local services varies according to how many immigrants there are, and with what characteristics such as age. Immigration has traditionally been undertaken by young adults. Although the host country has not clothed, fed, and educated them as children, the host country will reap the benefit of their productive years. Adults in their prime working years are

⁵ Nearly three-quarters of the immigrants are clustered in only six states, with California the leading destination. One-third of all immigrants in 1990 lived in California. New York, which had been the leading destination in 1960, when 24% of the foreign born lived there, was home to 14% of the immigrants in 1990, a distinct second place. Florida and Texas each accounted for about 8% of the foreign-born in 1990, and New Jersey and Illinois for 5% each. The remaining 27% of the foreign born were scattered among the other 44 states and the District of Columbia.

usually self-supporting and tax-payers. Longer life expectancies, the family reunification policy, and the influx of refugees, however, have increased the likelihood that immigrants of all ages will inhabit the communities, and at some ages people are more likely to need government services.

3.2.1 Children and education

More than two million children and teenagers were born outside the U.S., or about 3% of those age 19 and younger enumerated in 1990. In addition, immigrant parents may also have children born to them in the U.S. In the area of education, for which states and localities have responsibility, the uneven distribution of immigrants may present itself as a problem. One service schools must provide is bilingual education. As a result, schooling for immigrant children or the native-born children of immigrants may cost more than providing the same service to the native-born, raised in English-speaking homes. This cost rises with the diversity of the immigrant stream. These nuances are often lost in the debate, however, and immigration itself is seen as the driving force behind the need to provide bilingual (or multilingual) services in schools, courts, public hospitals and other service agencies. The magnitude of the bilingual education debate is illustrated by the fact that one in seven school-age children speak a language other than English at home.

3.2.2 Senior immigrants

At the other end of the life cycle, the distribution of the elderly immigrants may have policy significance. In the 1990 Census, 13.2% of the foreign-born population were aged 65 or older, and 2.2% were aged 85 or older. Although some elderly immigrants have entered the U.S. recently through family reunification procedures, most have resided in the U.S. for decades. Only 5.3% of the elderly foreign born in 1990 have entered the U.S. since 1985. Many of the states with the highest proportion of elderly immigrants have been destinations for immigrants for decades. The presence of older immigrants has potential implications for local health care and other services.⁶

3.3 Naturalization and politics

Naturalization is the process by which immigrants become citizens of the U.S. The immigrant who wishes to become a U.S. citizen must apply for naturalization, which generally requires a five-year residence in the U.S. as a permanent resident alien, demonstration of good moral character, and passing a simple test in English and U.S. history and civics. Naturalization confers many benefits on immigrants, including the right to vote, to hold elected public office (except President and Vice President) and to serve on juries. Additional benefits include greater privileges for sponsoring the immigration of relatives, the opportunity for employment in the Federal Civil Service and certain other government jobs, and certain government subsidies and transfers. Naturalization rates vary systematically by demographic and other characteristics. For example, naturalization rates vary by duration of residence.⁷ An increase

⁶ Treas, Judith, Torrecilha, Ramom: *The Older Population: Demographic, Social, and Economic Trends, 1990 Census Monographs, Vol. I, 1994* .

⁷ It was very low (7%) among immigrants age 18 and older who entered the United States between 1985 and 1990, largely because of the 5 year residency requirement for most immigrants. The rate was 31% for those who immigrated during 1975-84 and the rate rose to 90% among those who immigrated before 1950.

with duration of residence arises, in part, because naturalization involves a waiting period and passage of English language and history/civics examinations. More important, however, may be the delay until the immigrant decides to make the commitment to the U.S., with the reduced ties to the country of origin that are implied by naturalization. Moreover, naturalization rates increase with duration because of the greater likelihood of those who have not made this commitment returning to their country of origin. Although rates of naturalization increase with duration of residence for all regions of origin, naturalization patterns differ sharply by region of origin.⁸

Naturalized immigrant voters may represent an important interest group in a ward or congressional district. To the extent that immigrants cluster within relatively few states, and live within relatively few cities or neighborhoods within those states, their potential political power is enhanced. Although immigration policy is federal in scope, the patterns of geographic distribution have also affected public opinion differently in different parts of the country.

4. The skills of immigrants

The skills that immigrants bring with them to the U.S., or acquire while living in the U.S., affect many facets of their own lives and the impact their presence has on others. Immigrants with more schooling and with greater English language fluency in general have higher occupational attainments, higher earnings, lower unemployment, higher rates of internal geographic mobility, higher rates of naturalization, and lower fertility, among other characteristics. It is, therefore, important to understand the level and temporal changes in the skills of immigrants.

Several patterns emerge from available data: Immigrants have a lower mean and a greater variability in their schooling than do the native born.⁹ While men have a wider dispersion in schooling attainment than women among both immigrants and the native born, the dispersion in schooling is greater for immigrants than it is for the native born, both within gender and overall. A second important pattern is that the educational attainment of immigrants varies less by period of arrival within countries of origin than it varies across countries. As a result, the change in the source countries of immigrants has had a profound effect on both the overall level and dispersion of the schooling distribution of immigrants.¹⁰

The change in source countries of immigrants, with the European/Canadian component declining and the Asian and Mexican component increasing, and other factors, contribute to a decline in the level of schooling and a rise in the inequality of schooling among more recent immigration cohorts. Throughout the post-war period, among men, and since the 1960s among women, the level of schooling has declined with succeeding immigrant cohorts, except

⁸ For example, among those in the United States 15 to 25 years in 1990, naturalization rates ranged from a high of 76% among Asian immigrants (for whom naturalization has been an important step in sponsoring relatives), to 65% for African immigrants, 53% for European/Canadian immigrants, 50% for non-Mexican Latin American immigrants, to only 31% for Mexican immigrants.

⁹ Adult foreign-born men have 11.5 years of schooling and the women 11.1 years, in contrast to the 13.1 years and 13.0 years, respectively, for native-born men and women. Among immigrants the proportion with 16 or more years of schooling is 24% for the men and 18% for the women, compared with 24% and 20%, respectively, for the native born.

¹⁰ Mexican immigrants have the lowest educational attainment, around 7-1/2 years for both men and women, compared with nearly 14 years for Asian men and 15 years for very small groups of immigrant men from Africa.

for the most recent group. Among male immigrants who arrived before 1960 the mean schooling level was nearly 12.5 years in contrast to only 11.1 years for those who arrived after 1975. Among female immigrants the schooling level declined from about 11.8 years (1950 - 1964) to about 10.8 years in the post-1975 cohorts. These declines in schooling level are not likely to be significantly mitigated by immigrants' attending school in the U.S. Post-migration schooling among adult immigrants is small and more likely among those who arrive with a higher level of schooling.¹¹

Moreover, the shift over time in the countries of origin of immigrants has changed the shape of the distribution of schooling. Immigrants from Europe and Canada have a relatively high, homogenous schooling distribution (68% with 12 to 16 years of schooling and 11% with higher levels of schooling). Immigration is now heavily concentrated, however, in two other source regions, Asia and Mexico. Asian immigrants also have high educational attainments (66% with 12 to 16 years of schooling and another 15% with higher levels), but Mexican immigrants have a very low level (60% with 8 or fewer years, 27% with 12 to 16 years, and 1.4% with higher levels). As a result, recent immigrants are more diverse in that they bring both very high level and relatively sketchy educations to the U.S. The proportion of the foreign born with very low educational attainment has increased sharply. Among the adult immigrants in the U.S. in 1990 who arrived in the 1950s, nearly one-quarter (23%) had 10 or fewer years of schooling while among those immigrating from 1985 to 1990 over one-third (34%) had 10 or fewer years. Thus, at a time of increasing skills among the native-born population and at a time of industrial restructuring requiring greater schooling levels to compete successfully in the labor market, an increasing proportion of the immigrant stream has very low levels of schooling.

5. Immigrants and the labor market

Immigrants play an important role in the labor market, and the labor market, in turn, has profound effects on the flow of immigrants to the U.S. and on their adjustment once they are here. Most immigrants come to the U.S. either because of their own (or some close relative's) labor market opportunities. Even refugees, who may have non-economic motives for leaving their country of origin and becoming immigrants, choose among alternative destinations partly on the basis of labor market opportunities. This section focuses on three key issues: employment status, class of worker, and occupational status.

5.1 Employment status

Recent immigrants are similar to other new entrants to the labor market in many of their characteristics. Compared with native-born workers, new immigrants tend to have fewer skills that are specific to the U.S. labor market, their industry, and their employer. They have less experience, shorter job tenure, and lower job seniority than other workers. As a result, both the new immigrant worker and the employer perceive a weaker attachment between the worker and the job, with the result that recent immigrants experience higher job turnover, higher rates of lay-off and discharge, and higher quit rates. This greater labor market turnover need not be dysfunctional, because the employment of new immigrants involves a learning experience for both the worker and the employer. Indeed, one effective way for new workers to learn about jobs is to experience the jobs themselves, which involves job turnover. Job

¹¹ Chiswick, Barry R., Miller, Paul W.: The Determinants of Post-Migration Investments in Schooling, *Economics of Education Review*, 1994.

turnover may entail periods of unemployment from the time of the quit/layoff until the new job is found. New immigrants are also often making investments in school or in special language training programs to facilitate the transferability of the skills they acquired abroad to the U.S. labor market or to acquire new skills. These investments are sometimes made full-time, thereby reducing their labor force participation.

The labor force participation rates of immigrant men age 25 to 64 are slightly higher than the native born, 89% compared with 87%. Among women, the immigrant labor force participation rate of 63% was lower than the 70% among the native born. Thus, while immigrant men are somewhat more likely to be labor force participants, immigrant women are less likely to be participants than their native-born counterparts. Immigrant men and women are similar to the native born in having labor force participation rates that vary systematically with demographic and skill variables. Participation rates increase with level of schooling and vary by marital status. Marriage is associated with higher participation rates for men and substantially lower participation rates for women. Children living at home, particularly young children, are associated with lower female participation rates. Of particular interest for understanding the labor market status of immigrants are the variations in labor force participation rates by duration in the U.S., region of origin, and gender.¹² Labor force participation among the most recent immigrants may be reduced because they are making relatively larger investments in skills specific to the U.S., such as schooling, job training, and language training. The immigrants who arrived before 1950 also have lower labor force participation rates, but they are disproportionately in their 50s and early 60s and many have taken early retirement. Immigrants' labor force participation rates vary systematically by region of birth and by gender.¹³ Labor force participation includes both employment and unemployment, and immigrants experience higher unemployment than the native born. In 1990 the economy was close to "full employment," where full employment means the lowest unemployment rate attainable at a low and non-accelerating rate of inflation.¹⁴

Viewing new immigrants as new workers, not just to the labor market but in the country itself, puts their unemployment experience into perspective. It is therefore not surprising to find higher unemployment rates among the newest of immigrants, and that this differential seems to be largely dissipated after a few years in the country.¹⁵ The highest unemployment rates are experienced by the Mexican immigrants, both overall and controlling for period of immigration.¹⁶ Unemployment rates vary systematically by level of education, with the least

¹² Immigrants in the United States for fewer than five years have lower participation rates than those of longer duration immigrants. Among men age 25 to 64, for example, the participation rates in 1990 of those entering the U.S. in 1985-1990 was 84%, but it was 92% for the 1965-74 cohort. Among women age 25 to 64, the participation rate was 53% for the most recent (1985-90) cohort, compared with 69% for the 1965-74 cohort.

¹³ Mexican-born men tend to have higher rates of participation than other immigrants, particularly during the first few years in the U.S., perhaps because of a lower rate of school enrollment. On the other hand, Mexican-born women have lower rates than other foreign-born women in the same immigrant cohort, only in part because of their larger number of children.

¹⁴ The unemployment rate in the census data among the native-born was 4.8% for men and 4.7% for women. The foreign born experienced higher unemployment rates, 6.1% for men and 7.8% for women.

¹⁵ Among the adult immigrant men in 1990, the unemployment rate was 7.9% for those in the U.S. five or fewer years, compared with 6.2% for those in the U.S. six to fourteen years, and 5.2% for immigrant men in the U.S. for more than 14 years. For women, the gap seems to be larger: an unemployment rate of 12.2% for the recent cohort compared with 8.3% for immigrants in the U.S. six to fourteen years and to the 5.7 percent for those in the U.S. for more than 14 years.

¹⁶ Among adult men, the Mexican immigrant unemployment rate of 8.3% exceeded the overall immigrant rate of 6.1%, while among women the rates were 14.3% and 7.8%, respectively.

educated having the highest rates. The low level of schooling of the Mexican immigrants is partially responsible for their higher rates of unemployment for the same duration of residence in the U.S., but some of the differential remains unexplained.

The employment-population ratio, perhaps the least understood of the three labor force statistics, is the proportion of the relevant population that is employed. Some labor market analysts view this as the most relevant labor force statistic because it avoids the perhaps arbitrary boundary between being unemployed and outside the labor force. The employment-population ratios for immigrant and native-born men are quite similar, 84% and 83%, respectively, compared with the ratios for women, 58% and 67%, respectively. As would be expected from the lower labor force participation rate and higher unemployment rate among the recent immigrants, this group had a relatively low employment ratio, 78% for men and 48% for women. The employment-population ratio shows little variation by country of origin for men. Among women, however, there are larger differences. In particular, Mexican women have a very low employment-population ratio (47% compared to 58% for all immigrant women), reflecting their low labor force participation rate and high unemployment rate.

In summary, the employment status of immigrants reflects patterns similar to those of the native born, but also reflects effects from two characteristics unique to immigrants, duration of residence and country of origin. In general, unemployment rates are higher and labor force participation rates and employment-population ratios are lower during the first few years in the U.S. as immigrants make investments to increase their skills relevant for the U.S. labor market and to acquire information about the labor market through job searches and experiencing jobs. This adjustment process seems to be complete by about 5 years in the U.S. There are few differences in the employment status data by country of origin among immigrants in the U.S. for many years.

5.2 Type of employer: class of worker

The 1990 Census provides detail on whether an employed person is working for a private company, a private not-for-profit organization, a government agency, is self-employed or is an unpaid family worker in a family-owned business. Employed immigrants are more likely than native-born workers to be working in the private sector than for a government agency, but are equally likely to be self-employed. Among those who were employed, 78% of the immigrants, in contrast to 72% of the native born, were private sector employees, with only a trivial difference by gender.

In the public sector, from the local level up through the Federal level, many jobs require U.S. citizenship. Moreover, some government jobs require passing proficiency tests in English that are not required in their private sector counterparts. As a result, whereas 18% of the employed adult native-born men and women (16% and 19%, respectively, by gender) work for the government, among immigrants only 11% (10% for men, 12% for women) are government employees.

There is, however, a very strong relation between government employment and both duration in the U.S. and region of origin. Among the most recent immigrants, those who arrived between 1985 and 1990, only 10% were employed by government, with the proportion increasing with duration until a peak of 16% for the pre-1950 cohort of immigrants. With a longer duration of residence the two primary barriers to new immigrant employment in the government sector become less binding - proficiency in the English language and U.S.

citizenship. Country of origin also matters. Although differences in government employment by country of origin are very small among immigrants who arrived before 1950, they are very large among more recent immigration cohorts, reflecting important differences in education, English language fluency, and U.S. citizenship. This similarity in overall rates masks important differences in self-employment patterns.¹⁷ Rates of self-employment vary by duration of residence and country of origin. Overall, and for all country groups, self-employment increases with duration of residence. For immigrants aged 25 to 64 in 1990 it is 8% for the newest immigration cohort (immigrated 1985-90), rising monotonically to 16% for the pre-1950 cohort. To some extent this reflects the rise in self-employment with age observed even for the native born. It also reflects an independent effect of exposure to, or experience in, the U.S. enhancing self-employment opportunities through increased knowledge and easier access to capital from lending institutions.

5.3 Occupational attainment

Occupational attainment is a measure of the outcome of the labor market process in which workers, with various skills and demographic characteristics, sort themselves out among the myriad of types of jobs in the economy. For the foreign-born men taken as a whole, the differences in overall occupational distribution from the native-born men is relatively small. Fewer than 8% of the foreign-born men would have to change their occupation to have the same occupation as the native-born men. The differences for the women are larger: nearly one in every five of the immigrant women workers would have to change her occupation for the foreign-born women to have the same occupational distribution as native-born women. Not surprisingly, differences in occupational attainment reflect relative differences in education and levels of skill. Asian, African and European/Canadian male immigrants have a very high occupational attainment, higher even than the native born, while Latin American immigrants, particularly those from Mexico, have a very low occupational status. The ranking is reversed at the lowest end of the skill distribution. Although immigrants constitute 10% of all adult males reporting an occupation, they are most heavily concentrated in service (15%) and agricultural jobs (14%) and have the lowest representation in managerial and sales jobs (8% each). Among the women, immigrants are most heavily represented in all of the lower skilled jobs, particularly craft, service and operative/laborer employment. Although one in five women in agriculture is foreign born, this is a small sector for women.

Much of the public debate over immigration has centered on the issue of what kinds of jobs immigrants take. Are they clustered in the jobs that the native born do not want, or are they dominating high-paid jobs in industry, universities and health care? One reason that the debates are confusing is that, as the data indicate, these alternatives are not mutually exclusive. The diversity of the immigrants' impact on the occupational structure is shown both by their dispersion across the occupational spectrum - because they take all sorts of jobs - and by their concentration in certain occupational groups.¹⁸ Generalizations about the immigrant

¹⁷ Among the immigrants who are self-employed, 52% are in service, sales and managerial occupations and only 3% are in agriculture, in contrast to 43% and 12%, respectively, for the native born.

¹⁸ Immigrants figure prominently in some professions, such as physicians (especially women physicians) and registered nurses, while they are much less likely to be found among attorneys and elementary and secondary school teachers. Skilled craft jobs show much the same pattern, with immigrants comprising a very large proportion of some occupations, such as tailors and dressmakers, but much less numerous among others, such as electricians. Finally, as the preceding discussion indicated, immigrants are heavily concentrated in agriculture. Yet even within agriculture there is an uneven distribution as immigrants are concentrated in farm laborer jobs for perishable crops.

impact on the labor market must take into account the general pattern of dispersion across the occupational spectrum and the concentration within certain occupational groups and specific occupations.

6. Marital status and fertility

The distribution of marital status of foreign-born and native-born adults in 1990 is remarkably similar except for the larger proportions of immigrants who report themselves "married, spouse absent," and separated. Immigrants are slightly less likely than the native born to be widowed or married, spouse present.

One heated immigration issue is the extent to which immigrants increase population growth through high fertility. Although many recent studies have indicated that immigrant fertility converges, after several generations, to American norms, the concern has been renewed because so many of the sending countries have current high levels of fertility. The total fertility rate is a measure of the number of children a woman would have, on average, if current fertility rates persisted throughout her childbearing period; the current rate in the U.S. is about 1.85. A total fertility rate of about 2.1 is required for a population to remain at about the same size. In major sending countries such as Mexico, the total fertility rate is about 3.3 children per woman; in El Salvador the figure is 3.9, and in Guatemala it is 4.9. On the other hand, in other sending countries the fertility level is either low or it has been dropping. For example, in China the total fertility rate is 1.9, and in Korea it is only 1.6.

The question then arises, will the immigrants' fertility be typical of their home country, or will it be more typical of the U.S.? Recent studies in both the U.S. and Canada of women immigrants from high-fertility countries have found their overall fertility rates to be very close to those of native-born women.¹⁹ The explanation for this finding may be found in the selectivity of immigration. Men and women who are better educated and have more "modern" attitudes are more likely both to migrate and to have lower fertility. Furthermore, migration is less expensive in terms of out-of-pocket costs and non-money (psychic) costs if there are fewer children in the family. Those anticipating immigration may delay childbearing; those with large families may be less likely to move. Moreover, just as immigrants adapt to the U.S. in other dimensions they may adjust their fertility in response to the same incentives that affect the native-born population of the U.S. Thus, even immigrants who come from high-fertility countries may converge to the low-fertility norms of the U.S. The distribution of women by the number of children they have borne seems quite similar for the native-born and the foreign-born. Foreign-born women as a group are somewhat less likely to be childless, and somewhat more likely to have had a larger number of children.²⁰

¹⁹ Blau, Francine: *The Fertility of Immigrant Women: Evidence from High-Fertility Source Countries* in: Borjas, George J., Freeman, Richard B., eds. *Immigration and the Work Force: Economic Consequences for the United States and Source Areas*, Chicago 1992, pp. 93-133; Sullivan, Teresa A.: *The Changing Demographic Characteristics and Impact of Immigrants in Canada*, in: Chiswick, Barry R., ed. *Immigration, Language, and Ethnicity: Canada and the United States*, Washington DC 1992, pp. 119-144.

²⁰ Of the foreign-born women aged 15 and over, 38% had no children compared with 48% of the native-born, and 18% had one child versus 16% of the native-born. Another 23% had two children, compared with 20% of the native-born. Fully 21% reported 3 or more children, compared with 16% of the native born. Although not quite so likely as the native born to be childless, a relatively high proportion of immigrants women aged 15-30 are childless.

The long-term effects of immigrant fertility on population growth are difficult to project. First, not all of the immigrants' children may be in the U.S., so the population growth may occur in another country. Because the average age at migration is often in the young adult years, it is likely that young children will accompany their immigrant mothers or be born in the U.S. Family reunification preferences make it possible for children born abroad to rejoin their mothers in the U.S. Second, the effect that these children will have on future growth depends on how rapidly they adopt the prevailing American fertility norms.

7. Immigrant income

The incomes of immigrants are of interest for two fundamental reasons. Data on income (including income transfers) provide information on the economic well-being of immigrant households, including the extent to which they are in poverty. Income from labor market earnings indicate the productivity of immigrant workers in the labor market.²¹

7.1 Labor market earnings

Among adult immigrant men who had earnings, the mean earnings were \$27,600, 14% less than the \$32,100 earned by native-born men. Immigrant earnings increased with duration in the U.S., rising from \$20,000 among those in the U.S. for five or fewer years to nearly \$41,700 among those who immigrated in the 1950s. The 1960-74 cohort of immigrants had earnings (\$31,100) comparable to the native born. Immigrants in the U.S. for a longer period of time are likely to be older than more recent immigrants. Yet, even when analyses are performed that hold current age constant, the pattern persists of earnings rising with duration in the U.S., with the sharpest increases in the first few years and thereafter increasing at a slower rate. The increase in earnings with duration in the U.S. reflects the favorable effects on employment and pay rates of greater experience in the U.S. labor market, enhanced English language fluency, and post-migration schooling, among other factors. Earnings also varied systematically by country of origin.²² Within each country category earnings increase with duration of residence, at least until the oldest cohort (pre-1950 immigrants). The steepness of this increase varies across country groups. It is flattest for the European/Canadian immigrants as this group arrived with skills most readily transferable to the US, including a high level of English language fluency.

The pattern in earnings by region of origin reflects the impact of several factors. Differences in duration in the U.S., for example the longer duration of residence of the European/Canadian immigrants, account for some differences in earnings. Yet sharp differences exist even among immigrants who arrived in the same time period. Immigrant earnings also increase with their level of education, although the effect on earnings of schooling is larger for the group (European/Canadians) with the more highly transferable skills. Their higher than average level of schooling also gives the European/Canadian immigrants an earnings advantage. Geographic location in the U.S., pre-immigration labor

²¹ It should be mentioned, however, that the ability of the labor market to meet demand in low-income-workers is important for productivity of companies and the economy as a whole, because high-level productions usually also require low-qualified groundwork, such as logistical services etc. (Peter Stein).

²² Overall, among the major regions, earnings are highest among the European/Canadian immigrants (over \$38,800), closely followed by the Asian immigrants (\$32,000). The earnings of Other Latin American (nearly \$23,600) and Mexican (\$15,100) immigrants lag behind.

market experience, and marital status also influence earnings and vary across the birthplace groups. Using European/Canadian immigrants as the benchmark with other measured variables (such as age, education, time in the U.S., marital status, region of residence and urban/rural location) held constant, earnings are lower by about 15 percent for Asian immigrants, by about 26 percent for Other Latin American immigrants, and about 34 percent for Mexican immigrants.

The earnings of immigrants can also be compared with the earnings of native-born men, when other variables are the same. When this is done it appears that recent immigrants have lower earnings than comparable native-born men, but that their earnings increase sharply with duration in the U.S. As a result, other things the same, the earnings gap between immigrants and the native-born decreases with the duration of residence. The earnings of male immigrants from non-refugee countries reach parity with native-born men at 10 to 20 years duration in the U.S., while those from countries where many of the migrants are refugees tend to have lower earnings and a later "catch-up," if it occurs at all.

7.2 Public assistance

Some observers have feared that continued immigration will constitute a disproportionate drain on the welfare system. About 3.6% of the immigrants (2.5% for males, 4.5% for females) reported receiving any cash public assistance benefits in 1989, a proportion remarkably similar to the 3.7% (2.4% for males, 5.0% for females) among the native born. There is no clear pattern in the receipt of cash public assistance benefits by duration of residence. Although incomes are lower during the early years in the U.S., the major programs require either the presence of children in the family or a waiting period before benefits can be received. Among the major regions of origin, the proportion of immigrants receiving cash public assistance varies from 4.3% among Mexican immigrants to 1.5% for African immigrants. The variation by country of origin reflects differences in income and household structure. In general, these data seem consistent with a conclusion that immigrants use the welfare system at roughly the same rate as do the native born.

7.3 Household income

Household income is an important index of family economic well-being. It is a complex measure because it combines the labor market earnings, property income and money income from public and private transfers of all the household members. The fragmentation or consolidation of households can dramatically change the level and distribution of household income, even if the income of each household member does not change. Overall, the income in 1989 of households in which the household head ("householder") is foreign born was only one percent larger than the native born (\$38,100, compared with \$37,800 for the native born). This difference does not arise from a larger proportion of aged, and hence lower income households, among the native born, because the proportion of the population age 65 and older is about the same for the native born and foreign born (about 13%). There is, however, a different household structure among immigrants, with a larger number of workers per household.

Among both immigrant and native-born households, the lower the earning potential of the individual member, the larger the number of household members who work. Moreover, households with lower income from wages, salaries, and self-employment are more likely to

be eligible for income transfer programs, including unemployment insurance, disability insurance and welfare payments. As a result, the relative differences in household income are smaller across countries of origin and across immigrant cohorts than are the relative differences among the earnings of foreign-born men. In general, household incomes increase with a longer duration of residence in the U.S. of the foreign-born head, but this generalization is tempered by declines among the longest duration immigrants, the cohorts with the largest proportion of aged. Differences exist by country of origin. Overall Asian households have higher incomes than European/Canadian households, but the difference varies by duration of residence. More recent arrival cohorts of Asian immigrants have lower household incomes, but the cohorts that arrived in 1974 and earlier have substantially higher incomes than European/Canadian immigrants of the same duration in the U.S.

7.4 Immigrants in poverty

Although household money income is a useful measure of the household's capacity to purchase consumer goods and services in the market place, it is deficient in that it does not take account of household structure, as measured by the number and age composition of household members. The 1990 Census data provide an index of household money income relative to family size and structure. On the basis of the number of family members and their ages, the Census Bureau calculated the threshold poverty level income for that household. The household poverty index is the ratio of the household's reported money income divided by its calculated poverty threshold. For the foreign-born population as a whole, 18% lived in households with money income below the poverty line, with little difference by gender (17.3% for males and 18.7% for females). This was greater than the poverty rate for the native born which was 12.4% (10.8% for males and 13.9% for females).

The poverty rate of the foreign born reflects patterns seen above in the components of the poverty index, such as income and household structure. Overall, the poverty rate declines with duration in the U.S. until the oldest cohort of immigrants, those who arrived before 1950. The pre-1950 immigrants are, of course, disproportionately elderly, many of whom are in retirement. For others, the poverty decline reflects both increased employment and increased wage rates that occur with duration of residence. The variations in the poverty rate by country of origin are striking. Among the foreign born, the poverty rate varies from a low of 9% for European/Canadian immigrants, which is below the rate for the native born (12%), to a high of 29% for Mexican immigrants, more than twice the rate for the native born. These large differences in the incidence of poverty can be understood in terms of the differences in the underlying components of the index. For example, the higher level of education and greater English language fluency of the European/Canadian immigrants compared with Mexican immigrants translate into higher earnings among those who work. The greater female labor supply and smaller family size of the European/Canadian immigrants compared to those of Mexican origin also result in greater household income and a smaller poverty threshold, and hence a lower poverty rate.

8. The consequences of immigration: summary, conclusions and implications

This essay has analyzed the demographic and economic characteristics of the foreign-born population of the U.S. as reported in the 1990 Census of Population. Three dominant themes emerge: immigration has increased absolutely and relatively, the diversity of immigrants has increased on nearly every measured characteristic and, with the passage of time in the U.S.,

immigrants converge impressively with the native born in their demographic and economic characteristics.

The two basic conclusions from the analysis of the various demographic, skill and economic characteristics of immigrants are diversity and convergence. In part because of the increased diversity in source countries there is now greater heterogeneity among immigrants in nearly all demographic and economic characteristics, including fertility, education, English fluency, earnings, and household income. With a longer duration in the U.S. there tends to be a convergence in many of these characteristics among immigrants and with the native born. With the passage of time immigrant fertility for those from high-fertility countries declines to the norm, all else the same, in the U.S. immigrant employment, English language fluency and earnings also increase with duration, and in the case of employment and earnings even reach levels comparable to the native born with similar measurable characteristics. The high unemployment and poverty rates of new immigrants decline with duration of residence.

The convergence of many characteristics of immigrants with the native born is the optimistic side of the story. The pessimistic side exists as well. An increasing number and proportion of immigrants have been arriving with very low levels of skill, and even though there are improvements with a longer residence in the U.S., their low levels of schooling, job training, and English-language fluency inhibit successful adjustment in the labor market. The results are very low earnings, often low employment, and hence very low household income and a high incidence of poverty. Moreover, these low-skilled immigrants are in direct competition for jobs, housing and income transfer resources with the low-skilled population either born in or long-term residents of the U.S. These problems are exacerbated by the geographic concentration of immigrants.

The challenge to America in the past was the successful absorption in the economy of a large immigration of primarily unskilled workers. Although that challenge was successfully met, the American economy and society have changed. The economy now offers far fewer opportunities for low-skilled workers. In addition, public policy has changed and providing assistance to those in economic need has become an important role of government. Finally, the skills and other characteristics of potential immigrants are more heterogeneous than in the past. This situation necessitates continuous rethinking of all aspects of immigration policy - legal immigration, enforcement of immigration law, and refugee policy - to be sure that U.S. immigration policy and practice are consistent with the economic, humanitarian, and other goals of the U.S. If this re-evaluation is done, the U.S. will continue to meet the challenge and opportunities offered by immigration.

Canada: An Entrepôt Destination for Immigrants?

Don DeVoretz/Christiane Werner

1. Introduction

Canada has participated in a triangular trade of human capital between itself, the United States and the rest of the world for the last 100 years (Dales, 1964). Both European and United States immigrants entered Canada in the millions between 1896-1914 (see Figure 1) with United States immigrants representing Canada's dominant inflow between circa 1908-14. DeVoretz (2000) and Dales (1964) both further argue that in the early 20th century some European immigrants to Canada, as well as Canadians themselves, were tempted to move south by the relative prosperity of the United States. Historically, accessible and fertile Canadian land attracted European immigrants to Canada but, ultimately, higher paying urban jobs in the United States lured some of these European immigrants to the United States. Thus, from the beginning, some European immigrants saw Canada as a potential stepping stone to the United States. Dales (1964) has further argued that those Europeans who remained in Canada created competitive pressures in the job market, which subsequently forced Canadians to leave and seek higher paying jobs in the United States. In sum, Canada's historical immigration experience can be characterized as a complex triangular immigrant flow in all directions between Canada, Europe and the United States.¹

Canada's role as an immigrant entrepôt country continues today with a slightly different set of players. Again, Canada's immigration program at the beginning of the 21st century is partially predicated on replacing, albeit, now highly educated Canadian emigrés who have left for the United States with rest-of-the-world immigrants. The dimensions of this triangular immigration flow have not really changed over the last 100 years. In the twenty-year historical period 1896-1914, 2.6 million immigrants entered Canada while in the modern period between 1986-1997 almost 2.7 million immigrants (see Table 1) arrived in Canada. In addition, during both periods a substantial number of native-born Canadians and erstwhile Canadian immigrants moved to the United States.

¹ Bicha (1975) and DeVoretz (2000) outline the complex return flows of Canadians from the United States and vice-versa in the early 20th century.

Table 1

Immigrants to Canada by region of last permanent residence: 1967-1996

<u>YEAR</u>	<u>Europe</u>	<u>Africa</u>	<u>Asia</u>	<u>Austral</u> <u>ia</u>	<u>U.S.A.</u>	<u>Other</u>	<u>Caribbea</u> <u>n</u>	<u>South</u>	<u>Oceania</u>	<u>NS^a</u>	<u>GRAND</u>
						<u>North/</u> <u>Central</u> <u>America</u>		<u>America</u>	<u>& other</u> <u>Ocean</u> <u>Islands</u>		<u>TOTAL</u>
1967	159,979	4,608	20,740	6,168	19,038	422	8,582	3,090		249	222,876
1968	120,702	5,204	21,610	4,815	20,422	374	7,755	2,693		323	183,974
1969	88,383	3,297	23,319	4,411	22,785	593	13,315	4,767		681	161,531
1970	75,609	2,863	21,170	4,385	24,424	711	12,660	4,385		948	147,713
1971	52,031	2,841	22,171	2,902	24,366	636	11,017	2,902		878	121,900
1972	51,293	8,308	23,325	2,143	22,618	865	8,353	2,143		792	122,006
1973	71,883	8,307	43,193	2,671	25,242	1,141	19,563	11,057	1,143		184,200
1974	88,694	10,450	50,566	2,594	26,541	1,391	23,885	12,528	1,816		218,465
1975	72,898	9,867	47,382	2,174	20,155	1,510	17,973	13,270	2,652		187,881
1976	49,908	7,752	44,328	1,886	17,315	1,356	14,842	10,628	1,414		149,429
1977	40,748	6,372	31,368	1,545	12,888	1,330	11,911	7,840	912		114,914
1978	30,075	4,261	24,007	1,233	9,945	950	8,328	6,782	719	13	86,313
1979	32,858	3,958	50,540	1,395	9,617	732	6,366	5,898	726	6	112,096
1980	41,168	4,330	71,602	1,555	9,926	800	7,361	5,433	942		143,117
1981	46,295	4,887	48,830	1,317	10,559	1,110	8,633	6,136	934	17	128,618
1982	46,150	4,510	41,617	938	9,360	1,651	8,674	6,870	1,181	196	121,147
1983	24,312	3,659	36,906	478	7,381	3,654	7,216	4,816	735		89,157
1984	20,901	3,552	41,896	535	6,992	4,078	5,630	4,084	616	25	88,239
1985	18,859	3,545	38,597	506	6,669	5,016	6,132	4,456	622		84,302
1986	22,709	4,770	41,600	503	7,275	6,078	8,874	6,686	724		99,219
1987	37,563	8,501	67,337	753	7,967	6,873	11,227	10,801	1,074	2	152,098
1988	40,689	9,380	81,136	745	6,537	5,671	9,439	7,225	1,077		161,929
1989	52,105	12,198	93,213	894	6,931	5,870	10,909	8,685	1,147	49	192,001
1990	51,945	13,440	111,739	988	6,084	7,781	11,689	8,989	1,659	7	214,230
1991	48,055	16,087	119,995	952	6,597	13,404	12,922	10,582	2,183	44	230,781
1992	44,871	19,633	139,216	1,191	7,537	12,526	14,952	10,389	2,468	59	252,842
1993	46,602	16,918	147,323	1,319	8,014	7,737	16,563	9,580	1,763		255,819
1994	36,641	13,706	141,587	1,108	6,234	3,503	9,980	7,919	1,197		223,875
1995	41,266	14,631	129,106	1,049	5,185	2,842	10,056	7,538	831		212,504
1996	39,970	14,859	144,210	1,228	5,837	3,409	9,322	6,104	834		225,773
67-85^b	1,132,746	102,571	703,167	43,651	306,243	28,320	208,196	119,778	14,412	4,128	2,667,878
86-96^b	462,416	144,123	1,216,462	10,730	74,198	75,694	125,933	94,498	14,957	161	2,221,071
67-96^b	1,595,162	246,694	1,919,629	54,381	380,441	104,014	334,129	214,276	29,369	4,289	4,888,949
<u>Year</u>	<u>Europe and</u> <u>UK</u>	<u>Africa &</u> <u>Middle East</u>	<u>Asia & Pacific</u>		<u>South/Central</u> <u>America</u>	<u>United States</u>			<u>NS^a</u>	<u>GRAND</u> <u>TOTAL</u>	
1997	38,670	37,792		117,064	17,422		5,028		38	216,014	
1998	38,516	32,567		84,125	14,031		4,768		152	174,159	
1999	38,912	33,441		96,370	15,188		5,514		391	189,816	
97-99^b	116,098	103,800		297,559	46,641		15,310		581	579,989	
67-99^b	1,711,260	N/A		N/A	N/A		395,751		4,870	5,468,938	

Sources: Citizenship and Immigration Canada: *Calendar Years 1967-1996*;Citizenship and Immigration Canada: *Facts and Figures 1999: Immigration Overview*

a Not stated

b Represents cumulative flows for the respective years

It is the goal of this essay to elaborate on this unique Canadian role as an entrepôt country in the immigration process. In particular, we will argue that there exist substantial economic and social costs associated with Canada's participation as an entrepôt destination in this triangular immigration flow. We will term these costs "churning costs" and indicate how Canada loses in this process while others gain. In short, human capital transfers in the modern setting may be Pareto-improving for the world but not for Canada, the entrepôt country.² Furthermore, for Canada, both the existence of a free trade agreement with the United States and a unique Canadian immigration policy, which favours human capital inflows to Canada, ultimately accelerate this triangular flow. I will outline the main features of Canada's modern immigration policy and the mobility provisions of the North American Free Trade Agreement (NAFTA) below to sustain these points.

2. Canadian post-1945 immigration policy

As noted, Canada has traditionally been an immigrant-oriented country. However, the composition of immigrants and the immigrant policy focus have changed over the past few decades to reflect the changing needs of the Canadian economy. After 1945, most immigrants were unskilled European refugees and this ethnic composition of immigrants suited Canada's desire to minimize the pressure on Canada's absorptive capacity. This latter concept of absorptive capacity emphasized the need to attract to Canada immigrants with a common culture and language. A major policy shift occurred in 1967, with the introduction of an immigrant policy based upon an objective "points system." This "points system" assessed immigrant applicants according to objective criteria such as age, education, work experience, language, and occupational demand and not on Canada's ability to culturally absorb the immigrant. This emphasis on human capital characteristics for admission now biased Canadian immigration selection towards highly trained immigrants and effectively eliminated all preferences for specific national groups.

Thus after 1968, the origins of Canada's immigrants changed drastically (cf. Table 1) under this "points system," which was now neutral in terms of immigrant country of origin. Whereas prior to 1968, Canadian immigrants from Europe composed almost three-quarters of all arriving immigrants, the inflow from Europe had dwindled to less than one-third of the total immigrant flow by 1999. In contrast, immigrant levels from Asia, Africa and Latin America have increased dramatically over the last thirty years. Immigration levels from Asia grew from 9 percent of the 1967 total to about 51 percent of all Canadian immigrants in 1999.

Entry into Canada is via one of three entry gates: economic, family reunification or refugee. The economic class consists of principle applicants (and their immediate family members) who must pass the aforementioned "points" test. Currently this test employs the criteria outlined in Table 2 to assess if the principle immigrant applicant has 70 points or more.

² Pareto optimality refers to a condition where the world is made better off due to increased world efficiency. There can be losers and gainers even when the total gains are positive. In this case the migrants are the gainers since they increase their productivity as they move from third world countries to Canada, while Canadians move to the United States and also improve their productivity and income levels. However, Canadian residents lose since the best have left and are replaced by less productive immigrants.

Table 2: Canada's points system in the 1990s

Category		Potential
	Long Term	
Education		12
Age		10
Occupational demand		10
Occupation skill		15
Experience		8
Suitability		10
	Short Term	
English/French		15
Arranged employment		10
Levels control		10
Total		100

Source: DeVoretz, 1995

An inspection of Table 2 reveals Canada's preoccupation with human capital entry criteria for immigrants who enter via the economic gateway. The required seventy points for entry in the independent class all can be earned by achieving the maximum points for the human capital characteristics of age, education, language, occupational skill and experience. Thus, those who enter via this gateway in fact have more education and are younger than the resident Canadian population. Of course, the two remaining entry gates, the family reunification and refugee classes, have no comparable human capital criteria for entry. Simple family affinity or fear of persecution makes a potential immigrant in the relevant category eligible for entry via the family or refugee categories respectively.³

The choice of entry gate – as the country of origin composition – also has changed between 1967 and 1999. Between 1967 and 1973, about 70 percent of Canadian entrants were in the economic class, but after the passage of the 1978 Immigration Act the number of economic immigrants fell to about 14 percent of the applicants by the mid-eighties (DeVoretz, 2000). This rapid decline in the share of the economic entry class was due to smaller annual total entry levels, which under a size restriction gave priority to family reunification entrants. In fact, once the yearly total intake increased in the 1990s (200,000 or more), the proportion of economic immigrants grew to approximately 50 percent of the annual total. Thus, it can be seen that Canada's entry gate policy left the absolute level of family admissions constant and allowed the economic class to fluctuate as domestic economic conditions changed.

³ In fact, economic criteria are indirectly used for admission in the family class. A means test is imposed on the sponsoring family for reunification. In order for a family to be qualified to sponsor a relative, their household income in the preceding year must have exceeded the minimum low-income cutoff point for the city of residence. In addition, the sponsoring family must sign a ten-year guarantee that the sponsored relative will not use social assistance. In 1995, the low income "cutoff" criteria set for Vancouver would have made more than 50% of the post-1986 resident immigrant families ineligible to sponsor a relative (DeVoretz, 1995).

In sum, the post-1967 Canadian immigration policy admitted a substantial number of highly trained immigrants (and others) who were both eligible to enter Canada and tempted to emigrate at a later date to the United States. When Canada entered the North American Free Trade Agreement and the United States changed its Immigration Act in 1990, both the permanent and temporary flow of highly skilled Canadian emigrés to the United States rose.⁴ This required Canada in the 1990s to find replacement immigrants worldwide and re-instituted the triangular movement of immigrants from the rest of the world to Canada after Canadians had left for the United States.

Triangular flow

We first outline the dimensions in the 1990s of the Canadian permanent immigrant triangular flow to the United States and the subsequent replacement flows to Canada from the rest of the world. Next, we will describe the growth in NAFTA or trade-related immigrant flows after 1989 between the United States and Canada. It is a central thesis of this paper that the combined temporary (NAFTA) and permanent flows now constitute the re-establishment of Canada as an entrepôt immigration country.

Table 3: Canada's balance of human capital payments 1989-96: ROW and United States

Occupation	Inflow:ROW	Outflow:USA	Net flow	Net \$transfer at STC
Managers	25,443	20,177	5266	\$948 million
Health Sciences	4,409	7,835	(-4409)	(-\$1.2 billion)
Sciences	20,726	20,595	131	\$33.8 million
Sub-total	50,578	48,607	1,971	(-\$285 million)
Ed transfer				(-\$285 million)
Churning costs				(-\$11.5 billion)
Total costs:	Ed+churning			(-\$11.8 billion)

Table 3 presents a balance sheet reflecting the triangular trade in highly skilled immigrants between the rest of the world (ROW), Canada and the United States in circa 1989-96.⁵ This balance sheet highlights the three main skill categories of the human capital exchange in the 1990s; physicians and nurses (health sciences), engineers and natural scientists (Sciences) and managerial talent. In terms of permanent movers, Canada received a positive net flow of managers from the rest of the world after deducting for the loss to the United States (5266).⁶ In the case of the health sciences, the intake from the rest of the world however did not offset the Canadian outflow to the United States resulting in a net loss to the United States of 4,409 Canadian professionals in the health sciences. Finally, the emigration of Canadian scientists to the United States was slightly offset by the inflow from the rest of the world.

⁴ It should be noted that Canadian citizens would include, of course, erstwhile Canadian immigrants who had obtained citizenship after three years of residence in Canada.

⁵ DeVoretz and Laryea (1998a) document the economic reasons for this revival of the triangular trade in highly skilled immigrants between China, India and Canada and Canada and the United States. At this point we concentrate on the dimensions of the triangular flow.

⁶ This large number of immigrant managers is a product of the unique inflow from Hong Kong and Taiwan. This flow has ended and in fact a reverse flow began after 1998.

In total for the three categories: health sciences, managers and scientists, a slight inflow to Canada of 1,971 skilled immigrants occurred between 1989-96. This small net gain in raw numbers, however, must be placed in perspective. In order for Canada to recruit from the rest of the world 50,578 skilled immigrants between 1989-96 to replace the Canadian emigrés to the United States, Canada had to absorb approximately 2 million immigrants in total from the rest of the world. This intake of 2 million immigrants in order to gain 50,000 highly skilled was extremely costly. First, Canada is a welfare state and has generous immigrant arrival services and thus the settlement costs for the 50,000 highly skilled workers and their immediate dependents exceeded \$285 million (Cdn). More costly was the foregone income lost by Canada during the period of labour market adjustment for the recent highly skilled immigrant arrivals. During the first 10-12 years in Canada, this newly arrived cohort of highly skilled immigrants produced less than the highly skilled Canadian emigrés to the United States did when they worked in Canada (DeVoretz and Laryea, 1998a). This productivity loss from replacing a highly skilled Canadian with a less productive and putative highly skilled immigrant cost the Canadian economy an additional \$11.5 billion (Cdn) in lost output between 1989-1996.⁷

Thus, the cost to Canada for a net gain of 1,971 highly skilled workers from the rest of the world was \$5.9 million (Cdn) for each of the 1,971 net highly skilled immigrants from the rest of the world.⁸ Clearly, Canada could have trained these 1,971 highly skilled workers for a lower cost⁹ Thus, the logic of this calculation implies that Canada should have trained the 1,971 workers at home and bribed them to stay in Canada up to a maximum of \$5.6 million (Cdn) in tax concessions since this would have been more economical than importing workers from the rest of the world.

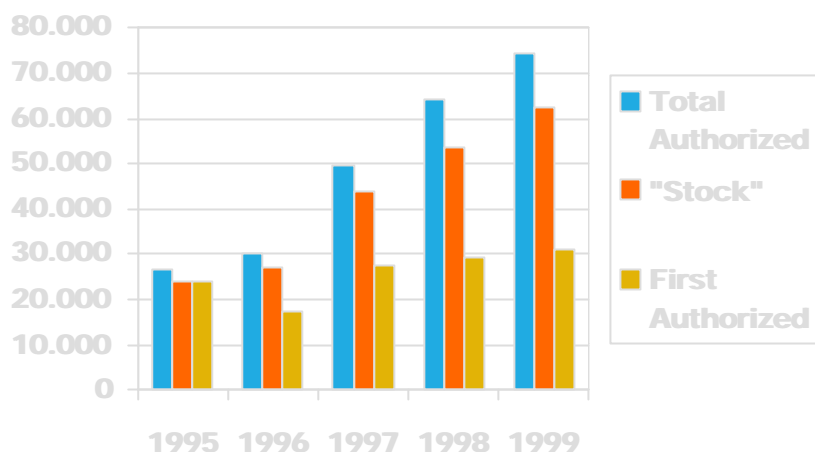
In addition to this outward permanent flow, it is a central thesis of this paper that trade integration, namely the act of Canada and the United States entering the North American Free Trade Agreement accelerated the triangular immigrant movement. This accelerated triangular flow occurred because a "temporary" immigrant component was now added to the permanent flow. In turn, a fraction of the Canadian temporary flow converted to a quasi-permanent resident status in the United States. Figure 2 illustrates our point.

⁷ The productivity loss is measured as the difference in the earnings of the Canadian-born skilled worker in Canada versus the newly arrived immigrant earnings in the first 10 –12 years in Canada. See Laryea and DeVoretz (1998a) for calculation.

⁸ The estimated cost of \$5.9 million (Cdn) per net immigrant gain results from the calculation of \$11.5 billion (Cdn) divided by the gain of 1,971 skilled workers from the rest of the world.

⁹ In fact, the educational cost to the Canadian taxpayer has been estimated to be approximately \$300,000 per highly skilled worker (DeVoretz and Iturralde, 2000).

Figure 1: Canadian NAFTA immigrant stocks and flows in the USA: 1995-99



Source: M. Hoefler, Norris, D. and E. Ruddick (2000)

This resident stock of highly skilled Canadians who continually renew their temporary TN-1 visas is estimated to be 60,000 resident Canadians. This number of quasi-temporary visas now exceeds the number of permanent (46,107) Canadian immigrants reported in Table 3 for 1989-1996. Hence, this quasi-permanent flow of Canadians to the US under NAFTA now has become the major source of highly skilled immigrant movement between the countries.¹⁰

3. Motivations to move to Canada

As Canadians left in the 1990s for the United States, Canada responded by raising its recruitment levels for highly skilled replacements from the rest of the world. But what would induce or motivate these potential immigrants to move to Canada when the economically powerful United States also acted as potential magnet? We review both the historical and contemporary forces that attracted immigrants to Canada below.

Each immigrant entry gate to Canada – economic, family reunification or refugee – superficially represents a unique reason for entering Canada. However, these classifications are only artificially designed gateways and not analytically relevant categories. The twin forces of push factors from the origin country plus the pull of the relative economic and social attractiveness of Canada have both historically and in modern times represented the motives to choose Canada. First and foremost, it must be understood that push factors – economic and non-economic – are the necessary conditions to induce movement to Canada. At the turn of the 20th century, European immigrants were forced to leave Europe due to wars, lack of land or urban unemployment. But why did some immigrants choose Canada when both the United States and Australia were attractive alternatives? First, it has been noted that many movers to Canada did not choose Canada as a permanent destination since they later moved to the United States or returned home. However, for those who stayed, the availability of land was an historical magnet (Bicha, 1973) to Canada as well as the presence of a large number of fellow countrymen who earlier had moved to Canada. It is an historic as well as modern

¹⁰ The United States flow to Canada under the TN-1 visa averages about 15,000 per annum. However, there is no accurate estimate of the stock remaining in Canada.

principle that immigrants tend to follow earlier flows. This networking phenomenon represents the social support of friends, a common language and common culture and accounts for the continuing country-specific immigrant flows long after the initial economic attraction to Canada has dissipated (Chiswick and Miller, 2000).

In modern terms, push forces continue to dominate pull forces in attracting immigrants to Canada. In fact in the modern era, when there were few political and economic push forces in the rest of the world, Canadian immigration levels ebbed (DeVoretz, 1995). Poverty and political instability in third world immigrant-source countries are the twin forces motivating the majority of post-1967 immigrants to Canada. This interpretation is easily rationalized when we make reference to Table 1. China, India and a variety of third world and European transition countries have dominated Canada's immigration flow since 1980. Economic growth in Europe slowed traditional emigration from developed western economies to Canada in the 1970s, and after 1980 political uncertainty and poverty fuelled Canada's supply of immigrants from less-developed countries and European countries in economic transition.

A prime example of the magnitude of a push factor was the political instability associated with the transition of Hong Kong to China. The uncertainty surrounding the continued existence of political and economic freedoms accelerated Hong Kong emigration to Canada between 1986 to 1997. The successful transition of Hong Kong to China in 1997 caused emigration from Hong Kong to Canada to stop. After 1998 a significant return emigration of erstwhile Hong Kong immigrants – who are now Canadian citizens – to Hong Kong has taken place. This is just the latest example of push factors temporarily deflecting immigrants to Canada. In this most modern case, immigrants did not later move to the United States but rather simply returned home. In the Hong Kong entrepôt case, Canada acted as a short-term political haven for these wealthy refugees. Now in 2000 new push factors in Mainland China, namely economic dislocation, are forcing highly skilled mainland Chinese to Canada to replace the Hong Kong movement of the 1990s. These two most recent examples of push factors sending Chinese to Canada have many historical antecedents. First, Hungarian (1956), then American (1960s), South African (1980), Polish (1980s) and Taiwanese (1990) immigrants were all pushed to Canada.¹¹

Pull forces, of course, are also in evidence in the immigration process. After the initial push factors create a pool of immigrants, additional pull factors attract or deflect immigrants to Canada when other possible destination regions beckon. One crucial pull force or magnet to Canada is its flexible immigration policy vis-à-vis the restrained immigration policies of its main competitors, the United States and Australia. The advent of the Canadian "points" system coupled with a timely and generous family reunification program gave Canada a competitive advantage over the wealthier United States. How did Canada's policy initiatives work as a magnet? First, the Canadian "points" system allowed Canada to compete for a greater number of the world's economic immigrants. Next, Canada's flexible yearly total admissions policy allowed a swift increase in its economic immigration component whenever Canada's economy expanded. This flexible immigration policy meant that Canada could recruit immigrants at a faster rate than the United States with its fixed permanent entry quota where 95 percent of the United States immigration slots were reserved for non-economic immigrants. Finally, under Canada's flexible immigration policy, economic immigrants once established in Canada could quickly sponsor their relatives. This was an extraordinarily

¹¹ In fact, many English Loyalists fled New England to Canada in fear of their lives during the War of Independence in the 1780 when the English lost to the Americans.

powerful magnet given that extended family reunification was a priority for Hong Kong and Taiwanese business immigrants in the 1990s.

Economic motives, while predominant as a set of pull factors, are only part of the attraction of Canada to potential immigrants. Social policies including a social safety net coupled with an official multicultural policy and Canada's continued number one ranking on the United Nations Human Development Index attracts many immigrants. The large basket of public goods immediately available to Canadian immigrants is in sharp contrast to the limited or non-existent social benefits for new arrivals in the United States. Moreover, Canada does not require any immigrant either at point of entry or at the ascension of citizenship to have any knowledge of its two official languages (DeVoretz, Werner and Hinte, 2000). In addition, Canada's official multiculturalism act, which favors the retention of home country cultural values, makes integration less of an imperative in Canada than in the United States with its putative policy of a "melting pot." Thus, knowledgeable immigrants may on the margin choose Canada because of its social milieu in lieu of entering the United States where the direct economic rewards are greater.

In sum, Canada's post-1967 immigration policy was more flexible and generous than that of the United States and became a magnet for immigrants who felt pushed by their home country environment (Green and Green, 1996). Thus, it can be argued that Canada has historically revised its permanent immigrant policy to maintain a competitive advantage over its main rival, the United States. However, in the 1990s, Canada lost some of this competitive advantage as the United States instituted a more flexible temporary worker admissions program. Now highly skilled Indian or Chinese workers can by-pass Canada's lengthy permanent immigration program in favor of the United States temporary (H1-B) program.¹²

3.1 Macro and microeconomic impacts

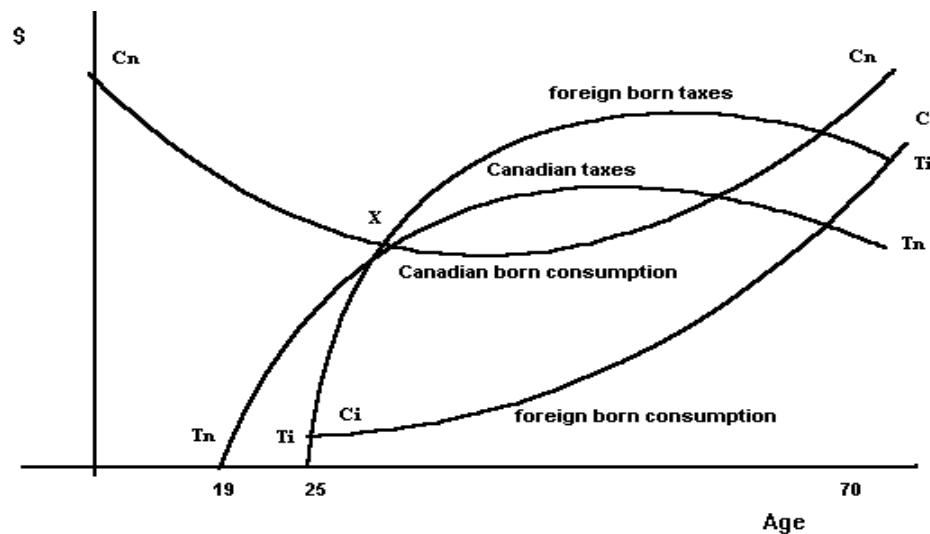
Given the large number of post-1986 immigrant arrivals to Canada, it is relevant to ask if the ultimate economic impact of these immigrants was beneficial on resident Canadians. Most studies focus on the aggregate economic impact of immigrants. Our thesis, however, is that immigration to Canada has created both economic winners and losers and the net aggregate effect is less important. Three main sectors of the Canadian economy, public treasury, labour market and consumption sector, have been affected by the arrival of 2.6 million immigrants between 1986-2000. This concept of economic winners and losers arising in the context of immigration is essential in understanding the lack of political consensus over immigration policy in Canada. In fact, repeated public opinion polls since the mid-1980s find that only one-third of resident Canadians support an open immigration policy. We will argue that these one-third of Canadian resident supporters of an open immigration policy are beneficiaries of immigration. The other two-thirds of Canadians who do not support immigration are either unaffected by immigrants or lose economically. We turn to the public finance sector to begin to document this thesis.

¹² The H1-B program in the United States allows American employers to hire abroad temporary highly skilled workers to a maximum of 130,000 per annum. As with the NAFTA TN-1 visa, the H1-B visa is often converted to a more permanent status.

3.2 Public finance impacts

Figures 2 and 3 present, respectively, the theoretical and empirical dimensions of the public finance impacts of a representative foreign-born household in Canada. The underlying proposition both in theory and in fact is that owing to Canada's somewhat unique selection system, the representative foreign-born household will transfer wealth via the treasury to resident Canadians.

Figure 2: Public finance transfer: optimistic case



In particular, Figure 2 presents a life-cycle analysis of public consumption and tax payments over an immigrant household's lifetime (see Simon, 1984). For example, if Canada admits a 25-year-old immigrant, it is argued then that throughout this immigrant's working life (25-65) tax payments ($T-T_i$) will exceed the consumption ($C-C_i$) of public goods as the immigrant's lifetime income increases in the first 10-12 years in Canada. Thus, the discounted lifetime monetized difference between this immigrant's consumption of public goods (C_i-C_i) and his tax payments (T_i-T_i) yields the immigrant's surplus to the treasury.¹³ The existence of this immigrant surplus implies that immigrants subsidize Canada's resident population.

DeVoretz and Ozsomer (1998) provide the most recent Canada-wide evidence to support the proposition that Canada's immigrant population has in fact provided a public finance surplus to Canada's resident population. Between the ages of 20 and 80 a representative foreign-born household in Canada contributed \$66,156 (1995 Cdn dollars) on average more to the treasury in taxes than they used in services. Also, DeVoretz and Ozsomer find that these Canada-wide

¹³ Public goods consumption is convex since most expenditures occur in youth (health and education) and during old age (pension and health). Tax payments are concave over the immigrant's lifetime because they are directly related to income, which rises upon entry in the labour market and eventually flattens out.

results conceal more than they reveal, and note that the size of the lifetime public finance transfer is a function of the year of immigrant entry, gender and city of residence.

Table 4: Net present value of public finance transfers by Canadian CMSAs: 1995

Location	Canadian-born	Foreign-born	Col 3=(2)/(1)	Col 4=(2)-(1)
Canada	\$60,623	\$66,156	1.09	+\$5,523
Vancouver	\$151,324	\$81,098	.54	-\$70,226
Toronto	\$188,403	\$77,589	.41	-\$101,814
Montreal	\$92,326	-\$1,686	N.A.	-\$99,012

Source: DeVoretz and Ozsomer 1999.

CMASA= Census metropolitan area statistical area

Table 4 depicts the distributional impact of immigrants on the public finance transfers by cities across Canada around 1995. Citywide variations in immigrant public finance contributions were substantial with residence in Toronto and Vancouver increasing the foreign-born net discounted lifetime contributions to the treasury to \$77,589 and \$81,098 respectively. Column 3 indicates the relative contribution of the foreign-born versus the Canadian-born household in each city. In every case, the foreign-born household contributes less than the Canadian-born household does and in particular Montreal's foreign-born transfer is negative. What caused this reversal in Montreal? DeVoretz and Ozsomer (1998) suggest that the poor economy in Montreal coupled with its large number of refugee arrivals as opposed to economic immigrants led to this unique negative finding.

The geographic winners and losers in this public finance transfer process are easy to discern. Toronto and Vancouver were large public finance winners, with Canada as a whole a more modest winner and Montreal a loser in the transfer process. This geographical distribution of public treasury gains has important political implications, which we address at the end of this essay.

Figure 3: Tax payments versus government transfers to male foreign-born head of households, all of Canada (5-year moving average): 1995

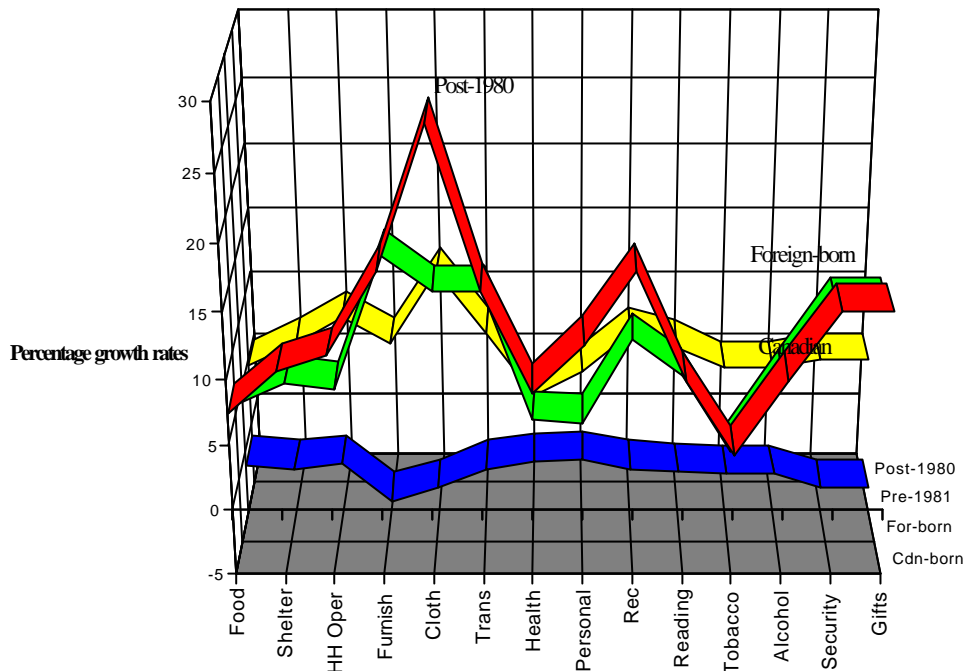


Figure 3 illustrates the large net lifetime transfers from male foreign-born households to all other households including female-headed households. In fact, the net discounted transfer was slightly larger from foreign-born male heads of households (\$93,086) than that transferred by Canadian-born male heads of households (\$92,724). In sum, males, regardless of foreign-birth status, subsidize female-headed households with foreign-born male-headed households providing the largest public finance transfer.

The lifetime pattern of tax payments versus government transfers for households headed by foreign-born females is less sanguine. Over their lifetime, except for the years 45–55, foreign-born female households used more in services than they paid in taxes, leading to a lifetime discounted deficit of \$47,775 around 1995 (DeVoretz and Ozsomer 1998: 27). This relatively poor performance by Canadian-born females is due to their lower earnings and tax payments and greater use of pensions.

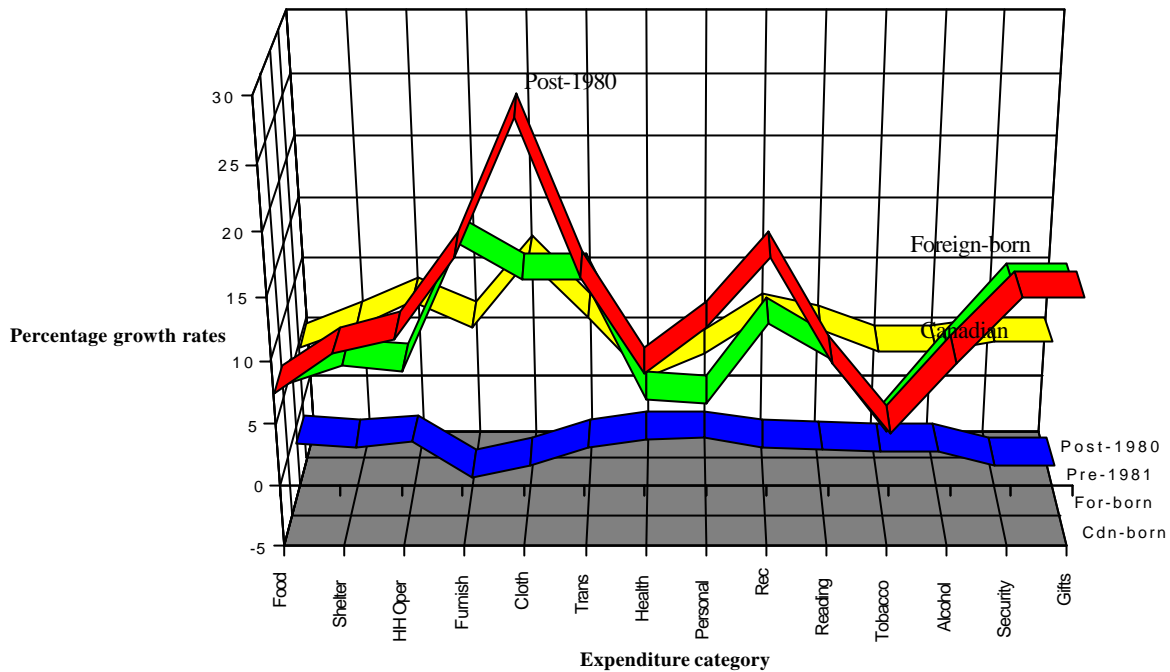
3.3 Consumer good expenditures

Many have argued that immigrants have caused housing speculation and a rise in the price of services and altered the recreational and food choices available within the community at large. Are these casual observations correct? Have new consumption patterns emerged with a new set of relative prices after immigrants arrived in large numbers? We offer evidence for one major immigrant-recipient city – Vancouver – to measure these alleged consumption impacts of immigrants.

A knowledge of some specific behavioral characteristics of immigrants in Vancouver, namely the budget weights for major consumption items and fraction of new income spent on these items, allows us to project these growth patterns as reported in Figure 4.¹⁴

¹⁴ See DeVoretz (2000) Table 9 for these parameters and the accompanying technical construction.

Fig. 4 Expenditure Growth rates in Vancouver: 1990-1999 by birthplace



In short, the values reported in Figure 4 measure the percentage increase in each of fourteen major commodity groups in Vancouver over the 1991-99 period given the income growth and expenditure elasticities for the various immigrant arrival groups.

Several important phenomena arise from Figure 4. First, we pose a counterfactual question. How would Vancouver's expenditure patterns have changed circa 1990-2000 in the absence of immigration to Vancouver after 1981? Furthermore, what would have been the Vancouver expenditure patterns between 1990-99 if no immigrants either pre- or post-1981 had arrived in Vancouver? The underlying premise of both these counterfactuals is that immigrants with different tastes (expenditure elasticities) and income patterns create rents in the retail markets as differential demand grows for particular expenditure groups.

In the counterfactual world of only the Canadian-born in Vancouver, the average expenditure growth for all expenditure groups, with the exception of clothing, is less than 1 percent per annum or in most cases approximately one-half of 1 percent for the decade. Clearly, few rents in the form of rising real prices would appear if no immigrants arrived in Vancouver. Relative real prices would remain unchanged in this counterfactually induced slow-growing retail sector, as supply would easily match the one-half of 1 percent growth rate for commodity expenditures. If we relax the conditions on our counterfactual experiment and create a Vancouver population of only Canadian-born and pre-1981 immigrants, then the counterfactual outcome would realize even smaller, if any, rents than the first case with no immigrants! How do we rationalize this perverse outcome? If we look to the expenditure growth paths of pre-1981 immigrants (lowest line), the average growth rate in total expenditures is slightly negative since expenditures on all items except food declined in the 1990s for this older vintage of immigrants. Why this negative expenditure pattern arose is clear. This pre-1981 group of immigrants is aging (average age 57) and its income has been declining throughout the decade. This decline in household income coupled with positive

expenditure elasticities meant that absolute expenditures across all expenditure items declined.

Post-1980 immigrants created the unexpected rents in the Vancouver retail sector in the 1990s. Over that decade, the rise in real expenditures by recent immigrant arrivals was the driving force behind the change in relative prices in the Vancouver retail sector. For example, shelter, furnishings, and household operations consist mainly of non-importables and the rate of increase in real expenditures over the decade was 10 to near 30 percent in these categories. Since these commodities could not be imported and supply curves were not perfectly elastic, rents in the form of rapidly rising housing prices and rental rate increases transferred wealth from post-1980 immigrants to Vancouver property-owning residents in the 1990s. In fact, tobacco was the only category in which recent immigrants' real expenditure growth rates fell below the Canadian average.

In sum, the post-1981 immigrant group to Vancouver created a unique set of rents owing to an increase in prices for non-importable expenditure items. In particular, rising prices in Vancouver's housing market provided substantial windfall gains to Vancouver residents at the expense of immigrant arrivals and later generations of Vancouver residents. However, in several service, clothing and recreational markets, rising rents were only partially reaped by resident Canadians given the linguistic and cultural differences in these new markets. In fact, under these circumstances, earlier immigrants reaped the rents.

What about transfers across entry cohorts? Do older immigrants finance newer arrivals or vice-versa? DeVoretz and Ozsomer (1998) provide extensive evidence that both the use of public services and the net transfer to the treasury is a function of year of entry. For example, pre-1980 entrants are older and hence more intensive users of Canada's public health and pension schemes driving down their net treasury transfers. In particular, for the younger post-1986 entry cohort, the discounted present value of the transfer was a large \$142,562 (circa 1995) for the representative foreign-born household. This extraordinary performance is owing to this entry group's low use of monetized public services (\$5,000 per annum per household) combined with high tax payments for those aged 35 to 50.

In sum, the foreign-born with a few important exceptions – female headed households and residents of Montreal – subsidize resident Canadians and make resident Canadians winners in the public finance area.

3.4 Social and political consequences

Given that the Canadian foreign-born population comprises 18 percent of Canada's total population nation-wide and considerably more in individual cities, the impact on Canada's social and political institutions is complex and important. In fact, DeVoretz (1996) has argued that the primary social and political impacts from immigration exist at the local level. In the calculus of political support or criticism of Canadian immigration policies, DeVoretz has argued that negative social and economic impacts are concentrated in specific geographical areas while the benefits are geographically diffuse. This asymmetrical distribution of winners and losers in the immigration process led to a crumbling political consensus on the efficacy of immigration in Canada's urban areas. We will argue this thesis in the context of schools, health care, recreation and congestion externalities in the context of one Canadian city – Vancouver. In particular, it must be noted that Vancouver's foreign-born population around 1996 exceeded 40 percent of its total population and the visible minority population is over

one-third (DeVoretz, 1996).¹⁵ However, this population is not evenly distributed across the metropolitan area (Hiebert, 2000). Thus, the geographical concentration of immigrants in selected enclaves causes local frictions, which we will term congestion externalities. These externalities are largely viewed by the resident Canadian-born population as the "costs" of immigration.

Globerman (1998) has reviewed the impact of immigrants on Canada's health system and identifies the only major negative impact of urban immigrants as increasing the length of the queue for public health services.¹⁶ Since Canada's public health care system is on a "first come-first served basis, any additional population will lengthen the queue in the absence of expansion. During the immediate study period – the 1990s –Canada chose to limit its public health system and hence the health care queue was lengthened as immigrants arrived. This was especially true for urban centers where 60 percent of the population growth was owing to immigration in cities like Vancouver and Toronto.¹⁷ Other public good amenities were also affected in the urban setting. In the case of schooling, the impact of immigrant children on the educational system was even more dramatic than in the health care system. For Vancouver and several of its suburbs, second language students circa 2000 comprise a majority of the student body. This new immigrant school-age population has three affects on the resident Canadians. First, the queuing problem manifests itself in the form of limited space, and portable or temporary classrooms have become common in immigrant enclaves. Furthermore, second language instruction becomes a costly and primary activity of some impacted schools. Finally, problems of cultural and educational integration challenges appear in the classroom when the dominant language is not used for informal communication. For example, in areas of Vancouver with a large Hong Kong population both social activities and non-instructional communication in schools is conducted in Cantonese. This inhibits second language acquisition of English by students even at the university level (DeVoretz, Werner, Hinte, 2000). Second language instruction is expensive, over \$1200 (Cdn 1996 dollars) per student per year is required to sustain a second language program in the Vancouver public school system. This financial burden becomes a local burden since the tax receipts captured by the public treasury reported above often do not make their way to the local school board. Thus, even though the representative foreign-born household in Vancouver made a net contribution to the treasury of \$81,098 (Table 4) this money was transferred primarily to the central government. However, the local government must absorb the initial cost of immigrant education with only later partial compensation by the provincial government. This asymmetry in tax receipts and payments leads to the real local problem such that immigrant families are perceived to put a burden on the local school even when it is realized by resident Canadians that immigrants pay more in taxes than they use in services (DeVoretz, 1996).

The immigrant burden on physical infrastructure and public amenities of roads, sewer and water are in most cases similar to the impact from any increase in population. In other words, population growth can, on the one hand, facilitate the financing of public works while, on the other hand, cause congestion externalities. Thus, the growth in suburban Vancouver

¹⁵ Toronto has a greater foreign-born population (52%) with over 40 percent of the population being visible minorities. Visible minorities are persons (other than Aboriginal persons), who are non-Caucasian in race or non-white in colour (Statistics Canada, 1999:100).

¹⁶ Globerman and others note that in general Canada's foreign-born population is healthier and proportionately less of a per capita burden on the health system. However, their greater numbers will still lengthen the queue under a shrinking health care system.

¹⁷ For Vancouver in the absence of immigration, the city would have had a negligible population growth of less than 1/2 of one percent in the 1990s.

communities in the 1990s as an outgrowth of the immigrant arrivals (Heibert, 2000) can lead to more road congestion, pressure on water and air quality along with the necessity of extending roads and sewer and water systems. Immigrants, as we have already noted, are substantial net contributors to most urban treasuries (except Montreal) and may be the financial agents that pay for the expansion. Thus, without further research on how immigrants lower the marginal cost of many public items, the exact impact of immigrants on urban public services is unknown.

These linguistic, educational, health and further impacts on social institutions all yield political impacts. These impacts arise in both the Canadian-born and immigrant communities. In the immigrant community the political institutions and pressure groups developed by Canadian immigrants have two functions. First, they lobby for the transfer of federal funds to their particular agencies to provide services for recent immigrant arrivals. A second political thrust from this immigrant-based lobby group is to criticize immigrant policy initiatives deemed harmful and to support those policies felt to be expansive. We review these two political functions in detail again within the Vancouver context noting that these illustrations are repeated across time and place.

In the Vancouver community, the size of the Chinese population has become so dominant that the support agencies rather than forming an umbrella or multicultural group are ethnic-specific. In this case SUCCESS, or the main Chinese settlement organization, provides services to Chinese immigrants with a complete array of follow-up services including language, vocational training and job placement. These services are all funded by the Canadian federal government through a complex decentralized formula. Although there exists a vague general consensus that this model of decentralized private settlement services financed with public funds is a successful model for integration, caution must still apply in accepting this view. No careful assessment studies of their language or other training programs have been made and the general public and auditors are kept at a distance from all these programs. What is clear, however, as noted above, is that these private but publicly funded settlement services also act as a strong lobby group. In essence, the federal government finances its own critics. This can lead to a narrow interpretation of immigration policies, which does not reflect the mainstream concerns. Two recent illustrations will highlight the complexity of the outcomes from this lobbying activity. The arrival in 1999 of the "Chinese Boat People" elicited a strong and negative lobbying effort to incarcerate and deport these refugees from the Chinese community in Vancouver as well as its largest lobbying group, the aforementioned SUCCESS. This response aided the government's political efforts at demonizing this refugee group. On the other hand, when a major policy change was contemplated, namely, making a limited knowledge of English (or French) a criterion for entry for skilled workers, this same lobby group undermined this proposal. The eventual cross-Canada lobbying by all settlement groups ended this government initiative and the Minister of Citizenship and Immigration subsequently lost her job. In sum, the support of immigrant settlement groups is central for the success of any immigration policy initiative. In essence, mainstream Canadians have been marginalized from this political arena of immigration policy.

What is the political influence of immigrants in the wider political arena of mainstream politics? Are immigrants represented in Parliament and cabinet and do they reflect ethno-centric views or wider political agendas? Again, reference to the Vancouver or British Columbia contexts indicate the political influence of the foreign-born.¹⁸ Circa 2000 the

¹⁸ British Columbia is the province which contains Vancouver.

Premier of British Columbia and the majority of elected members of the federal parliament from Vancouver are foreign-born. This is testimony to the strong political integration of immigrants and testimony that most British Columbians vote by party and not the ethnic status of the candidate.¹⁹ Central to this observation, that federal politics in Canada is not ethnic based, is the complete absence of any immigrant or ethnic party or association, as in Israel. This mainstream integration of Canada's immigrants is owing to two strong factors. First, the largest political party, Liberals, is seen as a pro-immigrant party. Secondly, Canada's immigration policy selects middle-class immigrants through the "points" system and this insures that most of Canada's immigrants share the mainstream but mildly socialist agenda of the Liberals.

Finally, the political consensus at the mainstream federal level is that an expansive immigration policy that is colour blind is both good for Canada and the political fortunes of the ruling Liberal Party. In the last two federal elections (1996 and 2000) the Liberal Party position on immigration was that an open immigration policy with a yearly intake of 1% of the base population (or 300,000) was a moderate position. This position insured strong Liberal support in urban immigrant communities and little negative reaction from the rest of Canadian voters. The vague general knowledge that immigrants are net contributors to the economy as well as the federal treasury insures this political compact. In addition, immigrants form a strong and growing federal force within Quebec against separatist tendencies. Thus the combination of this benign economic impact, continued support for the mainstream Liberal party and a counterweight of separatist pressures in Quebec insures an open immigration policy in the early 21st century.

4. Conclusions

The central thesis of this paper is that the modern post-1990s Canadian immigration experience can be viewed from the *entrepôt* theory of trade. In essence, Canada imports immigrants to partially replace the loss of a substantial number of highly skilled Canadian emigrés. Even when Canada is successful in terms of balancing the numbers, this process is costly. Canada's welfare state leads to substantial immigrant settlement costs. These transfer costs are, of course, ultimately offset by immigrant treasury payments. The real economic cost is the "dead weight" productivity loss resulting from the *entrepôt* of highly skilled Canadian emigrés with rest-of-the-world immigrants who do not match their productivity.

Other more subtle costs of immigration arise in the Canadian context. The diffuse distribution of economic benefits (treasury transfers) and the sharply focused urban costs arising from large-scale immigration have led to a strong urban antipathy towards immigrants coupled with a Canada-wide indifference. Finally, the latest version of the *entrepôt* movement between Hong Kong and Canada has potentially steep political and social costs. If return migration continues, Canadians will resent the use of their passport as a flag of convenience. In sum, the limited political consensus supporting Canada's current open immigration policy is fragile and subject to a continued quiescence on the immigration front. Dramatic arrivals of boat refugees, a rise in domestic unemployment or continued return emigration can undermine the limited (one-third of the population) support for a vigorous immigration program. In fact, 15 years ago under double-digit unemployment and bogus refugee arrivals Canada shut the door

¹⁹ It must be noted that the Premier of British Columbia circa 2000 was not elected but appointed by his party after strong ethnic lobbying.

on immigration after 20 years of an open door. This open and shut door for immigrants is, of course, a unique feature of Canada's immigration policy and perhaps its strongest feature and singular lesson to other countries.

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Australia: A Model of Selected Immigration

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Australia, perhaps even more than the United States or Canada, is a country of immigrants. In 1998, 23.4% of Australia's resident population was born overseas. This means that the proportion of residents not locally born is by far larger in Australia than in the United States, where this group comprises only 9.7% of the whole population. It is also larger than in Canada or in New Zealand, where the comparative figures amount to 17.4 and 17.5% respectively. Among these 4.4 million immigrated "New Australians", 23% came from Asia, 8% from Africa, 27% from the UK, 29% were "other Europeans", 2% North Americans and 10% of these newcomers had oversettled from Oceania. Today, 14.2% of Australia's resident population was born in countries summarized by the authorities under the term NESC, which stands for "non-English-speaking countries."¹ With a growing number of coloured people arriving in Australia, the former "monocultural" (Jupp, 1998: 102) appearance of the society changed since the eighties more and more into a multicultural one. But despite the fact that "multiculturalism" has become an article of faith in the political programs of the major parties, this sociopolitical concept has now to face "a growing scepticism" (Jupp, 1998: 146) in the population.

The emergence of the new One Nation Party (ONP), articulating a right-wing populist and anti-Asian stance, shows that this "scepticism" has begun to take the shape of a strong political challenge to the political culture of Australia. In June 1998, the Queensland election results saw Pauline Hanson's ONP as a political high flier, upsetting the political scene with 22.7% of the vote, leaving behind the Conservatives in this state. Although the party could neither win a seat in the House of Representatives nor in the Senate in the following federal elections, almost every tenth Australian voted for Hanson. And, as leading social scientists have noticed, support for Hanson's ideas is not confined to those who vote for her. In this societal context both Conservatives and Labourites are redefining their immigration policies. Today migration policy strategies are located in the field of conflict between this semi-isolationist societal mainstream on the one side and severe economic requirements on the other side, which seem to offer some good reasons why Australia should remain open vis-à-vis Asia. But at this point a wide gap opens between the positions of Pauline Hanson, who argues that immigrants pose too high expenses to the Australian community and the opinions of scientists like James Jupp, who says that immigration had always a "... dynamic influence on Australian growth." (Jupp, 1998: 113).

1. The composition of population flows to Australia

From July 1998 to June 1999, 84,143 new "settlers" arrived in Australia. 77,451 of these newcomers entered the country within the framework of the various migration and humanitarian programs.² The number of migrants summarized as "refugees" or belonging to the six other humanitarian categories amounted to 11,360. That is to say that 12.3% of all visas granted in this period of time were granted for humanitarian reasons. A by far greater percentage of this "Population Flow" to Australia, i.e. 86.6% belongs to the "Migration Stream." Here, the so-called "Skill Stream" brought 35,000 people to Australia, the "Family Stream" 32,036 persons.

¹ For these and the following data referring to "Population Flows" in and to Australia see: Australian Department of Immigration and Multicultural Affairs: Population Flows: Immigration Aspects. December 1999; <http://www.immi.gov.au/population/flow-dec99.htm> (Recalled on October 6th, 2000).

² Arrivals from New Zealand are not counted among the terminology "immigrants".

Since 1997-98, the share of family reunification regarding the whole migrational influx has been reduced steadily. Whereas this share varied around the 60%-mark, this category has now been downgraded in favor of skill migration. Cutting the annual intakes step by step since the beginning of the decade – i.e. from 112,200 in 1990–91 to 82,500 in 1995–96 – the migration planners in Canberra firstly aimed at both categories. So the family intake was reduced from 61,300 in 1990-91 to 56,700 in 1995-96, going hand in hand with a severe cutback in the Skill Stream from 49,800 to 24,100 over the same period. Now priorities have changed dramatically. Indeed, reducing the whole intake once again in 1996-97 and in 1997-98, the new Government of Prime Minister John Howard directed its restrictions only against the Family Program, simultaneously making room for an expansion of the Skill Program. So whilst cutting back the "places" in the family program from 44,580 in 1996-97 to 31,310 in 1997-98, the Skill Program has been extended from 27,550 to 34,670, reaching the present level of 35,000 in 1998-99. But entry permits conceded under the family category also depend more and more on the skill levels of the applicants. So in 1997, the "Concessional Family Category" – which, for example, in 1990-91 comprised a third of all visas granted under the Family Program – was subjected to "skill-related" prerequisites and has – re-named "Skill-Australian Linked" – become part of the Skill Stream. This, however, has meant not a dramatic change in Australian immigration policies, but a further accentuation of pre-existing priorities which were set a long time ago.

2. How Australia became an immigration country

Today, the general "Skill Level" of those arriving under the Family Program is lower than some respective levels concerning the skills programs. But looking at the "Occupational Profile" of this group, it becomes obvious that the main professions of its members largely correspond with the profile of the "Top Ten Occupations" of all migrants to Australia.³ Professions as computer professionals, accountants, secretaries, clerks, secondary school teachers rank among the top list of main occupations, not only concerning the category of the Family Stream. Regarding immigrants entering the country within this stream, there is a lack of occupations like all kinds of managerial professions, marketing and advertising professions or electric and electronic engineering in the Family Category – causing its lower skill level. But all these jobs, including machinists, motor mechanics, sales and marketing managers, are of that kind that Australia "needs" – and wants to invite. Since the earliest days of Australian history, it was an undisputed outline of settlement policy that only those should be allowed to come who can contribute to the economic welfare of the country, and who are "needed" (Jupp, 1998: 32) for economic reasons. In the 19th century, the farming industry only wanted rural workers.

At the end of the Second World War, the agricultural sector, which was further expanded during the war "by the need to produce food" for England (Jupp: 85), passed through a critical situation. The government at that time recognized that the country now had to diversify its exports and therefore had to develop a "diversified economy." (Jordens, 1995: 25) The fostered industrial development during the years of war was now the basis for an ambitious "post-war reconstruction" program. Politicians knew that this plan to create "larger domestic markets", to guarantee a "more efficient production" and to develop further the "war-boostered manufacturing sector" required – in view of the enormous potentials regarding the mineral resources and the abundance of raw materials and a population of "only" 7.5 million – one thing that Australians had not liked until this time, i.e. a "large-scale immigration" (Lack/Templeton, 1995: 5). Heavy industry, home building and public works needed tradesmen and labourers and when the first "British Migration" stream alone proved to be insufficient to fulfill the plans of the Ministry for

³ See: Population Flows; Migrants in the Labour Market, Part One.

Immigration, founded in 1945, Canberra began to look to post-war Europe, at those homeless Displaced Persons, who lived in camps and desired a new homeland. Arthur Calwell, the first Minister for Immigration, stressed Australia's right to "select from among the refugees" those who were "meeting our known labour requirements." (Calwell, in: Jordens, 1995: 28) And he was very happy about the fact that among these refugees there were many with occupations that Australia needed: Hospital workers, shipbuilders, light manufacturing workers, building workers, engineers, dentists, doctors and once again agriculturalists. The attitude that these influxes should fit into the emerging labour market without delay and should not occur at public expense was reflected by the intention that all migrants should be "directed to work" (Jordens: 33) immediately after their arrival and by the fact that all non-citizens were excluded from all sorts of social welfare payments until 1966. On the other side, this "controlled immigration" nevertheless also meant a form of social security for many migrants, because the state often paid for the passages of these "assisted immigrants". Moreover, in many cases a guaranteed workplace for the newcomer waited. But this kind of planning often was to the detriment of those concerned and sometimes took the shape of what was polemically called "forced labour", because those who had signed such contracts had to remain in their jobs for almost two years. British migrants – of whom still 80% were "assisted" ones as late as 1965 – did not have to face such problems. In regard to this group, policy "was directed towards encouraging the migration of skilled workers, especially from the steel and shipbuilding industries, the metal trades and motor manufacturing. (Jupp: 86, 87, 93, 94). But the first phase of industrialization also required unskilled or semi-skilled workers, especially in the agricultural and mining sectors. Although former refugees from East Europe began to form an important – but mostly unskilled – industrial workforce, the population planners of the 1950s wanted to attract more unskilled workers from Europe, especially "from rural and provincial backgrounds", to create a form of strategic reserve for the expanding manufacturing industry (Jupp: 107/108). To this end a series of agreements concerning assisted immigration were signed with some European states, starting with Italy and Holland in 1951 and West Germany, Greece and Austria in 1952. When further demands for labour arose from the manufacturing and construction industries, this network of agreements was extended, including countries like Malta, Cyprus, Yugoslavia and Turkey until the 1970s. These "free passages" were soon outnumbered by unassisted ones, comprising three-quarters of all arrivals from Italy and Greece between 1947 and 1968, for example. There were now other ways to come to Australia and to find work there without delay, especially the "nomination-schemes", which gave the employer the opportunity to recruit workers directly from abroad. However, the boom of the manufacturing industries ended in the 1970s. Its share in GDP decreased from 28% in 1965 to 17% in 1985. In the course of the "restructuring of industries" (Lack/Templeton: 160) many work procedures, carried out by unskilled or semi-skilled labour, disappeared. Not shortage of work, but unemployment became the main problem of economic and labour market policies in this decade. Following Calwell's postulate that immigrants should never compete with Australians for jobs, immigration policy now became more and more restrictive. New priorities were set, skilled and business migration was favoured, the influx of unskilled labour stopped. Although the chapter of "Assisted Immigration" had been closed in the 1970s and 1980s, some aspects of it remained. And the main objective of population policy was and is that Australia always wants to "select" those coming to this country. This way, Australian entrepreneurs, alongside with trade unions, always had a word to say in immigration policies.

3. Who is a "desirable type"?

Since the 1940s, it has been generally accepted by all the major parties that the major societal groups have to participate in decision-making processes concerning these matters. To guarantee this desired "substantial degree of community participation" (Hawkins, 1989: 32), a series of

"Councils" have been established since 1947, starting with the Immigration Advisory Council that year and the Immigration Planning Council in 1949. The Advisory Council consisted of representatives of the major employer's organizations, on the one side, and the Australian trade unions, on the other. Its main task was to "monitor the `sociological effects of immigration'" (Jordens: 31). In contrast to this body, the members of the Planning Council were "considered to be outstanding individuals, who would impartially represent community views on certain matters and could speak with special knowledge on industrial problems" (Jordens: 32). As industrialists and unionists, they together with academics and "community leaders", had to provide the Minister for Immigration with the essential information on the impact of immigration on the economic situation and the labour market.

In 1975, the Planning Council was replaced by the Australian Population and Immigration Council (APIC) and a new Advisory Council was set up that also included representatives of the leading migrants' organizations. The ensuing conservative Government under Prime Minister Malcolm Fraser then created the Australian Council on Population and Ethnic Affairs, which should later replace the APIC. Scientists such as economists, demographers and psychologists had now joined the body. Since these times, the Councils stressed the importance of an increase in skilled labour migration. Until then, the demand and search for unskilled labour had not needed comprehensive "points-tests", as they were used in Canada since 1967. Now Australian immigration politicians tried to learn from Canadian experiences. Canadian points-tests at this time were based solely on economic factors. The first Australian points-tests also included questions concerning the "appearance", "personal hygiene", "speech and behaviour" of the applicants.

Later, the "points table" – developed in the 1980s – was entirely built only on economic considerations. With the exception of spouses, unmarried children, fiancés/fiancées and parents of residents of Australia, all other applicants belonging to the category "Family Migration" had now to undergo this test. This naturally applies to all skill categories, including "labor shortage and business migration", "independent migration" and "special eligibility." The stratification of this points table clearly demonstrates that "professional, technical and skilled workers, whose qualifications are recognized in Australia" (10 points), who are "employer nominees" (16 points) or belong to the classification "other arranged employment" and "occupational shortage" (10 points in each case), who are at the age of 25-35 (8 points), who have finished tertiary or full secondary education (8 points or 6 points respectively), whose "employment record" is "outstanding" (10 points) or "good" (8 points), whose entry is sponsored by an Australian citizen, i.e. employer (25 points) and who are therefore counted among "labor shortage and business migration" (25 points), have the best chance to score the 60 points required for an entry permit. Semi-skilled (6 points) or rural and unskilled workers (2 points), applicants, who are either younger than 20 or older than 40 (2 points) – or than 45 (0 points) –, who have finished only first part secondary (5 points) or "some education" (3 points), whose employment record is "poor"⁴, have no chance to pass this test. Recent changes, implemented in order to strengthen the flexibility of the selection system towards the labour demand in industry and business, have limited the points tests to the Skilled Independent & Skilled Australian Sponsored category, which on 1 July 1999 replaced the Independent and the Skilled Australian Linked categories. Whereas the points table in regard to this category now contains stronger requirements concerning "Australian qualifications" and "work experiences", schemes regarding Employers Nominations, Business Skills and Distinguished Talents have become "demand driven." This means that employers and "industry bodies" are now entitled to participate directly in setting up the so-called "Migration Occupations in Demand Lists" (MODL), which are the basis for these

⁴ It is not clear or clearly defined what this means.

labour recruitment-programs. So in 1999-2000, 12,200 out of the 35,000 planned "places" in the Skill Migration Category will be occupied this way. But the demands of the Australian industry and the labour market do not correspond with the conceptions of Pauline Hanson's ONP. Already in 1998-99, 17% of all persons "nominated" for entry by employers, came from China, Hong Kong, India, Japan and Korea, 19% from South Africa as well as 27% from "other" countries except the UK, Canada or the USA. Regarding the Business Skill Stream, 32% of all visas granted under this program have gone to migrants from Indonesia, 16% to applicants from Taiwan, 14% to South Africans, 7% to Malaysians, 6% to newcomers from Hong Kong, 6% to Chinese and 4% to Singaporeans. The Skill Stream in its entirety also shows a great majority of non-European migrants with 48% coming from Asian countries and 22% from South Africa.

4. From "White Australia" to "Australasia"?

In 1947, 89.7% of all Australians were of anglo-celtic origin. (Jordens: 7). It had not only been the aim of British colonial policy of the 19th century to create a "New Britannia" on the other side of the globe (Jupp: 1). Even after the formation of the Commonwealth of Australia in 1901, this strategy was maintained and so non-British minorities remained a *quantité négligeable*. When Minister Calwell in 1947 confronted the Australians with the fact that the realization of the ambitious reconstruction program required more "alien immigration", he reassured them that "non-white" immigration remained undesirable. His notorious and often cited remark that he never wanted Australia to become "a chocolate-coloured nation" is the background of a bitter political and academical dispute that lasts until today. The question as to what extent this "White Australia Policy" – officially defined in 1901 – was based on a racist or racial ideology still absorbs the energies of many Australian historians and political scientists. Speaking of the "servile races" of Asia and allowing the first persons from the Baltic and Poles to come to Australia, because they are "young and blond" (Jupp: 106), Australian politicians apparently were not afraid of getting in with the wrong political crowd even so shortly after the end of World War II. As such ideas could not have come from Britain, many Australian authors are tempted to speak of a "Nordic racial" ideology, which seems to cause awkward associations. But this fight for "racial purity" in Australia always remained a war of words, not of deeds. Furthermore, this wall around this often cited "Fortress Australia" had some – economic – secret entries even before 1945. For example, in 1919 several Indians, Pakistanis and Ceylonese were exempted from the then existing immigration restrictions, because as merchants or servants they were "useful" to economic development. But although there was a growing number of "Asian" arrivals coming from former British colonies as Malaysia in the 1960s, it took a further period of time until the strengthening of foreign and foreign trade relations with Asia made the White Australia Policy obsolete. But, as Jupp states, "it still echoes down the years in public and media debate." (Jupp: 82) And so, he draws a line directly from Arthur Calwell to Pauline Hanson. But the default of skilled and business migrants from Europe in the 1970s was also partly responsible for the shift of Australian population policies towards Asia.

5. Reshaping the influx in response to economic recommendations

In 1976-77, 73,189 "settlers" arrived in Australia. In March 1977, the Minister of Immigration told Parliament that the Government has to deal with the problem of a growing number of people – also "former immigrants" – leaving the country "to settle elsewhere." He numbered the annual average loss of skilled workers at "30,000 to 40,000 people, ...representing a significant loss to the labour force"(Hawkins, 1989: 128). From 1972-75, the government reduced the annual intake of migrants significantly from 132,719 to 52,748. This measure was due to the growing

unemployment rates during this period. When in the mid-70s the entrance rates and the net migration rates began to decline without pressure, politicians started to worry about this development, as they came to the conclusion that this problem was due to "skilled labour shortages" (Hawkins: 153). Immigration policymakers then had to realize that their country did not have the same attraction for migrants coming from Europe and seeking social and economic advancement as only ten or twenty years before. Europe was no more post-war Europe and Australia itself a crisis-prone country. Skilled and business migrants, to whom settlement in Australia could mean a social improvement were no more to be found on the other side of the globe, but perhaps in the closer, neighbouring regions. And the views of the planners of the mid-70s then seemed to be confirmed, when the increase in the annual rates of intake from 52,748 in 1975-76 to 118,000 in 1981-82 went hand in hand with an economic recovery. Accepting "coloured immigration" as an economic requirement meant that the Australian nation had to redefine itself anew. Although non-British immigration had become the main factor in population flows to Australia since 1945 – its share of total immigration amounted to 63.9% in 1947-1951, to 71.1% in 1951-61, to 50.5% in 1961-66, to 56.7% in 1966-71 and to 59.7% in 1971-76 – the "Australian identity" remained an "Anglo-derived identity" (Rubinstein, 1996: 118) – or an European one. But today it is widely held in Australia that immigrants coming from other non-European cultures have "different values from Europeans". But it is also undisputed that business immigrants from Hong Kong, Taiwan or Singapore have contributed to economic growth. However, recent studies on the macro- and microeconomic consequences of immigration in Australia have come to different conclusions.

6. The success or failure of migration programs in Australia

In theory Australian immigration or population strategies aimed at giving the labour market only what it needs seem to be the best way of channeling international population flows to the advantage of the admitting countries. In practice, however, there seem to be some problems. So, for example, Alvarado and Creedy (1998: 57) stress the "difficulties in the transferability of skills of immigrants to the Australian labour market." This above all is a problem concerning the NESB-immigrants. Although the level of skills of migrants belonging to this category is also – as it is the case with ESC-immigrants – "generally higher" than that of the "native workforce" (See: Foster and Baker, 1991; Wooden et al., 1994), NESB-migrants are "over-represented among the unemployed, the long-term unemployed and the underemployed." Regarding those who could be integrated into working life, Alvarado and Creedy (1998: 48) furthermore noted that "high levels of skills and educational qualifications do not translate into equivalent occupation and earning status for NESB immigrants". Flatau et al. (1995) found out that 35% of all NESB-employees "had a level of education higher than the level required for the tasks actually performed". Compared to this number, only 13% of all ESC-employees carried out a profession that was not equivalent to their qualification. (Alvarado/Creedy, 1998: 49). But looking at the data-bases offered by some scientists, such as Birrell and Jupp, one can draw several conclusions from these figures that do not match with the opinions of the authors.

6.1 The costs of immigration

The most outstanding result of the study "Welfare Recipient Patterns Among Migrants", published in July 2000 and carried out by Bob Birrell and James Jupp, was that "the overseas born have slightly lower welfare-recipient rates than do the Australian-born for each age group." (Birrell and Jupp, 2000: 18) So in 1996, 9.2% of Australians born overseas and aged 15-24 were welfare recipients, compared to 16.0% of Australian-born citizens in this age group.

12.0% of all immigrants aged 25-44 depended on social welfare payments, whereas 16.1% of all Australian-born persons did so. With increasing age, Australians by birth and naturalized citizens depend more and more the same way on the public purse, reaching almost the same ratios (65.8% and 66.4%) in the age group 65+.⁵ Compared to Germany, for example, where this ratio is totally inverted – showing a "Sozialhilfe"-recipient rate three times higher within the foreign population than amongst German citizens⁶ –, these figures seem to indicate the execution of successful immigration and economic integration policies.

But, according to Birrell and Jupp, there are some clouds on the socio-political horizon in Australia. Their wide-ranging interpretation demonstrated that amongst the whole intake of immigrants there were certain groups that had and have shown higher welfare-recipient rates than the Australian-born. But at this point things become difficult. The main difficulty in this context is due to the fact that the former Department of Social Security (DSS) – now re-named Department of Family and Community Services – applies other classification stratas to divide up its – alien – clientele in certain categories of persons than the Department of Immigration does. Although there is a clear distinction between Australians by birth and welfare recipients born overseas, with the latter category divided up into so-called "English Proficiency (EP)" groups, this system of division is not comparable to the one used by DIMA-statisticians in order to describe population flows to Australia. So the data sources of the DSS do not produce a clear distinction between or dichotomy of European (as well as North American) and non-European migrants as the DIMA-figures on immigration generally do. One could also say that this is – politically – not intended in this department.

On the other hand, this strategy can also produce counterproductive results. So as a consequence results that show the welfare recipient rates among persons belonging to the EP4-category are of limited validity in regard to the political debate on "Asian immigration" – or, at least, they can produce false images. Taking note of the fact that, for example, 25.4% of female and 21.1% of male persons in this category and aged 45-49 receive social welfare payments compared to only 17.3 and 14.0% of Australian-born citizens in this age group, most Australians think of welfare recipients as being of Asian origin, because this category officially comprises all migrants coming from countries "where less than 50% of recent arrivals stated... that they spoke English well." (Birrell and Jupp, 2000: 15). Ignoring the fact that this definition is as soft as wax, the real problem behind it is a political one and it becomes explosive in the current societal context. This above all refers to the age groups 50-54 and 55-59 in this category, where the share of welfare recipients amounts to 39.2 (31.9) and 51.3 (41.6)% compared to only 24.0 (17.4) and 38.7 (26.7)% among the Australian-born (Birrell/Jupp: 19). An inclusion of the EP3-category, which "includes countries where 50 to 80% of recent arrivals indicated... that they spoke English well" in this comparison shows similar ratios with welfare rates of 34.1 (24.2) and 54.0 (35.3)% in these two age groups. Like elsewhere, Australian politicians or scientists, who refer to such figures, run the risk of allegations as to being racist or, on the other side, of meeting with the unanimous approval from the wrong political side and therefore of provoking an "anti-Asian sentiment" (Walsh, 1990: 100) among the population. But it is this EP-classification system itself that is likely to provoke dangerous misunderstandings and misleadings. So EP4-countries are not

⁵ These high percentages are due to the fact that old age pensions in Australia are not insurance benefits, but tax-funded and income-tested welfare payments. In this context, it seems necessary to point to the study by Alvarado and Creedy (1998), who stated that in 1995 "overseas-born people ...present the highest rates of people receiving social security pensions..."(72). These results do not correspond with the findings of Birrell and Jupp. But in contrast to Jupp and Birrell, these authors do not present total numbers in addition to their calculated percentages. They are also using ESB and NESB-categories that are not used by the DSS. As a consequence, preference should be given to the studies of Birrell and Jupp.

⁶ Calculated on the basis of figures provided by: Statistisches Bundesamt (Hrsg.): Datenreport 1999, Bonn 2000.

only East, South and South East Asian countries, but also Turkey. And category EP3, which most Australians also relate to "non-European origin", comprises in addition to Indonesia and other Asian countries, to Egypt and "Other Mid East & North Africa", to "Other Africa" also Poland, Greece, Italy and Former Yugoslavia. This classification is very interesting, because welfare-recipient rates for males and females coming from these European countries and aged 45-64 are very high, ranging from about 30% to above 50% and are in this way comparable to the rate of, for example, the Vietnamese. But this, in fact, does not result from current immigration policy. It stems from the seventies, when most of the members of these nationalities arrived in Australia as the last members of the wave of unskilled workers, as shown above, especially from Greece and Italy. On the other hand, Malaysia and the Philippines, India and Sri Lanka belong to the EP 2 category "which includes those countries for which at least 80% of recent arrivals indicated ... that they spoke English well." Using "English proficiency" as the main criterion for this classification, it seems to be understandable that these countries – as former British and American colonies – are not put in the same category as Vietnam or Indonesia. But among EP 2-countries rank also, beside Germany and Austria, for example Spain, "Former Czechoslovakia" and "Former USSR & Baltic States". Welfare recipient rates in this category are significantly lower than in all other categories, i.e. also lower than in category EP 1 "which includes those from the Main English Speaking countries", and which therefore comprises New Zealand, the UK, Ireland, North America and South Africa. Recipient rates in this EP 2-group, and here in all age groups, amount to almost half the rates of the Australian-born and the EP1-migrants. (See: Birrell and Jupp, 2000: 19).

Re-examining the data bases provided by Birrell/Jupp and comparing it with some DIMA-statistics, one must conclude that varying degrees of dependency of migrants on social welfare payments are not a matter of different geographical or "racial" origins of the migrants, but are tied up with the Migration Program under which visas were granted. It seems to be evident that among EP3 and EP4-countries there are those that can be described as the major sources of the humanitarian, i.e. refugee stream. In South East Asia these are Indonesia (EP3), Cambodia and Vietnam (EP4). So while in 1998/99, 2491⁷ immigrants from Indonesia entered Australia, 1869 asylum-seekers from this neighbouring country applied for a "Protection Visa". They alone represented one quarter of all applicants. Arrivals from Vietnam and Cambodia are considered to be the "typical" refugees since 1975. But in 1997-98, 49% of all "settlers arriving as part of the Humanitarian Program" came from Europe, " mostly from Bosnia-Herzegowina and Croatia."⁸ This seems to be why "Former Yugoslavia" ranks among the EP3-countries as does Lebanon. But there is another interesting fact: A considerable majority of those settlers, who entered Australia as "parents" under the family reunification program came from EP3 and EP4-countries.⁹ In taking note of the main findings of Birrell and Jupp that "welfare use increases in line with age ..." and that these welfare recipient rates are high among immigrants belonging to the EP3 and especially the EP4-categories, the Minister for Immigration recently announced further reforms concerning parent entry arrangements, in order to ensure that this form of family reunion does not present a "burden on taxpayers."¹⁰ But to what extent do social welfare recipients in the EP3 and EP4-categories really present a financial strain on the Australian

⁷ DIMA Fact Sheet 2. Key Facts in Immigration; <http://www.immi.gov.au/facts/02key-1.htm> (Recalled on November 15th, 2000).

⁸ Australian Bureau of Statistics: Australia Now- A Statistical Profile. Population. International migration. <http://www.abs.gov.au/ausstats/abs.nsf/Lookup/NT0000B186> (Recalled on November 15th, 2000), p.3.

⁹ Population Flows, p.19.

¹⁰ Philip Ruddock MP, Minister for Immigration and Multicultural Affairs; News Room: Arrival Age Determines Welfare Usage for Migrants; 4 September 2000; http://www.minister.immi.gov.au/media_releases/media00/r00091.htm (Recalled on November 15th, 2000).

taxpayer? Certainly, percentage rates of welfare recipients are higher in the EP3 and EP4-categories than in the EP1 and EP2-classes. But in total numbers, EP3 and EP4 are by far smaller groups than the first two. Adding the numbers provided by Birrell and Jupp (2000: 19) for each age group in each category, following results can be obtained: EP1 comprises 1,198,161, EP2 1,046,912, EP3 887,510 and EP4 275,039 welfare recipients. That is to say that the number of welfare recipients belonging to the EP1 and EP2-classification is twice as high as the respective ones in the last two categories. Furthermore it can be stated that 3,407,622 overseas-born welfare recipients are up against 8,356,224 Australian-born people that live on various forms of income support. In a country where one quarter of the whole population comes from abroad this ratio seems to be acceptable. Compared to the situation in Germany, where 23% of all social aid recipients are foreigners,¹¹ whereas the proportion of foreigners amounts to only 9%, the problem of migrants depending on the public purse seems to be a minor one in Australia. And the plans to cut or to restructure the Family and the Refugee Programs seem not to be attempts to solve a serious problem, but a measure to prevent its development. The decision, to extend the waiting period for welfare payments to two years after arrival – which comes close to an exclusion of all non-citizens from all social services, because after two years every newcomer is eligible for citizenship – has for this reason only limited saving effects and can be seen as a political – and not budgetary – overreaction due to the emergence of such anti-immigration movements as One Nation.¹² It is true that welfare recipient rates are high among new arrivals belonging to category EP4 (Birrell and Jupp: 23) – and not only here –, but in some cases the receipt of welfare benefits increases with time spent in Australia. The main form of social welfare paid to recent arrivals are unemployment benefits. But this also does not indicate a failure of the strategy and the attempts to integrate migrants into the labour market as soon as possible.

6.2 Immigration and unemployment

In 1996 – the last date up to which according to Birrell and Jupp exact data material regarding the structure and composition of Australia's welfare clientel is available (and will be available until the next Census in 2001) – the rates of people receiving unemployment benefits in all age and both gender groups in category EP4 were twice the rates in the category Australia-born (Birrell and Jupp: 27). They, for example, amounted to 15.8% for males aged 40-44 and to 21.2% for males aged 55-59. These are the kind of "alarming" results that Australian politicians – and not only those belonging to the ONP – and trade unionists often quote to show the negative impact of migration on the Australian labour market. But when Senator Peter Walsh in 1990 stated that in 1986 "the unemployment rate for migrants who speak no English was 42%", he complained about the "compositional defects of our migration program." (Walsh, 1990: 99). But meanwhile, as seen above, these "mis-compositions" have been removed and even if unemployment rates are still high in the EP4-category, this today is only a minor problem, because its share of the whole immigration intake has been reduced steadily. EP1 und EP2-categories also show lower unemployment rates than the Australian-born. This also contrasts with Germany, where the unemployment rate regarding "Ausländer aus Anwerbeländern" is

¹¹ Datenreport, p.212.

¹² So the general outlays for Social Security and Welfare could not be reduced since 1997. Where an effect of stabilization can be noticed, this trend is due to overall measures and changes made in order to provide benefits only "to those most in need." And the "decline in outlays" for the unemployed only "reflects the transfer of the young unemployed to the new Youth Allowance payment (...)." See: Commonwealth Budget 98-99, Budget Paper No. 1. 6. Social Security and Welfare. [http:// www.treasury.gov.au/publicbudget/1998-99/bp1/HTML/BST407.htm](http://www.treasury.gov.au/publicbudget/1998-99/bp1/HTML/BST407.htm)

almost twice as high than the same rate within the German population.¹³ The significance of regularly adjusted intakes seems evident. But there appear to be also other advantages. Thus many analysts stress that the increase in unemployment in the 1970s, for example, was at that time caused by the "fall in migration" (OECD, 1996: 76). Causes and effects often seem to be mixed up. But it seems to be a paradox that when the Conservative Government under Malcolm Fraser increased the annual immigration rates significantly after 1976, unemployment rates fell slightly. However, the Australian example shows that not only the quantity of migration, but also its quality determines its effects on the economy. Giving priority to skilled migration, Fraser gave the economy exactly what it needed. So it does not seem unjustified to state that "employment growth in Australia over the latter part of the 1980s outpaced all other OECD countries, averaging over 3% per annum" and that "labour force growth... has also generally been among the strongest in the OECD area, with average annual growth in the 2 to 3% range in the 1960 to 1990 time period" and to establish a connection between these facts and the "net migration flows" (OECD, 1996: 69, 71). But – as seen above – one must also point to the composition of these flows.

6.3 The gains of selected immigration

"Australia's impressive economic performance in recent years" (OECD, 2000: 47) – with growth rates in the range of 4% since 1992, reduced to as little as 2.8% in 1996/97 (OECD, 1999: 30), with its low inflation rates touching below the 2 per cent mark since 1996 (OECD, 2000: 39) – has contributed to its reputation of being a "Lucky Country". (bfai, 1999: 5) Australia's integration in the Asian economic sphere seemed to become a history of success – until the Asian crisis in 1997. But despite this economic downturn in the nearest neighbourhood, Australia's economic standing remained unchanged. Both seem to be connected with some aspects of population policies in the context of this wide-ranging opening to Asia. Thus Australia's good export performance since 1985 was primarily due to its good export performance in South East Asia – which became even stronger than that of the United States in this region (OECD, 1997: 121). As OECD economic surveys indicate, especially "small and young" Australian enterprises that are "active participants in cross-border networking" (OECD, 1997: 120) were the driving forces in this process. Exactly those who had and have direct and best access to local markets in South East Asia, are those "former" Asian businessmen, who were attracted by Australian business migration programs and are now doing their jobs as Australian citizens. Furthermore, those who entered the country as business migrants contributed their capital to the Australian economy and therefore increased capital stock.

In the aftermath of the Asian crisis, Australia's improved international price competitiveness allowed the exporters to divert their exports to new markets in Europe and America which were not crisis-ridden. Additionally, growing domestic demand also helped to counterbalance the effects of the Asian crisis. (OECD, 2000: 25-31.) Following the argument "that immigration increases aggregate consumption per head" (Alvarado and Creedy: 50), one could be of the opinion that increasing domestic demand, and especially increasing private consumption since 1997, has contributed as an immigration-driven factor to prevent an economic crisis. But OECD-analysts do not confirm such opinions, because there have been many other causes for this behavior of Australian consumers, including the growth of real wages.

¹³ Datenreport, p.570.

In general, immigration has not been the only factor that affected economic development in Australia. Economic growth has also been fostered by other factors, including structural reforms aimed at deregulating the Australian economy and the ASEAN-connection. So one can state that "selective" immigration policies have not hindered, but – in line with other factors – contributed to economic welfare. But the decisive factor remains this "selectional" approach of Australian immigration policy.

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Migration Policy and Socio-economic Outcomes: New Zealand's Experience with the Point System

Rainer Winkelmann

1. Introduction

New Zealand, with its 3.6 million inhabitants in 1996, is the smallest of the four "classical immigration countries" on the Pacific Rim that include Australia, Canada and the United States. Although New Zealand is a minor receiving country on a world scale, immigrants constitute a large fraction of the population, 17.6% in 1996.

New Zealand shares with the other classical immigration countries the common background as European colony that was followed by a period of relatively unrestricted immigration of Europeans in the 19th and 20th centuries. More recently, New Zealand became one of the few countries in the world, together with Australia and Canada, to introduce and operate a point system to control immigration. It is for this latter reason that a study of the New Zealand experience is of substantive interest to European academics and policy-makers interested in issues of migration. As the "New Zealand Economic Reforms" attracted scores of international observers interested in ways of liberalizing markets and reforming government, New Zealand's immigration system could in principle serve similarly as a role model for immigration reform world-wide, and in Europe in particular.

Before thinking about any potential transferability and adaptation of the point system, one should address and understand the following questions: What has been the main motivation behind the introduction of the point system in 1991? What are the basic features of the system? What have been the experiences with the system since its inception? Has New Zealand's point system been a success? These are the questions that the following pages will attempt to answer.

An evaluation of the impact of the immigration rules on outcomes faces the same methodological challenges as the evaluation of any economic reform in general. What is the counterfactual? What would have happened had the point system not been introduced? How should one account for the effect of the general changes in the economic environment, in New Zealand, as well as in the potential sending countries? In this paper, two general strategies are followed to shed some light on the possible effects of the changes to immigration policy. The first strategy is a pre-/post comparison, i.e., a comparison of immigration flows and settlement outcomes before and after the 1991 introduction of the point system. The second strategy is a comparison with Australia, linking differences in the systems to differences in outcomes, if any.

In anticipation of the more detailed conclusions that are to follow, it can be said that as many of the enthusiastic expectations associated with the general economic reforms of the 1980s were disappointed by subsequent economic development, the experiences with the point system are mixed as well. While some features of the system worked quite well (e.g., it is a transparent, rational system with reduced bureaucratic overheads and, to some extent, it gives better control over immigrant numbers), it has failed to bring into the country the promised steady stream of highly qualified migrants who contribute to New Zealand's economic

growth. In contrast, unemployment rates of the most recent cohort of immigrants were exceptionally high, and income levels were quite low.

The next chapter starts with a description of the quantitative dimension of immigration: how many immigrants entered New Zealand, and what were the contributions of external migration to population growth. The following chapter summarizes the main features of New Zealand's immigration policy over the last decades, as well as the current point system. In chapter 4, an attempt is made to evaluate the immigration policy using empirical evidence on immigrants arriving in the 1990s. Chapter 5 concludes.

2. Migration in New Zealand: a quantitative view

Throughout the last decades of the 20th century and the beginning of the 21st century, New Zealand remained a relatively unpopulated country by world standards, and hence offered ample potential for population growth.¹ How were these opportunities perceived and dealt with, and what were the results that followed? A possible measure for assessing the openness of a country and the effects of international movements of people on its population size is net permanent and long-term (PLT) migration. As an island state New Zealand can keep relatively reliable records of border movements through arrival and departure cards. Departures for 12 months or longer (but not necessarily permanent), or arrivals with an intended stay of 12 months or longer are classified as "long-term" migration. Apart from some other socio-demographic characteristics, the statistics also keep information on country of birth, country of citizenship, and residence status in the local country.

Table 1 provides information on population sizes and net-PLT migration for New Zealand between 1979 and 1996. New Zealand's population grew by 16 percent (or 0.8 percent per year) from 3.1 million to 3.6 million. Remarkably, despite being an immigration country, New Zealand had a negative cumulative net-PLT migration rate, i.e., more people left New Zealand long-term or permanently than arrived. The underlying PLT immigration and emigration flows had a quite different composition, as is apparent when New Zealand nationals are considered separately from non-nationals. The third column of Table 1 gives the net-PLT migration statistics for non-NZ nationals only. It is found that non-NZ PLT migration generated a substantial surplus of 240,000 people between 1979 and 1996, 48 percent of the total population growth over the period. Moreover, the trend in non-NZ PLT migration was upward, reaching more than 1 percent of the population in 1996. In the early and mid-1990s, New Zealand's immigration programme was substantial. However, the large inflow of immigrants was more than offset by international movements of New Zealand nationals who generated a combined deficit of 342,000 between 1979 and 1996. While there was a net loss of NZ nationals in every year, the magnitude was quite volatile, ranging from almost 40,000 in 1979 to less than 2,000 in 1984.

¹ New Zealand has about 33 inhabitants per square mile. This is well below the United States (74), or Western European countries such as Germany (600). (Statistical Abstracts of the United States, 1994).

Table 1: Permanent and long-term (PLT) migration, New Zealand, 1979-1996

	Population (in thousands) (1)	Net-PLT Migration (2)	Net-non-NZ PLT Migration (3)	(2)/(1)×100	(3)/(1)×100
1979	3137.8	-40200	-2776	-1.28	-0.09
1980	3144.0	-34417	2603	-1.09	0.08
1981	3156.7	-28479	1331	-0.90	0.04
1982	3180.8	-11482	8689	-0.36	0.27
1983	3221.7	3180	10685	0.10	0.33
1984	3252.8	6558	8276	0.20	0.25
1985	3271.5	-8084	6648	-0.25	0.20
1986	3277.0	-21613	6420	-0.66	0.20
1987	3303.6	-14269	11453	-0.43	0.35
1988	3317.0	-15625	12353	-0.47	0.37
1989	3330.2	-24708	12477	-0.74	0.37
1990	3362.5	-4018	14624	-0.12	0.43
1991	3406.2	11616	15555	0.34	0.46
1992	3442.5	4287	12289	0.12	0.36
1993	3480.2	6848	15570	0.20	0.45
1994	3526.4	15587	23706	0.44	0.67
1995	3580.0	21697	33756	0.61	0.94
1996	3640.0	29832	44952	0.82	1.23
Change 79-96					
(in thousands)	+502.0	-103.3	+238.6		

Most outmigrating New Zealand nationals leave for Australia. The Trans-Tasman Travel Agreement gives full freedom of movement, i.e., nationals can live and work anywhere in the two countries without a requirement of residence or work permits. As a rule of thumb, one in ten New Zealanders can be found in Australia.² Of course, many migrants return, and "permanent migration" is difficult to define in this context. However, of the estimated 404,750 New Zealand nationals who were present in Australia at 30 June 1999, slightly more than half had been there for more than 12 months (DIMA, 2000).³ In principle, the Trans-Tasman Travel Agreement would also allow Australians to settle in New Zealand. But this option is taken up much less frequently, and only 54,708 Australia-born people were enumerated in the 1996 New Zealand Census. Hence, Trans-Tasman migration is to a large extent a "one-way street".

Of course, the emigration decisions of a country's nationals are not (at least not directly) subject to government policy. By contrast immigration policy directly affects the inflow of non-nationals, whereas settlement policy is one of the determinants of the outflow of non-

² The economic determinants of Trans-Tasman migration have been studied in Brosnan and Poot (1987), Gorbey, James and Poot (1999), Poot (1995), Poot, Nana and Philpott (1988), and Nana and Poot (1996), among others.

³ Of the 24,686 New Zealand permanent migrants to Australia in 1998/99, only 76 percent were born in New Zealand. The rest were "step-migrants" (DIMA, 2000). New Zealand permanent residents can apply for citizenship after 3 years of residence (Citizenship can be obtained after 2 years of residence in Australia).

nationals. Hence, one should focus on the gross or net inflow of non-nationals as an indicator of the stance of immigration and settlement policy, rather than on overall net migration. The net-inflow of immigrants, as defined by net-PLT migration, was on average 0.38 percent of the population in New Zealand. In the period 1991-1996, i.e. after the introduction of the point system, the average net migration rate of non-nationals was 0.68, much higher than the net migration rate before the reform.

The long-term importance of immigration for New Zealand can also be assessed by analysing the composition of the population at a given point in time. Common measures used in this context are the composition of the population by place of birth (i.e. foreign- or overseas-born versus native), the composition including second-generation immigrants, or, more generally, the ethnic composition. These are long-term measures, since depending on mortality, age at arrival and the population increase of the native population, the proportion of migrants is affected by the cumulative immigrant flows over the last half century and longer, and there is no simple link between the more recent flows and the overall stock of migrants.

The proportion of foreign-born residents is large: 17.6 percent of the New Zealand resident population was foreign-born in the 1996 census, the last census available at the moment (Cook, 1997). At current immigration rates, the share will further increase, as both the departure of New Zealand-born people and the arrival of overseas settlers pushes the proportion of foreign-born up. For instance, between 1986 and 1996, i.e. in just ten years, the proportion of foreign-born among New Zealand residents increased by more than two percentage points from 15.4 to 17.6 (Winkelmann and Winkelmann, 1998a).

3. New Zealand's changing immigration policies

In any classical immigration country, a distinction can be made between economic and social migrants. The social stream has again two components, one being family reunification, the other humanitarian. While the humanitarian programme tends to be the smallest among the three in New Zealand (this programme includes an annual allocations of 800 UNHRC refugees, but the total size usually is two or three times as large), family reunification is a major factor.

The emphasis of the further analysis will be on New Zealand's policy rules for the selection of economic migrants. Only this category provides the immediate possibility to select migrants based on personal characteristics and thus to exert a direct influence on "quality" aspects of migration. Two developments stand out behind the policy changes of the last half-century. The first is the abolition of ethnic background considerations; and the second is the shift from an "occupational needs principle" towards a "general skills principle", reflecting a change in the perception of the economic benefits of the types of skills that are involved.

3.1 Ethnic and occupational targeting

One of the most important characteristics of immigration policy is its ethnic dimension. The colonial past shaped immigration policy in New Zealand well into the second part of this century. For instance, Commonwealth citizens of European ancestry and Irish citizens had unrestricted right of entry for residence until 1974. Compared with the other three classical immigration countries, New Zealand was slow to move away from an immigration policy which favoured some migrants and discriminated against others. For instance, workers from

so-called "Traditional Source Countries" were given priority in filling positions on the occupational priority list until 1986. To recruit from a non-traditional migrant source country an employer had to show they could not recruit either in New Zealand or from a traditional source country and that the skills were not in demand in the country of origin (NZIS, 1997). This was a substantial constraint on occupational entry from non-traditional countries.

Traditional source countries were those from which New Zealand had previously taken substantial numbers of immigrants and/or which had vocational training schemes similar to its own. Initially, this list included most countries from Western and Northern Europe, plus Italy, the United States and of course the United Kingdom. This was effectively a "white New Zealand" policy, although it was not called that at the time. In the mid-1970s, however, the list of countries was extended, opening up the possibility for large-scale immigration for Pacific Islanders. Pacific Island immigration was also given a boost by a general amnesty in 1976 for a large number of *de facto* immigrants who had come to New Zealand with temporary work permits and were given permanent residence status. Pacific Island immigration remained important throughout the 1980s.

It was not until 1987 that the notion of traditional source countries began to soften its grip on immigration policy in New Zealand. The reality, in terms of operational selection criteria and entry policies, came five years later in 1991 with the introduction of the points system. The implementation of this more open immigration policy was directly linked to the wish to explicitly acknowledge New Zealand's location in the Asia-Pacific region (considering that immigration from within this region might foster trade and attract investment, in particular from the Asian 'tiger' economies). By the same token, just as the points system made it easier for migrants from Pacific Rim countries to qualify for entry to New Zealand, the same selection criteria had the effect of discouraging migration from the Pacific Islands. The skill requirements of the points system, coupled with a tight labour market for less skilled workers, reduced migration of Pacific Islanders substantially.

The cumulative quantitative effects of past immigration policies are visible in Table 2, which shows the distribution of the foreign-born population by region of birth for New Zealand in 1995/1996. UK and Ireland were the most important countries of origin. The only substantial non-UK inflow from Europe was a Dutch migration wave in the 1950s. In addition, a large number of New Zealand's immigrants came from Oceania, i.e., mainly the Pacific Islands. The share of Asian immigrants was about one in five.

Table 2: Foreign-born population in New Zealand by region of birth, 1995/1996

Oceania	26.30
UK and Ireland	38.62
Other Europe	6.93
Middle East & North Africa	0.73
Asia	21.81
North America	3.37
South & Central America	0.00
Africa	2.24
Total	100.00

Source: Winkelmann and Winkelmann (1998a), Table A3. Data come from the 1996 Census and include working age population only (15-64). Based on a list of 34 countries that had at least 1000 migrants enumerated in the census.

The introduction of the point system in 1991 also completely dismantled the previous system of occupational targeting. Traditionally, successive New Zealand Governments from the 1950s and 1960s onwards regarded economic immigration as an instrument of labour market policy, to be applied to alleviate skill shortages in particular sectors, rather than as a force for broader economic growth. The mechanism used to control entry on this basis was an "Occupational Priority List". Employers wanting to recruit persons for occupations not on the list had to demonstrate that no suitable local resident was available or readily trained. This requirement stopped in 1991.

3.2 The point system

Official statements define goals of current immigration policy to attract "migrants who would make the highest contribution to employment and income growth" and "to maximise the gain in productive human capital while maintaining provisions for migrants to enter New Zealand for social and humanitarian reasons" (NZIS 1997). Hence, economic migration is deemed to enrich the country with "productive human capital" and "broad based skills". The motive of short-term fixes for occupational labour market imbalances has been replaced by a longer-term perspective that matches the current rhetoric surrounding the "knowledge society".

The immigration programme for economic migrants is implemented as a point system. Points are allocated for employability, age and settlement factors, and an adjustable pass mark is set in order to meet a given target number of successful applications. Initially, a target was set explicitly for residence approvals under the point system (i.e., for economic migrants). However, there is some uncertainty what the target actually was. A number of 25,000 was sometimes cited. It remains unclear whether this number referred to all approved applications or to the number of persons approved, a substantial difference since in general more than one person (the family) enters under a single application. In practice, approvals and arrivals were quite volatile, exceeding the given number substantially in the mid-1990s.

From 1998 on, the immigration targeting was made more specific and operational. A global immigration target was set at 38,000 for all persons approved for residence in a year. This corresponds roughly to an annual immigration rate of 1 percent of the resident population per year. Importantly, though, this target comprises residence approvals in all categories. The scope for economic migration through the point system thus partially depends on the migration pressures in the other non-economic categories.

In the point system, points are awarded in ways thought to promote a selection of "the most productive" applicants. From the perspective of human capital theory, the task is to determine the value of the transferable human capital a person is endowed with (or, more precisely, the present value of the stream of income associated with that human capital). Not surprisingly, then, the factors entering the point system are similar to those one would find in a typical Mincerian earnings function, augmented by life-cycle considerations: e.g. the level of schooling, actual labour market experience, language proficiency, and age. The points awarded to each characteristic could be seen as an assessment of the returns to these productive characteristics (in terms of higher lifetime productivity/income) in the host country labour market.

Table 3 gives the structure of the point system for skilled migrants in New Zealand as it applied around the turn of the millennium. The guiding principles of the human capital model can be clearly identified. The New Zealand pass mark at the time was set at 25 points. A

maximum of 12 points could be obtained for formal qualifications (Master degree or higher), a maximum of 10 points for experience (one point for each two years), and a maximum of 10 points for age (25-29 years). An offer of employment brings 5 points, and a variety of other settlement factors can bring a maximum of 7 additional points.

Table 3: Summary of points scored in New Zealand's general skills category

Qualifications

Ten points for base qualification

Eleven points for advanced qualification

Twelve points for Master degree or higher (compulsory registration for certain occupations)

Host country qualification

Two points for a New Zealand qualification that is recognised for points

Work experience

One point for each completed two years of experience, up to a maximum of 10 points.

Offer of employment/ occupational targeting

Five points for offer of ongoing full-time employment; no occupational targeting

Age

8 points if 18-24 years

10 points if 25-29 years

8 points if 30-34 years

6 points if 35-39 years

4 points if 40-44 years

2 points if 45-49 years

Migrants must be younger than 55

English language

All principal applicants and any accompanying family members aged 16 years and over must meet band score of 5 in each component of the IELTS test or have an English-speaking background. Principal applicants must meet the English language standard. Accompanying family members can instead pre-purchase language training. The cost depends on the applicant's current level of English (NZ\$1,700-NZ\$6,500)

Settlement funds

One point for \$100,000

Two points for \$200,000

Spouse skills

One point for base qualification

Two points for advanced qualification

Host country work experience

One point per year up to two points

Family sponsorship

Three points

PASSMARK

25 points

FEES

NZ\$700 and a settlement fee of NZ\$180 per person (NZ\$720 maximum per family) payable upon arrival in New Zealand.

There is a trade-off between age at the time of application and labour market experience that can be illustrated with some simple calculations. Assume that an applicant had an uninterrupted working career. In this case someone who started to work at the age of 18 obtains a maximum of 16 points for age and experience if aged 29-39 at the time of the application. For a starting age of 20 years, 16 points are reached for those aged 39 on application. If the applicant started to work at the age of 25, the maximum achievable number of points is 14 when aged 44. Despite the step-wise nature of the system, a general pattern emerges: in general, it is better to have started the working career at an early age. The optimal migration age is an increasing function of age at entry into the labour market. Interestingly, the inclusion of points for experience leads to a system where immigrants tend to be older (the prime-age range is between 29 and 44).

The pattern is complicated, though not overturned, by including also qualifications, as qualifications and experience for a given age are negatively related. The "returns" for a qualification beyond the base qualification are not very high (or even negative, if other factors are taken into account). In general, a Ph.D. is worse off than an applicant with a Bachelor's degree only, because the years spent as a student do not qualify for work experience. The relative large weight that the system puts on the accumulated experience may have unwanted consequences. For instance, one may wonder whether the system sufficiently appreciates the common research finding that younger immigrants tend to integrate faster and better into the host country labour market than older immigrants. The Australian system is here distinctly different. Only 10 percent of the total passmark are related to experience. Almost two thirds of the passmark can be obtained through qualifications alone. At the same time, Australia encourages younger migrants, one sign being that the cut-off age for economic migration is set at 45 years (55 years in New Zealand).

Finally, the implementation of the language requirement deserves some comment. The rules have changed on at least two occasions since the introduction of the point system in 1991. Initially, the English language requirement affected the principal applicant only. No points were awarded but a certain level of proficiency was a non-negotiable requirement. In October 1995, the English language requirement was extended from just the principal applicant to all adult family members. A bond had to be paid per non-speaker to the government. The bond was refunded if sufficient English skills were acquired within a certain period of residence. This had a strong discouraging effect for Asian migration. In a partial reversion, the bond-system was replaced in 1999 by the requirement for non-proficient immigrants to pre-purchase English language training in New Zealand.

4. An evaluation of New Zealand's immigration policy

This section reports on an attempted evaluation of the effects of the point system on outcomes. Has the introduction of the point system in 1991 been a successful policy? Are the points awarded for the right individual characteristics? As important as these questions are, they are as difficult to answer. The difficulty lies in finding the right benchmark that could indicate what would have happened in the absence of the point system or under a different point system. In the following, two strategies are followed to shed light on the above questions. The first strategy is a comparison between Australia and New Zealand, implicitly taking the Australian point system as benchmark. The second strategy is a comparison of New Zealand's immigration experience before and after the 1991 reform. Of course, one first needs also to define by which criterion of outcome one wants to measure the success of the reform. I will follow here much of the economic literature on the topic that focuses on the "quality" of

an incoming immigration cohort, defined by its skill level, its country-of-origin composition, and its observed labour market outcomes (employment rates and incomes). This perspective excludes for instance the issue how migrants affect the labour market opportunities of natives. It also is a short-term view that does not directly address the question of how immigration promotes growth, if at all.

4.1 Comparison between New Zealand and Australia

Due to limited availability of comparable statistics for the two countries, this section concentrates on three comparisons. First, the proportion of skilled migrants among all migrants is analysed, indicating potential differences in the "bite" of the selection process with regard to the quality of the average migrant. Second, differences in the country of origin composition of successful applicants are studied. Third, unemployment rates of recent immigrants are compared.

The proportion of points-tested migrants among all migrants in a given year is an indicator of the potential effects of the point systems for skilled migration on the overall immigrant quality. Non-points-tested migrants come either as family or as humanitarian migrants. Table 4 aggregates these two categories into a single "social" migration category. It is found for New Zealand that about one half to two thirds of all migrants were subject to the points test between 1992 and 1998. In Australia, where family and humanitarian migration was relatively more important, the proportion of points-tested migrants varied between 25 and 50 percent. Efforts have been made in recent years to increase the share of economic migrants, with some success, as can be seen from Table 4.

Table 4: People approved for residence by category: economic/social

NEW ZEALAND (by calendar year)							
	1992	1993	1994	1995	1996	1997	1998
Economic	14188	20337	31268	41994	28094	14425	13699
	(0.55)	(0.69)	(0.74)	(0.75)	(0.66)	(0.48)	(0.47)
Social	11475	9166	11200	13898	14615	15380	15635
	(0.45)	(0.31)	(0.26)	(0.25)	(0.34)	(0.52)	(0.53)
AUSTRALIA (by business year)							
	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
Economic	21300	18297	30400	24100	27550	34670	35000
	(0.32)	(0.30)	(0.35)	(0.25)	(0.33)	(0.44)	(0.45)
Social	45300	43181	57700	71752	56483	43330	43400
	(0.68)	(0.70)	(0.65)	(0.75)	(0.67)	(0.56)	(0.55)

There is ample research evidence that the country-of-origin composition is one of the main contributing factors to immigrant's labour market success. In particular, in the cases of Australia and New Zealand, it is common practice for outcome studies to distinguish between immigrants with English speaking background (ESB) and those with non-English-speaking background (NESB) (See, for instance, Miller (1986), Beggs and Chapman (1988), Winkelmann and Winkelmann (1998b), Winkelmann (2000)). It is generally found that NESB migrants have labour market outcomes (e.g. earnings, unemployment rates) that are considerably worse than those of ESB migrants.

Table 5 shows the Top 10 countries of origin for the economic migrants who obtained their residence permit in the year ending June 1997. In both countries, UK and Ireland are still the most important single source countries. However, immigration from the Asian region as a whole clearly dominates migration from Europe. The combined share of Asian countries in the Top 10 list was 30 percent in New Zealand and 44 percent in Australia. Furthermore, there was substantial migration from South Africa in both countries, reflecting the political turmoil in that country. Taken together, about one half of the approvals in either country was for migrants with English-speaking background, and one half for those without. The increased share of Asian migration can be interpreted as a success, as it counted among one of the intended consequences of the reform to more explicitly acknowledge New Zealand's position in the Asian-Pacific region.

Table 5: Top 10 countries of origin among residence approvals in skilled stream, New Zealand and Australia, year ending June 1997

New Zealand		Australia	
	%		%
UK and Ireland	21	UK and Ireland	18
South Africa	19	Hong Kong	11
China	15	South Africa	10
India	7	China	8
Fiji	3	Taiwan	8
HongKong	3	India	6
Philippines	3	Indonesia	6
U.S.A.	3	Singapore	3
Iraq	2	U.S.A.	2
Taiwan	2	Malaysia	2
Other	22	Other	26
	100		100

Table 6 shows the unemployment rates for recent immigrants in Australia and New Zealand. Unemployment is only one among several possible measures of labour market success. It is chosen here for the simple reason that comparable information for other labour market outcome variables was unavailable. While the focus on *recent* immigrants provides an incomplete picture of the overall contribution of immigrants to the economy, as it ignores issues of assimilation and integration, it gives a useful yardstick as it reflects the immediate impact of recent selection policies and as it remains relatively unaffected by selective outmigration.

The Australian statistics are provided by Williams, Brooks and Murphy (1997), based on a sample survey of immigrants in 1994 or 1995. The New Zealand statistics are based on the

study by Winkelmann and Winkelmann (1998a) and refer to the 1996 census. Both sources refer to *all* arrivals and do not distinguish between economic and social immigrants. This puts some limits on the interpretation. Also, when comparing the statistics, one should be aware that the base years are not the same, and that the definition of "recent immigrants" differs somewhat, from 3-6 months after arrival in Australia to 0-11 months after arrival in New Zealand. The latter difference tends to be in favour of New Zealand's immigrants, although the magnitude of this effect is unclear.

Table 6: Unemployment rates of recent immigrants by selected characteristics

	New Zealand	Australia
<i>Sex</i>		
Female	0.37	0.41
Male	0.33	0.38
<i>Age</i>		
15-24	0.29	0.43
25-34	0.33	0.34
35-44	0.40	0.40
45-54	0.40	0.60
55-64	0.29	0.68
<i>Region of Origin</i>		
Oceania*	0.21	0.39
Europe	0.27	0.27
Southeast Asia	0.33	0.54
Northeast Asia	0.42	0.26
South Asia	0.59	0.50
<i>Total</i>	0.35	0.39

Sources:

New Zealand: Winkelmann and Winkelmann (1998a) who analysed the 1996 Census, own calculations. Recent immigrants have spent less than 1 year in New Zealand, i.e., between 0 and 11 months.

Australia: Williams, Brooks, and Murphy (1997), Table 4. Results are based on the Longitudinal Survey of Immigrants to Australia (LSIA). The first round of interviews began in 1994 and was completed in 1995. A total of 5192 immigrants (out of a population of some 75,000) who were principal applicants for permanent resident visas and who arrived in Australia during the period September 1993-August 1995 were interviewed within 3 to 6 months after arrival.

*"Oceania" excludes New Zealand citizens in the case of Australia, but includes Australia-born people in the case of New Zealand.

The overall unemployment rates of recent immigrants were 35 percent for New Zealand and 39 percent for Australia. At first, these rates look exorbitantly high, as overall unemployment rates were well under 10 percent over the period. However, one has to recognize that unemployment rates for other new labour market entrants are high as well. Williams, Brooks, and Murphy (1997) provide some estimates for Australia. According to these, 27 percent of those who left the education system at the end of 1993 were unemployed five months later. A 1995 survey of Australian first-time labour market entrants (those who just finished the education system plus others) estimated their unemployment rate to be 45 percent.

Table 6 also decomposes the unemployment rates by gender, age and region of origin. Women have higher unemployment rates in both countries. The differences are not as large as

one might expect though, considering that women are often tied movers who are not screened independently as economic migrants. The age-unemployment patterns are opposite in the two countries: u-shaped (with a low between 25-34) in Australia and inverse u-shaped (with a high between 35-54) in New Zealand. The inverse u-shape in New Zealand is unusual, and it contrasts with the pattern in the New Zealand-born population. Finally, as expected, the table reveals substantial region-of-origin effects: unemployment rates are lowest for Europe-born immigrants and highest for Asian-born immigrants. This discrepancy could be an expression of the "English-language" effect, or capture cultural or some other differences.

Overall, one can conclude from the evidence presented in Table 6 that despite some differences between the outcomes of immigrants, none of the two countries stands out as particularly superior. The main impression in fact is one of similarity: immigration is by no means a "painless" process. It is associated with high initial unemployment rates, and European immigrants continue to be better off in the two countries relative to immigrants from other regions.

4.2 New Zealand before and after the point system

The following comparisons are extracted from an extensive immigration study by Winkelmann and Winkelmann (1998a) who used census data for the years 1981, 1986 and 1996. For simplicity, the 1981 observation point is omitted from most of the following considerations. If one defines as "recent immigrants" those immigrants who have been in the country for five years or less, all recent immigrants at the 1996 observation point obtained their residence permit after the introduction of the point system, whereas recent immigrants at the 1986 observation point were admitted under the old rules. In the following, I will compare qualification levels, employment levels and income levels of recent immigrants, absolute and relative to those of natives, over the two census years. One would expect that the introduction of the point system provoked an increase in the average qualifications of incoming migrants. By the same token, one might expect that more qualified immigrants have better income and employment opportunities, although this prediction is less compelling, as it depends also on the local demand for the type of skills the immigrants bring into the country.

Table 7: Educational attainment of New Zealanders and recent immigrants, 1986 and 1996 (by highest qualification, in percent)

	1986		1996	
	Natives	Recent immigrants	Natives	Recent immigrants
No qualification	38.8	22.8	29.6	13.5
School qualification	28.5	30.0	34.7	35.3
Vocational qualification	24.8	30.1	26.1	22.9
University degree	5.2	14.2	8.0	24.7

Source: Winkelmann and Winkelmann (1998a), Table 6.

Table 7 shows the average education levels, measured in terms of highest qualification obtained, of recent immigrants and natives in 1986 and 1996. The table distinguishes, in increasing order, between No Qualification, School Qualification, Vocational Qualification, and University Degree. Clearly, immigrants always were relatively educated in comparison to natives. In addition, they have become more educated in the post-reform period. This is true

both in absolute terms, but also relative to native New Zealanders, whose average education level also increased between the two census years. For instance, the proportion of recent immigrants with a university degree increased from 14.2 percent in 1986 to 24.7 percent in 1996 whereas the proportion of natives with a university degree increased from 5.2 percent in 1986 to 8.0 percent in 1996. Thus, by the measure of overall qualification levels, the introduction of the point system apparently achieved its objective.

However, as Table 8 shows, this success did not translate into an equally good performance in terms of labour market outcomes, measured here as employment rates and relative income levels. Quite to the contrary. Whereas the overall employment rate of recent immigrants was 6 percentage points below those of natives in 1986, this gap increased to almost 25 percentage points in 1996. The lack of labour earnings for many recent immigrants also resulted in low relative incomes of recent immigrants in the 1996 census. On average, the individual income of a working-age recent immigrant was 25 percent below the income of a native in 1996. Conditional on full-time work, the income levels between immigrants and natives are at par, although this comparison does not take into account the fact that immigrants have higher qualifications and should thus command higher labour earnings than natives in the first place.

Table 8: Employment rates and income of recent immigrants, 1986 and 1996, all numbers in percent

	1986	1996
Employment rates		
– Natives	69.9	71.2
– Recent immigrants	64.2	46.7
– Gap	-5.7	-24.5
Income gap between recent immigrants and natives		
– All individuals	-6.3	-25.2
– Full-time workers	+3.3	+0.1

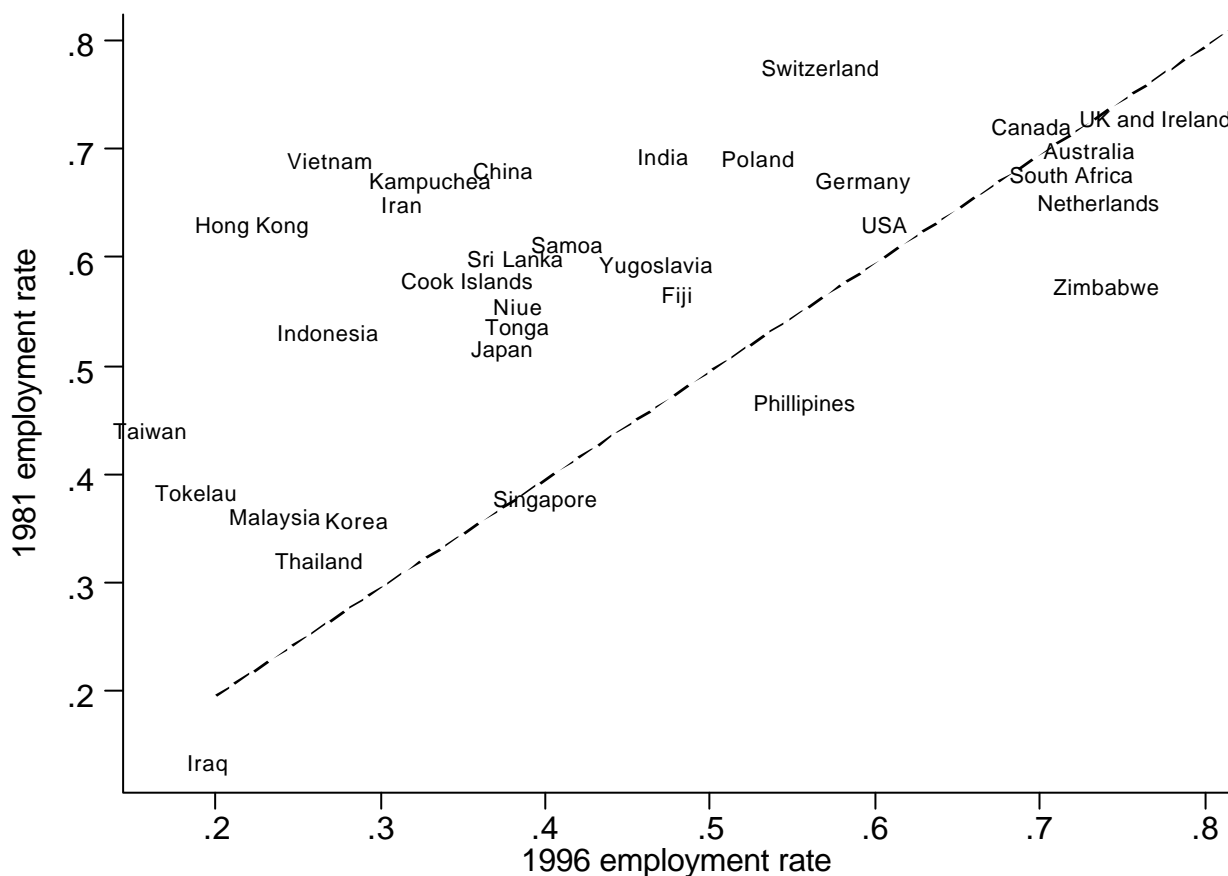
Source: Winkelmann and Winkelmann (1998a), Tables 11 and 17.

Thus, one is left with a puzzle. While immigrant quality, measured in terms of schooling and qualifications, has increased, immigrant quality in terms of labour market outcomes has deteriorated. There are a number of possible explanations. First, immigrants might simply bring the wrong skills, skills that are not in demand in New Zealand. Alternatively, there may be temporary obstacles to transferability of skills. In this case, one can expect that the disadvantaged position of recent immigrants will improve over time. Finally, the changing outcomes may be an expression of the shift in the country of origin composition that brings in a larger share of immigrants with insufficient language skills.

As Figure 1 shows, there is some plausibility to the latter argument. The figure plots 1981 and 1996 employment rates by country. It shows that the lower employment rates are caused both by a between-country shift towards countries with traditionally lower employment rates (i.e., a shift towards the origin), and also by a shift within countries. The within-country changes, however, are not uniform. Two groups of countries can be distinguished. A first group, above the diagonal, includes countries with a deteriorating relative position. These are countries with mostly non-English-speaking background. Below the diagonal are mostly English-speaking countries that actually improved their relative position. This observation is compatible with

the hypothesis that the premium of being a native speaker increased over time, possibly due to the shift in the composition of jobs with a higher proportion of highly skilled services where language matters more.

Figure 1: Employment rates by country of origin, recent immigrants, 1981 and 1996



5. Conclusions

Throughout the 1990s, New Zealand experienced substantial immigration although its effect on overall population growth was small by historical standards. Despite a substantial intake, immigration was only partially able to offset the population loss due to New Zealanders leaving. The most significant policy event over the last half-century was the abolition of the "traditional source country" preference with its resulting ethnic diversification. Concurrently, New Zealand changed its selection process from a model based on occupational skills to a model based on general human capital, emphasizing the values of general skills for growth and development. As an immediate consequence, the region-of-origin composition of immigrants shifted from the Pacific Islands towards Asia. The importance of European migration flows decreased as well. Immigration is associated with high initial unemployment rates and low initial employment rates, although European immigrants continue to be better off relative to immigrants from other regions.

It is difficult to draw firm conclusions with respect to the effect of the point system on outcomes. The labour market outcomes of immigrants arriving in the wake of the reform were quite poor. This may be the price to pay if one wants to attract a culturally more diverse immigration flow where for instance language problems play a big role initially. In this view,

one can expect these problems to be temporary. If one takes a more pessimistic view, the New Zealand experience may illustrate the fact that with a limited supply of highly skilled, internationally mobile workers, a country's ability to implement a skill-based immigration policy faces serious obstacles.

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II. European Experiences with Immigration

Migration Policy and the Economy: The French Experience

Catherine Wihtol de Wenden

1. Introduction

France has been since the early 18th century and more than the other European neighbours, an immigrant nation that has continuously tended to forget that trait. The French assimilation model probably worked well during these early times, even if many conflicts arose at the end of the 19th century and during the 1930s. Since the post-war period, a number of institutions have been set up by the State to regulate, firstly migrant labour, such as the ONI (Office National de l'Immigration) in 1945, the FAS (Fonds d'Action Sociale (1959), then the Direction de la Population et des Migrations at the Ministry of Social Affairs in 1966. Later on, during the early eighties, when immigration began to raise the problems of a long-term settled population, culturally, locally and at national scale, other institutions were set up to implement the policy of the Town, linking the immigrants' children integration questions with a social exclusion approach.

In the meanwhile, as the State became less and less present in the management of migration flows during the growth period named the "trente glorieuses" (1945-1974), one can perceive increasing State intervention after the halt of migration of the labour force in July 1974: an inflation of laws on entrance and residence since the 1980s, on nationality and citizenship in the 1990s, along with the implementation of European rules of Schengen (1985), Dublin (1990), Maastricht (1992) and Amsterdam (1997) for entrance, asylum, European status and communitarisation of the decision making process.

But in the two last years, a new trend has appeared for migration policy and the economy: the "zero migration" launched by a former Home Minister, Charles Pasqua, has been progressively abandoned as a leading objective, along with the decrease of the National Front which set the tone of a restrictive, dissuasive and repressive policy of entrance, the globalisation of mobility has introduced new forms of migration, which is not mass migration but a more selective and diversified one, engaged in mobility more than in settlement and the last United Nations Report of March 2000 has sounded alarm bells in Europe at the increase of the older generation, the lack of labour force and of young people. Some European countries like Germany have announced quotas in some economic branches, while others go on to practice them (Austria, Switzerland) or use them in underground or unstated policies (sub-contracting, bilateral agreements of labour force with extra-European countries, discretionary grants of residence and working cards, tolerated entrance and employment of illegal migrants). Should we have to open the borders? The debate has arisen in many European countries and mainly in France, in the new context of economic growth.

2. A country of immigration

In contrast to its European neighbours, France has had a demographic decrease since the end of the 18th century, after having been during the century of Louis XIV (17th century) the most populated country in Europe (20 million of French). In the middle of the 19th century, the first census taking into account foreigners in 1851, counted more than 300.000 at this date, their were one million in 1900 and three million in 1932. Before 1851, the first waves were largely

badly known and filled some "niches" of the labour market. From 1851 to 1888, the development of free immigration (378.561 foreigners in the first census, the 1866 census recorded 635.495 foreigners, in 1872 723.507 foreigners mainly of European origins) also saw the first arrivals of Algerians. The period 1888 to 1914 saw a start of regulation and the setting-up of organised immigration. The 1914-1918 period is marked by the control of foreigners and colonial workers. The interwar years (1919-1945) is a period of the hardening of migration policies, characterised firstly by an empiricism and liberalism of government policies (1919-1930), succeeded by a politicisation of the debates and by a rise of xenophobia and from 1940 to 1945, by the repression and mobilisation of foreigners. While the years 1850-1914 saw the massive industrialisation and colonisation of tropical countries as economic and political background to foreign labour migration into France, the post 1914-1918 period marked the arrival of non-Europeans in France's still dominant near neighbours' immigration. Post-1945 migration was heavily marked by a non-European and colonial presence inside the French frontiers. The post-1974 foreign presence was characterised by the increased political traits and also from the mid-eighties, by the Islam issue in France and Europe. No major political challenge was recorded from the immigrant populations during the century extending from mid-19th to mid-20th. Immigrants were primarily economic migrants, negatively seen in their dimension as potential competitors to indigenous French workers. Despite the specifically powerful nationalist upsurge from sectors of the French political, military and civil society, no visible challenge was noted as originating from foreign migration to the French sense of the nation and its national identity: in the ultranationalist upsurge, no major reference was made to the foreign migrant communities as such, despite the fact that anti-foreign propaganda is seen as part and parcel of French nationalism.

3. France's recent international migration experience

Post-1945 foreign migration in France is marked until the seventies by two distinct major phases. From the intense immediate post-Second World War labour demands, mostly satisfied by near neighbours' migrations, namely from South and East Europe and the Maghreb countries across the Mediterranean Sea to the seemingly more recent migratory waves, which are increasingly including faraway and less known or even unknown nationalities, different approaches of migration have been adopted in public decision-making. Mainly seen as transient and thus temporary, labour migrations from post-war massive recruitment until the early seventies have been affected by sudden and deep changes, since the French legal decision of halting labour migration as from July 1974 was taken. Sedentarisation of the immigrants and family-reunion thus contributing to the community-building of distinct ethno-religious groups have contributed to these changes. Massive post-war migrant labour recruitment, considered essentially within economic criteria (cost-advantage analysis, social cost and economic returns) has hence given rise to other types of questions within only thirty years. To some extent, the issues at stake during that post-1974 period were perhaps the most radical ones addressed to the French political system: integration, identity, citizenship, Islam, exclusion, ethnicity, multiculturalism.

Compared to its European near neighbours, France as an old immigration country, has received a stable number of foreigners during the past twenty years (3,6 million at the census of 1990 and 3,3 million at the census of 2000). But the demand for migrant labour in post-1945 migration history, as well as public policies have greatly varied from 1945 until the end of the century. The main periods observed are:

- a period of economic growth and reconstruction when foreign labour demand was high, with a rapid turn-over of nationalities (Italians, Spanish, Yugoslavs, Portuguese, Moroccans, Tunisians, Turkish and Black Africans). The State wanted to plan its migration policy but the employers' private interests finally had the upper hand (1945-1965) in that they recruited directly in some of the sending countries and then asked for the legalisation of their workers.
- a period of the impelling necessity for the State to achieve control of the flows, without being able to reach the main aim of slowing down the sudden rise of the "birds of passage" (1966-1974).
- a period of strict border control, due to economic recession and to political choices in spite of a migratory pressure, with some inadequacies between the State and market demands (1975-1995).

During the last twenty years, the official political discourse has opposed flows to stocks, mobility to integration, emphasising the point that "illegal migrants hinder regular migrants from achieving their integration in French society". More recently, it has become more dependent on an insecure public opinion, leading migration policies to be subjected to an opinion policy management, aiming at giving the illusion that every new government will have a better border control and integration practice, without changing anything fundamental except in terms of symbols. A left-right consensus has been reached on the main objectives: control, integration, security. From 1945 until now, recruitment patterns have strongly shifted from mass migration to selective migration in a segmented economic market. If the traditional migrant working and residential reception areas (Paris, Lyons, Marseilles, Lille-Roubaix-Tourcoing and some other big cities and their suburban areas) have remained the same, the emigrant countries have, on the contrary, increasingly been diversified (from the Maghreb to the rest of the Third World). A growing gentrification and feminisation are the other specific dominant traits of the immigrant population. The main changes of post-war period will more easily be grasped in a chronological order.

3.1 The thirty glorious years (1945-1975): a dominantly migrant-labour phase

This period is marked by uncontrolled immigration. After a short period of migration flows' control (setting up of the ONI in 1945, which monopolised recruitment except for Algeria), State policy-making was rapidly overcome by market laws. The 1945-1975 period saw a rapid turn-over of nationalities, recruited mainly in the building industry, car industry, iron and steel industry, agriculture and the mining sector. The worker was then a male single man, who having left his family behind at home, was involved in the working class and also in the sending country's political protests, denying in France his cultural and religious identity. Much stress was laid on industrial strikes and class conflicts. The immigrant was reduced to his juridical and economic status: a non-national and a worker. At the end of that period (1969-1974), slum-resorptions were implemented in the Parisian suburbs (Chaban-Delmas Plan). Such policies revealed the presence of many illegal migrants (Portuguese, namely) living there. Bilateral relations were kept with the sending countries in order to supply labour force. An increasing illegal migration was then recorded. Recruited directly by the employers and legalised afterwards, some of the immigrants were, de facto, refugees fleeing from non-democratic regimes (namely Spain and Portugal). New recruitment areas, such as Yugoslavia and Turkey, were also tested as from 1969. During that same period, the older migrations were already in the process of family reunification (Algeria, Italy, Spain), while the Polish were going back home.

3.2 The recession years (1975-2000)

Following the "trente glorieuses" and intensive recruitment of foreign workers, France decided to stop labour migration, arguing on the grounds of economic crisis and emerging political debates on foreign migrants (racist disorders in Marseilles in 1973). After the Marcellin-Fontanet circular (1972) which refused to regularise illegal migrants, the labour migration interruption in July 1974 had many unexpected consequences: the extension of family reunion, the intensification of illegal migration due to the strong pull factor in the recruiting sectors (building industry, domestic services, clothes industry, restaurant and catering services), the shift from industrial conflicts to political and socio-religious issues. However, the interruption of large scale migration did not reduce labour demand, a situation leading to discrepancies between economics and politics.

In public opinion, two themes began to appear. The first one developed in 1975-1977 about the cost-advantage analysis of migration: it was believed that economic benefits from foreign workers were lower than the social cost. But the Le Pors field survey of 1976 (*Immigration et développement économique et social*, 1977) on fund remittances to sending countries and a macro-economic balance sheet of social welfare and economic income at a national scale showed that migrant labour benefited the French economy. The other idea was high in the agenda as from 1977. The idea of return completed the attempts to replace foreign workers by French ones in the manual sector. The State Secretary for Manual Work (Lionel Stoleru), inspired by the German return policy, proposed 10,000 F to help resettlement to the home countries. This policy was most unsuccessful among the Maghrebians in regard to the Iberians, whom France on the contrary wanted to integrate. While most decision makers thought that the era of mass migration was over (Françoise Gaspard, *La fin des immigrés*, 1985), in the mid-eighties, it became progressively obvious that "they will stay" (title of Gérard Fuchs's book, *Ils resteront*, 1987).

The coming of the Left to power in 1981 brought changes in the migration policy, more specifically in migrant labour demand. Illegal migrants became an issue and sanctions against employers were envisaged. Demand continued for migrant labour supply in sectors where working conditions were hard, badly paid and seasonal. Because of delays in the modernisation of some sectors (clothing industry), migrant labour was still needed. After the illegal migrants' hunger strikes in the late seventies, 140,000 migrants were legalised (1982-1983) and sanctions were set up (1985) and reinforced (1989). These measures corresponded to the National Front's emergence at local elections in 1983. The populist idea that 3 million immigrants equal 3 million unemployed French was then largely developed by that party. In fact, sectors where immigrants were legalised were the building industry (30%), clothing sweatshops (12%), domestic services (11%), restaurants (10%), which show a highly segmented migrant labour market in specific niches. From the mid-eighties until now, migration's economic aspect has been highly politicised through the National Front pressures. The economy's globalisation leads to the development of new recruitment areas (Asia, Eastern Europe). Asylum-seekers are believed to be disguised immigrants such as the newcomers from Asia, Africa and even skilled women and other members of migrants' families coming through the process of family reunification.

3.3 Other economic issues and new migration trends

Apart from the pure labour migration, other migrant socio-economic issues have to be dealt with such as the perpetuation of an immigrant working-class in the second or even third

generation (Michèle Tribalat, *Faire France*, 1995), ethnic self-entrepreneurship, spatial segregation, education and social welfare. The present situation illustrates a sort of continuity throughout the different censuses. Basic data concerning migrant labour in France indicate that a working class component (58% in 1990 and 46% in 1997) is still the dominant trait of immigrants in France (besides the social stigma attached to the word "immigrés" in today's French society), even if the trend is showing a slow decline (specially for Maghrebians who are still the ideal typical immigrants of today's France). However, this particular group is undergoing a "gentrification or embourgeoisement process", producing what is now commonly known as a "bourgeoisie". But, at the outset it must be said that basic information about the immigrants' children becoming part of today's French society is not really available due to the official institutions' way of collecting data: when they become French it becomes difficult to follow them. Even if Manuel Castells and Bernard Granotier's classical paradigms on immigrants would today seem quite outmoded, it is a fact that immigrants and their offspring are still dominantly part of working-class groups. It is very uncertain whether second and third generations, confronted with the situation of underemployment, have been able to explore and consolidate their position in the sphere of self-enterprise.

Is there really a will among the diverse immigrant groups towards self organisation which implies a kind of economic development distinct from the mainstream economy? Except for some sub-groups, such as the trading castes (Mzabi, Djerbians), an history of Maghrebian entrepreneurship demonstrates the same model that most migrant groups have had in other countries. No centralised organisation of the street-corner shops (Kabyle café-restaurants, Moroccan or Tunisian grocers, Algerian bazaars ...) has yet appeared. Trading communities are present in ethnic urban neighbourhoods, but they have to adapt themselves to the rapid change of inner-city areas, where urban renewal has resulted in their gentrification and ethnic diversification. The existence of foreign traders and ethnic commercial areas is a very old feature. The landlord housing immigrants are among the first Maghrebians traders in France, along with ethnic grocers, and then in the late forties, fruit and vegetables sellers, carpet vendors. The diversification of trading activities is linked to the increasing migration and a beginning of family reunification. Textile workers and jewellers correspond to a qualitative change of the migratory process, in the feminisation of the migrant communities. During the eighties, the second generation and the intermediary elites, often composed of women in the trouble-spots of the suburbs, have tried with little success to develop other trades, linked with fashion, bureaucracy and services. According to field surveys (Salvatore Pallidda, *Adri*, September 1990), foreign traders, craftsmen and entrepreneurs have increased from 60 000 to 90 000 within only seven years (1983-1990). But in France social cohesion is rather produced in the French school than at work.

In the meanwhile, under the constant political pressure from the National Front and an aggravating economic crisis, the different governments have been stressing a more restrictive policy (1986-1997), leading to more illegal migrants. A change to a left government in June 1997 has brought some slight changes in the policies (legalisation of almost 90,000 illegal migrants among 140,000 applicants, a new law on entrance and residence introducing new types of visas for some socio-professional categories of very mobile people (traders, professors, managers, networkers). Underlying and accompanying the institutional debates and arrangements, there has been since then intense discussion on the legal status of migrants in French society, on the accuracy or not of quota systems in sectors of labour force shortages (MEDEV - the employers' trade unions - announced the reintroduction of labour migration) and on the opportunity or not to reopen the borders to skilled and unskilled people during the year 2000, namely after the discovery of the death of illegal migrants at the borders (Dover, June 2000).

Changes have taken place in such a short time that the rapid succession of political and socio-economic discourses has been quite detrimental to knowledge on this key issue. Unemployment has been usually considered as one of the major obstacle to the Maghrebians' difficulties in today's France, but some other groups are much less integrated, like the Turkish and Black Africans (Michèle Tribalat, *Faire France*, 1995). Other factors than the socio-economic one explain the immigrant populations' present conditions., such as the French model of living together, which was increasingly challenged at the end of the 19th century.

4. Forces that drive international migration

Among the forces that drive international migration, several main factors have to be taken into account:

- the rise of asylum-seeker flows during the last twenty years, like in many other European countries, from Latin America (Chile, Haiti), Asia (Vietnam, Laos, Cambodia, Sri Lanka, Afghanistan), Africa (Congo, Cameroon, Liberia, Mali, Mauritania), Europe (Romania, former Yugoslavia, Turkey), which gives an average number of 25,000 demands per year during the period. Most of them were fleeing from both poverty and dictatorships. Algerians have more often asked for other residence status, mostly negotiated by France and Algeria or *intuitu personae*.
- the perpetuation of a labour force demand in low-skilled and high-skilled jobs (agriculture, building industry, domestic services, computers, medicine, teaching) filled by illegal migrants, sub-contracting or bilateral agreements for short-term periods with countries of origin (seasonal jobs, temporary jobs), in spite of the closure of salaried foreign work since 1974.
- the pursuit of family reunification which, along with mixed marriages between French and extra-Europeans, represented more than 50% of annual entrances during the last ten years.
- the lure of Europe, due to the effects of globalisation: general availability of passports valid all over the world, reception of TV programmes showing the geographic neighbourhood of welfare, goods, jobs and freedom, the lower costs of transportation. So, the pull factor has become stronger than the push factor (poverty and demographic pressure, in spite of its decrease in most countries of origin), so important during the sixties and seventies and explaining mass migration. Mobility needs international networking. When there is none, there is no migration.

5. Political strategies used towards international migration

Three strategies have been mostly adopted:

- dissuasion: border control, with the cessation of salaried foreign migration since 1974, reinforced by the implementation of the Schengen Agreements of 1985 (visa system 1986) and the Dublin Agreements of 1990 (refugees), sanctions against carriers and the fight against employers of illegal migrants. This dissuasion is also repressive, along with expulsion practices and the readmission agreements in buffer zones with extra-European countries. Dissuasion has often been linked with return policies started in 1977 on the German example, renewed in 1984 and in 1998, along with training and co-development policies, all with little success. A very restrictive policy was announced during the 1990s, with the "zero migration" aimed at by Home Minister Charles Pasqua (1993), but public

powers have neither the will nor the possibility to implement such a policy (labour market and human rights obstacles).

- opening the borders with Eastern Europe while closing them at the South. Since the fall of the Berlin Wall in 1989, most OECD countries, like France, have tried to allow mobility from Eastern countries while preventing them from settlement immigration: short-term visas (less than three months) have been suppressed for most PECO countries (Visegrad Agreements of 1991) except for Romania and Albania, bilateral agreements for a skilled (but also unskilled) labour force have been concluded in exchange for readmission agreements (departure countries agree to accept into their countries the illegal migrants who have crossed the external borders of the European Union).
- Euro-mediterranean dialogue with free trade agreements, inspired by the NAFTA procedure between the United States, Canada and Mexico. The idea is twofold: first, the substitution of mobility of goods for that of men in the case of countries of the southern rim of the Mediterranean (Barcelona Agreements of 1995), secondly, co-development as an alternative to migration. These trends featured in 1995 were reasserted at the Nice European summit of December 2000. But the dialogue has not progressed much because mobility of goods (mainly in agriculture) may lead to mobility of men and because, in the short term, development, far from forming an alternative to development, is proceeding together with it: the more development there is, the greater will be the migration, and vice versa.

6. Macro and micro-economic impact

The effects of migration on economic growth and on the labour market have been much discussed in France at the end of the seventies, owing to the cost-advantage approach. According to George Tapinos (*L'Economie des migrations internationales*, 1975), if migration is a factor of equilibrium on the labour market in the short term, leading to a vicious circle (complementarity, flexibility, segmentation), in the long term it aggravates the disequilibrium of the labour market: migration contributes to a halt in salary increases and to delaying the modernisation of enterprises: the worse the working conditions, the lower the salaries, all the more will there be immigrants employed there. Other research, led by Anicet Le Pors (*Immigration et développement économique et social*, 1976) showed that immigration employment brought more economic and social advantages to welcoming countries than costs, but it also helped countries of origin to survive in rural regions, to undertake collective urban programmes and to have cash as a result of remittances. No large-scale study has been conducted in France on this topic since then. The settlement of families has changed the data, as well as the unemployment and old age of foreign working classes (Italians, Spanish, Algerians), but one could apply the classical liberal analysis led by Tapinos to new migratory waves (shortages of labour force, sub-contracting, low salaries, modern slavery in low-skilled sectors), even if migration can also introduce some harder competition in segmented sectors of activity. Let us take two case studies: illegal migrants and activities who escape from the protective "opposability of employment" (the admission of third-country nationals is permitted in the absence of nationals in the labour market and region where they are applying).

6.1 Illegal migrants

In France, since the "trente glorieuses"(1945-1974), the shortages of the labour force have led to relaxed immigration controls. Those migrants who did not comply with immigration rules

and gained unauthorised admission by the "back door" found work and, after a period of residence, had their position regularised, either by an official amnesty or by qualifying in another way (length of stay, marriage with a person with permanent residence). The official view was that illegal immigration was a major benefit to the French economy, contributing to rapid levels of economic growth and higher living standards and the French policy in this period was to allow relatively open borders but to restrict access to welfare rights to those legally in residence.

Illegal migration has been more or less the official policy for twenty years (1964-1974), so that the ONI (Office National de l'Immigration) controlled only 18% of entries in 1968, while 82% entered illegally, and expectations of periodic amnesties came to be regarded as a right. When such amnesties became less common after 1972 (Marcellin-Fontanet circular of 1972 stopping the legalisation), campaigns were organised by illegal workers and their allies (associations) to demand regularisation during the period 1974-1981. In 1981, while some politicians argued that the number of illegal migrants was about 300,000 (Milloz report) but refused to reveal their estimates, a special amnesty was announced by the new socialist government and, as a result, more than 140,000 illegal immigrants who had entered France before 1981 had their status legalised. Illegal migrants came from all the major areas sending migrant workers to France (which is no longer the case), in particular North Africa, Iberia, Black Africa. Most Portuguese were illegal migrants because of the limitation of emigration agreed by the Portuguese Government until 1974 (80% entered illegally in 1964).

A survey undertaken by the Ministry of Labour during the amnesty programme of 1981-1982 among 9,500 of those who successfully applied for legal status indicated that most illegal migrants belonged to the nationalities which contributed most of the migrant workers recruited before the imposition of controls in 1974. They formed part of the major migration flows. The survey also revealed that women and young people were heavily over-represented among the illegal population, which suggests that many legally recruited foreign migrant workers often have difficulties obtaining permission for their wives and children to join them but sent for them nevertheless. The survey also discovered that the legalised were young (80% under 32 years), predominantly unmarried (62%) and had only recently migrated to France (40% after December 1979). They had entered France as tourists (68%) and had overstayed the three months period allowed. Almost 60% were from countries which were recent sources of immigration in this period, such as Morocco (20%), Tunisia (21%), Black Africa (18%) and Turkey (10%). Only 20% were from traditional European sending countries (Portuguese 15%, Algeria 14%) and the remainder were from Third World countries which had not previously sent significant numbers to France such as India, Pakistan, Sri Lanka and Haiti. They worked in sectors where wages are low, working conditions are bad and irregular during the year, including precariousness and mobility. Such sectors were construction, hotel and restaurant work, contract cleaning, domestic work, the garment industry, agriculture. After legalisation, their position was greatly improved because they were entitled to the full range of social and economic welfare programmes available for workers in France (pensions, sick leave, holidays with pay, medical insurance, family allowances and access to low-cost housing). Before, they were not entitled to unemployment, housing, health and welfare benefits, though usually they sent their children to school.

Between 1981-1982 and 1997-1998, no amnesty has occurred, in spite of the mobilisation of associations against the restrictive trends of French immigration policy. In 1997, a circular adopted by Jean-Pierre Chevènement, Home Minister of the leftist Government (June 24th) legalised mainly persons having family links in France. The final result of this second exceptional legalisation was 90,000 legalised at the end of 2000, out of 150,000 applicants. A

survey conducted by the Direction of Population and Migration of the Ministry of Social Affairs in 1997 among a sample of 1,440 legalised gives a more precise profile of who were the undocumented out of 30,000 questionnaires of replies: seven departments concentrate 75% of the requirements (Ile de France, Bouches du Rhône), most of the applicants are from Africa (Algeria, Morocco, Congo, Mali, Tunisia, China, Turkey, Comores). For some countries the demands come mostly from women (Sri Lanka, Togo, Haiti, Cap Vert), while most of the Malians, Mauritians, Egyptians and Pakistanis are men. The legalisation concerns adults of 25-40, one-third hold employment, half of them have been living in France for 6 to 10 years (52%) and 18% more than ten years. The majority has a family life (57%) with young children. One third are living alone but this situation varies according to the nationalities. This survey shows the diversity of the legalised: some of them belong to new migration waves (China, Philippines, Sri Lanka) with no colonial links, while others are new categories (single people, students, asylum-seekers) of traditional migration waves (North and Black Africa). We can notice the difference with the legalised of 1981-1982 (workers, having stayed in France for a short period, with few women: 16% in 1982 against 40%) and more people having a job (95% in 1982 against 31% in 1998). The legalised of 1997-1998 are less young than in 1981-1982 (19% under 26 years against 44% in 1981-1982) and with a longer stay in France (61% for more than six years against 10% in 1981-1982). The Chinese, weakly represented in 1981-1982, are 10% of the legalised of 1997-1998. Compared with 1981-1982, the recent legalisation procedure has privileged family life and length of stay preferably to work (an important criteria for legalisation in 1981-1982), which gives more legitimacy to the citizenship of residence than to work.

6.2 Admission of third-country nationals

Extra-Europeans do not have free access to work, as salaried or self employed workers. But since 1984, the beneficiaries of a long-stay residence card (10 years) do not have to apply for an authorisation for work, nor does a trader or a craftsman ("carte de commerçant ou d'artisan"). But this liberalisation is not complete, because the list of professions and employment prohibited to foreigners has not ceased to grow since the end of the 19th century. For non-prohibited jobs, the applicant has to get a visa of more than three months and an authorisation to work which may be refused by the Administration of Social Affairs if it considers that the level of unemployment is too important, but the refusal has to be motivated. Two residence cards are available: the ten years' residence card which gives access to a professional activity with the reference "salaried", available for all jobs and all regions in metropolitan France, and the one-year residence card (temporary) "salaried" which gives access to a professional activity limited to a specific work and region. It may also hold the reference "vie privée et familiale" for those having families. They have to hold a contract exceeding three months entered separately from the family. Other specific statuses give access to work since the law of 1998: the residence card "scientifique" for those doing research or doing higher level teaching and welcomed by an academic institution; the residence card "artistic and cultural profession" for artists, interpreters or authors. Except for these general rules, some foreigners have special rules, due to international agreements concluded with their countries (nationals of Andorra, Monaco, Algeria, Gabon, Central Africa and Togo). The Chevènement law of 1998 grants mobility to some new categories of workers who entertain cultural and scientific exchanges without presenting a migration risk.

As for third-country nationals coming for purposes of self-employment economic activity, they are not required to hold an identity card as trader if they have a residence card. For those requiring admission to France and having an unlisted independent profession, they require a

long-term visa, and have to justify their professional situation, their housing status and eventual family links in France. Algerians are not required to hold an identity card to work as independents.

7. Social and political consequences of migration

France has a long tradition of including/excluding colonial populations to the political process. During the years of growth, immigrants were excluded from political life as foreigners. Their claims were turned towards equality of rights in firms (acquired by laws of 1972 and 1975 for representation in "comités d'entreprise" and in trade unions, a status for foreigners and local political rights (proposed but then refused for local political rights to all foreigners). Most political forms of involvement were "wild" and directed towards protest, and the Portuguese were at the top of such emerging political forces (1972-1980). The eighties are an important turning-point for political expression: first, with the building of Europe, Europeans have lost most of their political claims when acquiring equality of rights between Europeans while extra-Europeans have lost many of their previous advantages, especially Algerians who enjoyed freedom of circulation in France after the Evian agreements of independence (March 1962). Protest is no more the main political tool, compared with the marches for equality of rights (1983), led by the new second generation of Maghrebians, having often French citizenship. Thanks to the freedom of association for foreigners granted by the law of October 1981, civic associative movements emerged, focused on civic issues such as anti-racism, new citizenship dissociated from nationality and stressing participation in local affairs, political integration in the French political game, namely at local level. Some cultural "affairs" such as the "Headscarf affair" (1989), the Gulf War affair (1991), and terrorism have introduced new debates on allegiances, multiculturalism, identity, ethnicity, secularism in the French republican model. In the nineties, with the collapse of the "beur" associative movement and the competition with Islamic associations as well as with local small civic structures fighting against violence and exclusion in suburbs, other forms of mobilisation have emerged, such as the "sans papiers" (1996), using very modern tools of expression (e-mail, mobile telephones, websites, inclusion of artists and feasts for the cause) and new protagonists (women, students, family members).

Socio-political mobilisation of immigrants and their children has gone through three distinct phases:

- immigrants as foreigners and workers: before 1945 to the end of the growth period in 1973, immigrants were seen either as traitors to the working-class movement, or as political actors in social conflicts, turned both towards their countries of origin (for the independence of their countries) and towards the French working class of which they would represent the "avant garde du prolétariat". They were mainly Algerian, Italian, Polish and Spanish. The ideal typical actor was the Algerian immigrant: an unskilled worker, a man without family, with strong ties with French trade unionism (CGT, Confédération générale du travail, close to the Communist Party), a foreigner wishing to come back home. Neither his religious belief, nor his family life significantly influenced his political involvement;
- immigrants as politicising social demands and socialising the expression of politics: the period 1974-1981 was a main turning-point for immigrants in France. A population which was regarded as a labour force of isolated male workers at the periphery of the socio-political spheres gradually became part and parcel of French society. New issues arose

from the temporary stoppage of labour migration and family reunion: conflicts involving both work and housing, such as the famous Sonacotra dispute in 1976 to 1980 which involved the largest hostel-management authority for foreign workers. Two groups emerged as political actors in this period: the Portuguese and the Maghrebians. Portuguese were involved in major industrial conflicts in France in the early 1970s (Pennaroya case in 1972) in which political and social demands intermingled. The real birth of their involvement, however, was to be housing-related urban conflict. Many Portuguese, specially in the suburbs of Paris, were housed in shanty towns ("bidonvilles") which the Government wanted to clear under a programme started in 1969. Protests against the evictions became highly politicised, mainly led by the FASTI (Fédération des associations de soutien aux travailleurs immigrés). Since late 1970s, the Maghrebians have gradually replaced the Portuguese as political actors, thereby creating a French mythology of the rapid and successful integration of the Portuguese. Since 1974, the socio-political situation of the Maghrebians has slowly changed. Before they were mainly workers with a high rate of turn-over, sending remittances to their families and organising their life in France around their work place, hostel accommodation and trade unions with home-country organisations and visits to the coffee-shop. Then, family reunification tended to accelerate because the workers feared that France may close its borders. In the period 1975-1982, the proportion of European and non-European foreigners was reversed for the first time in favour of non-Europeans, with an overwhelming majority of Maghrebians among them; secondly, there was an increase in (frequently illegal) migration from Tunisia and Morocco, due to the decrease in labour migration from southern Europe (Spain). Thirdly, as a result of family reunion, a second generation has appeared, bringing family from old inner-city areas to modern social housing in the suburbs (HLM, habitations à loyers modérés) of large towns (Paris, Lyons, Marseilles, Lille-Roubaix-Tourcoing), while Black Africans increasingly took the place of Maghrebians in the "foyers" for foreign workers. The year 1980 heralded a period of controversies about immigration: hunger strikes in the suburbs of Lyons asking for legalisation of illegal migrants, second-generation claims against expulsion;

- the children of immigrants as local political actors in the associative movement of the second generation of franco-maghrebians (which had been set up after the freedom of association was given to foreigners in 1981) generated new forms of protest and participation: fighting against racism, the struggle for civic rights, a new definition of citizenship, promotion of socio-cultural integration. In the first years of the socialist period (1981-1983), the emphasis was put on human rights. The March 1983 local elections, when the National Front made a breakthrough, revealed that immigration had become a bargaining issue between political leaders. The first and the second march of 1983 and 1984 for equal rights of young franco-maghrebians and the right to be different initiated political debates around allegiances, multiculturalism and civic rights. The topic of citizenship began to emerge as a new issue, the content of which had to be negotiated with the "beur" associative movement (SOS racism, France Plus). As a result of participation in local politics, some activists gained access to the middle class. New elites emerged as mediators between the suburbs and elected politicians. At the same time, new conflicts, mainly in the car industry (Citroën 1983) and the number of increasing associations show that Islam has become the second religion in France, with three million believers.

At a time when proletarian mobilisation has lost some of its power, religion has taken on a marked presence and is one of the key changes within the Maghrebian community. Another main change is the importance given to citizenship and civic rights. New forms of citizenship

appeared in the suburbs where some of the young Maghrebians said they were citizens by participation, without necessarily being nationals. The debate on the reform of the nationality code (1987-1993) led to a questioning of the link between nationality and citizenship. It also led "beur" associations to go into mainstream French politics and to support the socialist majority in power. Some 150 "beurs" (young franco-maghrebians) were elected at the local elections in 1989. Other challenges to the political system were illustrated by the "Headscarf affair" in October 1989, an event which was rapidly transformed into a national debate on secularism and multiculturalism. In the beginning of the 1990s, localism became a point of identification for many franco-maghrebians, not only for political activity but also for identity-building. Some of them have acquired gentrification and social promotion in the management of communal resources and projects, financed by public funds and aimed at reducing marginality, violence and exclusion. Some have entered the economic field through the associations (Hallal business, Islamic bookshops, Islamic textile shops, radio stations), or through newer types of ethnic business such as the media, computer business, fast-food restaurants, training for local administrators on multiculturalism and business consultancy. Associations may be stepping-stones to economic activity.

8. Current trends and future prospects

In spite of the strong stability of migration flows in France, one can notice some trends: family reunification remains the main factor of entrance, mainly from Maghreb and Turkey (two-thirds of annual entrances), extra-European permanent workers have slightly increased, along with the feminisation and the higher qualification of new-comers. Temporary migration has developed (seasonal, students and asylum-seekers), even if the seasonal migration in agriculture is decreasing. But France is facing an increase of asylum-seekers (25,000/year) coming from Europe (Romania), Asia (Sri Lanka and China), Africa and the former USSR. Out of a total of 3,3 million foreigners in the last census, the active foreign population represents 1,6 million, with a majority of Portuguese, followed by Algerians and Moroccans. Most of them are employed in construction, followed by domestic services, agriculture and the car industry. Foreigners remain more subject to unemployment than nationals (23,7% against 11,1% for the French), mostly for extra-Europeans (31,4%).

9. Conclusion

Migrations are today the result of the globalisation of the economy, mass and media culture, transnational networking but also one of the last symbols of the exercise of nation state sovereignty. If entrance is now highly communitarised at European level, residence and integration are still decided at national level. On the one hand, we are observing an intensification of various forms of mobility, challenging borders, while the nation state is faced with tension between public opinion, markets and human rights principles. On the other hand, the nation state is reacting very cautiously, asserting the exercise of sovereignty on border control and on restrictive policies while developing an idealistic discourse on migration and co-development. The growing game of public opinion which tends to "control the control" leads the state to stress strict and dissuasive immigration policies while introducing some underground and discretionary measures on entrance corresponding to the law of markets and diplomacy. This permanent conflict between market logic, state logic and human rights logic leads to questions concerning national identity and citizenship. The opening of markets and the closure of the state also has an impact on membership of the welfare state, putting in question the principles of equal treatment and the social minimum. A

public international space is appearing with other rules such as transnational networking, bilateral and multilateral agreements, European rules, intergovernmental processes, United Nations and human rights principles where the nation state is no more the main actor even if it is still present in a rapidly evolving deal.

Migration Policy and the Economy: The Case of Switzerland

Stefan Golder/Thomas Straubhaar

1. Introduction

Switzerland has a long tradition of immigration which started in the second half of the 19th century. Since the beginning of the 20th century, Switzerland has experienced substantial immigration. Especially during the last 50 years after World War II, a massive inflow of immigrants, mainly labour migrants due to shortages on the labour market, has led to

- a share of foreigners in the total population of almost one fifth (i.e. 19.6% in 1999 which is 1,5 million foreigners; see Bundesamt für Statistik 2000) and
- a share of foreign workers in overall employment of about one fourth (i.e. 24.7% in June 2000 which is almost 1 million foreign workers; see Bundesamt für Statistik 2001).

With regard to these doubtless substantial numbers, it is not a big surprise that immigration is one of the lasting and extremely controversial political issues in Switzerland. Over the last 30 years, several anti-immigration initiatives have been taken. Most of them have been rejected clearly. However, on June 7, 1970, the so-called "Schwarzenbach-Initiative" reached almost a majority of the votes (i.e. 46% were in favour of restricting the number of foreigners to 10% of the total population).

Immigration issues have also dominated the debate whether Switzerland should join the European integration process in one way or another. Fears of being overflowed by EU citizens was one (if not *the*) reason for the rejection of this idea in the voting of December 6, 1992. And again, it was one of the hottest issues in the negotiations of the bilateral agreement that was approved by the Swiss voters in May 2000.

All in all, these few introductory remarks are intended to signalise that analysing the Swiss migration case could help to provide new evidence on the economics of migration and deepen the understanding of migration to other countries. In what follows, we review the existing migration literature on the economic effects of migration for Switzerland and show the main findings of these studies. In section 2, we give an overview on migration patterns to Switzerland. In the third section, we analyse the economic effects of migration on the Swiss economy. In the fourth section, we derive some policy implications. We end the paper with some conclusions.

2. Some background information

The development of the Swiss economy in the last 150 years since the foundation of the Swiss federal state in 1848 has been markedly influenced by the immigration of foreign workers. Since 1850, the share of the immigrant population has risen from merely 3% to almost 20%. Compared to other OECD countries, Switzerland has – together with Luxembourg and Australia – by far the highest share of foreigners in total population and employment.

Tab. 1: Share of foreigners and share of foreign born¹ in selected OECD countries, 1998

Country	Foreign Population in 1'000	Employed Foreigners in 1'000	Foreign Population in %	Employed Foreigners in %
Belgium	892	375	8.7	8.8
Denmark	256	94	4.8	3.2
Germany	7'320	2'522	8.9	9.1
Finland	85	35	1.6	–
France	3'597	1'587	6.3	6.1
UK	2'207	1'039	3.8	3.9
Ireland	111	48	3.0	3.2
Italy	1'250	332	2.1	1.7
Japan	1'512	119	1.2	0.2
Luxembourg	153	135	35.6	57.7
Netherlands	662	208	4.2	2.9
Norway	165	89	3.7	3.0
Austria	737	327	9.1	9.9
Sweden	500	219	5.6	5.1
Spain	720	191	1.8	1.2
Switzerland (1)	1'384	691	19.4	17.3
Switzerland (2)		842		21.9
Australia	4'394	2'294	23.4	24.8
Canada	4'971	2'839	17.4	19.2
US	26'300	16'100	9.8	11.7

Note: For Australia, Canada and the United States the figures refer to foreign born

Switzerland (1) = Foreign Resident Workers

Switzerland (2) = Switzerland (1) + cross-border and seasonal permits

Source: OECD (2001:41 and 259).

The historical experience of migration to Switzerland can be subdivided in three main periods:

- The first period lasted until 1963 and was characterised by a liberal admission policy, with the exception of the time from 1914 until 1945.
- The second period started in 1963, when the Swiss government introduced restrictions on the admission of immigrants.
- The third period started in 1991, when the Swiss government decided to review the Swiss migration policy and switch to an admission policy which was based on country of origin considerations.

In October 1998, the Swiss government agreed to move away from the three circle policy from 1991 and to go on with a two circle model. This means that the migration from the EU to Switzerland will become more or less completely liberalised after the so-called "bilateral agreements with the EU" will be ratified. On the other side, the migration from non-EU countries to Switzerland are more or less restricted to high-skilled workers.

The Swiss migration policy was largely dominated by economic interests, mainly labour market considerations. The main idea after World War II was that immigrants should help to smooth business cycles on the labour market, with immigration of foreign workers during economic upswings and remigration during downswings, thereby stabilising the employment of natives. As it was believed that immigrants would come to Switzerland only temporarily, thereby implying a high 'rotation' of foreign workers, this goal could easily be achieved. Migration policy could thus be used as an instrument for labour market and business cycle policy.

Over time it turned out, however, that a large share of the inflow of foreign workers was not temporary but permanent. The combination of a liberal admission of immigrant workers during the 1950s and 1960s together with a declining rotation led to a substantial increase in the stock of foreigners living in Switzerland. As a result of the focus on the recruitment of foreign workers in the post-war period, Hoffmann-Nowotny/Kiliyas (1979: 55) concluded that the Swiss migration policy during this period could be characterised as "... maximizing immigration while minimizing the immigrants' chances of integration".

The growing stock of foreigners as well as the inflationary pressures of the booming Swiss economy intensified the claims for public interventions to control the inflow of new immigrants towards the end of the 1950s. In 1963, the Swiss government – for the first time after World War II – introduced measures to control and limit the inflow of new immigrant workers, with ceilings on immigrant worker employment applying at the company level. These measures turned out to be largely ineffective in limiting the inflow of foreign workers, with the share of foreigners in the total population rising from 10.8% in 1960 to 17.2% in 1970.

Tab. 2: Development of the stock of foreigners in Switzerland in %, 1850-1998

Year	Total Population	Swiss (in 1'000)	Foreigners (in 1'000)	Share of foreigners in
1850	2'393	2'321	72	3.0
1860	2'510	2'396	115	4.6
1870	2'655	2'518	151	5.7
1880	2'832	2'635	211	7.5
1890	2'918	2'688	230	7.9
1900	3'315	2'932	383	11.6
1910	3'753	3'201	552	14.7
1920	3'880	3'478	402	10.4
1930	4'066	3'711	356	8.7
1940	4'266	4'042	224	5.2
1950	4'715	4'430	285	6.1
1960	5'429	4'844	585	10.8
1970	6'270	5'190	1'080	17.2
1980	6'366	5'421	945	14.8
1990	6'874	5'628	1'245	18.1
1998	7'124	5'740	1'384	19.4

Source: Statistical Yearbook of Switzerland, various issues, own calculations.

After the economic downswing in the 1970s, which led to a decrease in immigration, the upswing at the beginning of the 1980s triggered again a substantial influx of immigrant

workers and together with other forms of migration such as family and refugee migration, the share of foreigners in the total population rose to 18.1% in 1990. After a short decline due to the recession at the beginning of the 1990s, immigration rose again by the end of the decade and the stock of the foreign population came close to 20% by the year 2000 (see table 2). The share of immigrants without employment has increased substantially from 15% in 1960 to 65% in 1998 (see OECD 2001:304 and 308). This shift can be explained by the declining share of labour migration and the rising share of family and refugee migration.

Of special interest is the cyclical buffer function of foreigners during recession years. The recession of the mid-1970s hit Switzerland more intensively than other Western European countries. Between 1974 and 1976, employment decreased by almost 250,000 persons which corresponded to almost 7.6% of total employment. This reduction in employment was mainly borne by immigrants, as the reduction in foreign worker employment was around six times larger than for Swiss workers. With respect to the period from 1973 to 1977, employment of Swiss workers declined by only 1.1% compared to 25.5% for foreigners. Overall, 75% of the decline in employment was borne by the non-resident population, 17% by the resident population, i.e. Swiss and immigrants with a residence permit, and only 8% by an increase in the Swiss unemployment rate (OECD 1995).

The recession at the beginning of the 1980s had a much smaller impact on employment in Switzerland. Although employment declined between 1982 and 1984, this decrease amounted to merely 2.1% of total employment. The extent to which foreign workers have served as cyclical buffers during this recession is more difficult to evaluate, because the number of employed Swiss declined by 2.9% during this period, while the number of employed foreigners declined only in 1983 with an overall increase of 0.8% between 1982 and 1984. This is remarkable as immigrants are not only characterised by a lower skill level compared to natives but also by a more disadvantageous sectoral distribution than natives (Schwarz 1985). These results have to be qualified, when the employment performance of immigrants compared to natives is considered which reveals that the unemployment rate for immigrants was substantially higher than for natives (see Golder 1999).

Two main reasons for the diverging development between the recession of the 1970s and the 1980s, i.e. the decreasing importance of the cyclical buffer function of immigrants, can be put forward (cf. Fischer/Straubhaar 1996). First, the stock of manoeuvrable foreign workers dropped substantially over that period, as the share of immigrants holding a residence permit increased from 30.8% in 1973 to 51.7% in 1981. Second, there were substantial demographic differences between Swiss and foreign employees. Retirements between 1982 and 1984 amounted to 3.3% of the employed for Swiss and to 0.8% for foreigners (Schwarz 1988). As a result, retirements of Swiss employees exceeded the decline in employment, whereas the number of retirements and the decline in employment for foreign employees just balanced out. As there has not been a reduction in employment, it is obvious to assess the cyclical buffer function of foreigners by means of unemployment figures, which reveal that foreigners were hit much harder by the recession of 1980s than natives (see Golder 1999).

To summarise: There are major differences between Switzerland and traditional immigration countries, such as the United States, Canada or Australia.

- First, in contrast to these countries, Switzerland has never considered itself an immigration country, as it was generally believed that foreign workers coming to Switzerland would stay only temporarily. As a result, the official terminology in

- Switzerland has not used the term 'immigrant', but rather terms such as 'foreigners', 'foreign workers' or 'aliens'.
- Second, naturalisation of immigrants in Switzerland is very restrictive. In contrast to countries such as the United States or Canada where the 'ius solis' applies, i.e. citizenship depends on where someone is born, the 'ius sanguinis' applies in Switzerland, i.e. citizenship depends on the citizenship of the parents. Immigrants have to live at least 12 years in Switzerland before they can apply for the Swiss citizenship. The naturalisation rate is accordingly very low compared to other industrial countries.
 - Third, Switzerland has experienced a large influx of immigrants over the last 50 years. While the Swiss migration policy was liberal initially, it became increasingly restrictive from the 1960s onwards. Although the Swiss migration policy aimed at temporary migration, it turned out that a large share of the immigrants remained permanently in Switzerland. Over time, the composition of the immigrant population has changed considerably with respect to the countries of origin, with a shift to peripheral European and Non-European countries, as well as with respect to the motives for migration, with a shift to family and refugee migration.
 - Fourth, the Swiss migration policy has largely been dominated by economic interests, mainly labour market considerations, which favoured special interests of certain sectors and regions. It was generally believed that migration policy could be used as an instrument for stabilisation and regional policy as well as to promote economic growth. The analysis of the economic effects of migration, however, shows that this policy has rather harmed the development of the Swiss economy (see our next section!).
 - Fifth, immigrants in general exhibit a less favourable socio-demographic profile than natives. This conclusion must be qualified, however, when different nationality groups are distinguished. In this case, the above conclusion holds only for immigrants from Southern European and Non-European countries, while immigrants from Northern European countries exhibit even a better profile than natives (see Bundesamt für Statistik 2001).

3. Economic effects of immigration to Switzerland

3.1 Migration and growth

Migration influences the per capita endowment of capital and therefore also capital accumulation and economic growth. As a result of the influx of immigrant workers, the capital intensity, i.e. the per capita stock of capital in the receiving country decreases and accordingly also the average labour productivity. A negative effect on the welfare of natives may result, if there is a positive relationship between the capital intensity of the economy and technological progress. If technological progress is governed by capital intensity, it will be slowed down by migration induced factor price changes. This will also hamper structural change, leading to negative effects on productivity and income growth. This result has to be qualified, however, if immigration increases labour market flexibility.

Finally, it must be noted that the growth effects of migration also depend on the economic structure of the receiving country as well as on the "productivity" of the immigrants. These effects will be the more positive the larger the economies of scale in the production, the less technological progress depends on capital intensity and the larger the elasticity of substitution between skilled and unskilled labour. Intensive growth, i.e. per capita growth, is also more likely the higher skilled immigrants are and the more favourable their demographic composition is.

In his empirical analysis of the growth effects of migration in Switzerland, Schwarz (1988) estimated a neo-classical production function for the period from 1962 to 1986 with four factors of production: native labour, foreign labour, capital and exogenous technological progress. The partial production elasticities did not turn out to be statistically significant, which indicates that the assumption of economies of scale had to be rejected. Nevertheless, the marginal production elasticities differed markedly between immigrants and natives. The average marginal productivity of Swiss workers was twice as high as that of immigrant workers.

Based on the estimation results of the national production function, Schwarz (1988) calculated the contribution of foreigners to growth, to per capita growth and to productivity growth. The results can be summarised as follows: In the period from 1962 to 1986, the average annual growth rate amounted to 2.4%. Growth was mainly driven by technological progress (1.6%) and capital (0.7%), whereas the contribution of native and immigrant labour to growth was poor with 0.3% and 0.2% respectively. The weak but positive growth effect of immigrant labour was mainly caused by the high growth rate of the number of immigrant workers. This quantitative effect was by and large compensated by a lower elasticity of production of immigrant workers.

The average annual per capita growth rate between 1962 and 1986 was 1.7%. The contribution of Swiss employees was slightly negative with -0.1% p.a., as the negative effect of a reduction in the participation rates outweighed the positive effect of population growth. Although immigrants made up only about 17% of total population, their growth reducing effect was twice as large as that of Swiss workers, with -0.2% p.a. This can be explained on the one hand by the substantial reduction in the participation rate as a result of a 'chain migration effect' and by a low elasticity of production on the other hand. As a result, only capital and technological progress had a positive impact on per capita growth.

According to the estimates of Schwarz (1988), productivity increased on average by 1.9% between 1962 and 1986. In contrast to immigrant workers (-0.1%), the contribution of Swiss workers was still slightly positive (0.049%). Productivity growth was therefore mainly based on capital accumulation and technological progress. The negative effect of immigrant workers on productivity indicates that the employment of immigrant workers has mainly contributed to structural preservation and a slowdown of technological progress.¹ It has to be mentioned, however, that Schwarz did not base his analysis on a microeconomic framework.

Data on industry level employment indicates that immigrant workers had already been underrepresented in highly productive industries since the early 1960s and overrepresented in peripheral, low productive industries. Accordingly, the significantly lower marginal productivity of immigrant workers can be attributed not only to their lower skill level, language barriers etc., but also to their allocation to low productive jobs.

In summary, the elastic labour supply in Switzerland, which was in part caused by immigrant labour, has supported the use of a labour intensive production technology with low productive labour. This helped to protect industries and enterprises that would otherwise not have withstood tougher competition on goods and labour markets. As a result, necessary structural changes were delayed and the structural shift from the secondary to the tertiary sector has proceeded rather slowly in Switzerland compared to other industrial countries. These

¹ Blattner/Sheldon (1989) confirm these results. Their growth-accounting analysis reveals also that foreign labour can help to support extensive growth, but this occurs at the cost of productivity and per capita output growth.

structural problems might be an explanation for the comparatively large downturn of the Swiss economy in the recession of the mid-1970s.

3.2 Migration and business cycles

Prices

Migration leads to an outward shift of the production possibility frontier. The employment of immigrant workers increases production and reduces excess demand on the labour and goods market. Additionally, wage and price increases can be dampened with immigrant worker employment. If foreigners exhibit a marginal propensity to consume which is smaller than one, then the ratio between consumer demand and supply decreases. There is less pressure on price increases, the larger the savings rate of immigrants is. The population increase induces a rise in the demand for goods, and if full capacity utilisation is assumed, this in turn implies an expansion of the infrastructure. If supply is price inelastic, this will lead to a price increase, as higher demand will not be met by higher supply.

The timing of supply and demand effects is therefore important. If immigrant workers are employed from the beginning, the price increase can be reduced if consumption demand takes up with a lag. In an empirical study of the Swiss inflation process of the years 1948 to 1966, Rossi/Leighton (1971) concluded that excess demand influenced prices indirectly via higher marginal costs. The rise in productivity, on the other hand, decreased this effect increasingly over time.

Employment

Immigration can have procyclical effects if immigration is triggered in a boom period, thereby leading to an acceleration of economic activity. The same holds for a recession period when emigration takes place, thereby reinforcing the contraction of economic activity via the demand effect. There are two ways in which migration can stabilise employment. First, overall employment can be stabilised if the labour market structures become more flexible as a result of immigration. Second, migration could work as a cyclical buffer leading to a stable intertemporal employment pattern of native workers by absorbing cyclical employment fluctuations through changes in immigrant worker employment.

In this context, two central elements of the Swiss migration policy, namely the 'rotation principle' and the related 'cyclical buffer function' of immigrants have to be mentioned. According to the rotation principle, it was assumed that the typical immigrant was young and single. Furthermore, it was believed that it was the goal of these immigrants to accumulate financial resources and then to return to their home countries. Immigration was therefore regarded as temporary and large in- and outflows were expected accordingly, i.e. a high rotation. Closely related to the rotation principle was the cyclical buffer function of immigrant workers. In a situation of a cyclical downturn, the rotation of foreign workers together with admission restrictions on the inflow of new immigrants would allow a stabilisation of the employment of native workers. This could be achieved at the cost of fluctuations in the employment of immigrants.

Table 3 provides information on the size of immigration and emigration of foreigners. Although the rotation has tended to decline since 1970, there are still substantial dynamics

today. In 1995, immigration amounted to 3.7%, emigration to 4.4% and gross migration to 8.0% of the average stock of foreigners. The rotation thesis therefore seems to remain valid.

Tab. 3: Immigration and emigration of employed foreigners¹

Year	Rotation Coefficient in %					Migr. Coeff. ⁶	Year	Rotation Coefficient in %					Migr. Coeff. ⁶
	IM ²	EM ³	GM ⁴	NM ⁵				IM ²	EM ³	GM ⁴	NM ⁵		
1970	11.7	13.2	24.9	-1.5	0.89		1983	4.5	6.0	10.6	-1.5	0.75	
1971	8.8	9.3	18.1	-0.5	0.95		1984	4.7	5.4	10.0	-0.7	0.87	
1972	9.5	7.4	16.9	2.0	1.28		1985	4.7	5.3	9.9	-0.6	0.89	
1973	9.1	8.1	17.1	1.0	1.12		1986	5.3	5.1	10.4	0.1	1.04	
1974	5.3	7.7	13.0	-2.5	0.69		1987	5.8	5.2	11.0	0.6	1.12	
1975	3.1	11.5	14.7	-8.4	0.27		1988	5.8	5.4	11.3	0.4	1.07	
1976	2.9	10.8	13.7	-7.9	0.27		1989	6.0	5.5	11.5	0.5	1.09	
1977	3.9	8.1	12.0	-4.2	0.48		1990	7.1	5.5	12.7	1.7	1.29	
1978	4.4	6.1	10.6	-1.7	0.72		1991	6.7	5.8	12.5	1.0	1.16	
1979	5.2	5.7	10.9	-0.5	0.91		1992	5.6	6.7	12.3	-1.1	0.84	
1980	6.5	6.6	13.1	-0.1	0.98		1993	4.4	5.5	9.8	-1.1	0.80	
1981	6.9	6.5	13.5	0.4	1.06		1994	3.9	4.5	8.4	-0.6	0.87	
1982	6.3	6.3	12.6	0.1	1.00		1995	3.7	4.4	8.0	-0.7	0.84	

Source: Golder (1996)

- Notes:
- ¹ Foreigners holding an one-year or residence permit
 - ² Immigration (IM): $\text{Immigration} \cdot 100 / 0.5 \cdot (\text{initial stock} + \text{final stock})$
 - ³ Emigration (EM): $\text{Emigration} \cdot 100 / 0.5 \cdot (\text{initial stock} + \text{final stock})$
 - ⁴ Gross Migration (GM): $(\text{Immigration} + \text{Emigration}) \cdot 100 / 0.5 \cdot (\text{initial stock} + \text{final stock})$
 - ⁵ Net Migration (NM): $(\text{Immigration} - \text{Emigration}) \cdot 100 / 0.5 \cdot (\text{initial stock} + \text{final stock})$
 - ⁶ Migration Coefficient: $\text{Immigration} / \text{Emigration}$

Schwarz (1988) empirically tested the effect of migration flows on business cycles for Switzerland. His results can be summarised as follows: During boom periods, immigration and net migration, i.e. immigration - emigration, are particularly large, during a cyclical downturn particularly small. With respect to immigration and net migration, the cyclical buffer function of immigrants seems to be confirmed. Emigration is also rather high during cyclical downturns, although not statistically significant. The same result holds for gross migration. As indicated by the migration coefficient in Tab. 12, there seems to be a negative correlation between immigration and emigration during up- and downswings.

Of special interest is the cyclical buffer function of foreigners during recession years. The recession of the mid-1970s hit Switzerland more intensively than other Western European countries. Between 1974 and 1976, employment decreased by almost 250,000 persons which corresponded to almost 7.6% of total employment. This reduction in employment was mainly borne by immigrants, as the reduction in foreign worker employment was about six times larger than for Swiss workers. With respect to the period from 1973 to 1977, employment of Swiss workers declined by only 1.1% compared to 25.5% for foreigners. Overall, 75% of the decline in employment was borne by the non-resident population, 17% by the resident population, i.e. Swiss and immigrants with a residence permit, and only 8% by an increase in the Swiss unemployment rate.

The recession at the beginning of the 1980s had a much smaller impact on employment in Switzerland. Although employment declined between 1982 and 1984, this decrease amounted to merely 2.1% of total employment. The extent to which foreign workers have served as cyclical buffers during this recession is more difficult to evaluate, because the number of employed Swiss declined by 2.9% during this period, while the number of employed foreigners declined only in 1983 with an overall increase of 0.8% between 1982 and 1984. This is remarkable as immigrants are not only characterised by a lower skill level compared to natives but also by a more disadvantageous sectoral distribution than natives. These results have to be qualified, when the employment performance of immigrants compared to natives is considered which reveals that the unemployment rate for immigrants was substantially higher than for natives.

Two main reasons for the diverging development between the recession of the 1970s and the 1980s, i.e. the decreasing importance of the cyclical buffer function of immigrants, can be put forward. First, the stock of manoeuvrable foreign workers dropped substantially over that period, as the share of immigrants holding a residence permit increased from 30.8% in 1973 to 51.7% in 1981. Second, there were substantial demographic differences between Swiss and foreign employees. Retirements between 1982 and 1984 amounted to 3.3% of the employed for Swiss and to 0.8% for foreigners. As a result, retirements of Swiss employees exceeded the decline in employment, whereas the number of retirements and the decline in employment for foreign employees just balanced out. As there has not been a reduction in employment, it is obvious to assess the cyclical buffer function of foreigners by means of unemployment figures, which reveal that foreigners were hit much harder by the recession of 1980s than natives.

3.3 Migration and structural change

The recession of the mid-1970s emphasised not only the large regional disparities, but also the problems related to regions which were depending on one or very few dominating industries, such as the 'watch region'. The Swiss migration policy aimed at influencing the regional and sectoral development. The policy targets suggest that migration policy has by and large hindered structural change with its strategy to protect industries and to support peripheral regions. The Swiss migration policy is indeed used as an instrument for regional policy, as the allocation of state quotas for foreigners with a one-year residence permit and seasonal workers is biased in favour of peripheral and low wage states. This allocation practice is not consistent with overall economic efficiency, but can be justified with regional policy arguments. Whether the goals of regional policy can really be achieved, depends on two preconditions that have to be satisfied: first, the allocation of immigrant workers to states must be influenced on a sustained basis and second, immigrant worker employment must be positively related to economic performance.

In order to evaluate the first precondition, we have to distinguish the different residence categories for immigrants. Flexibility and control is large for immigrants with seasonal permits as they are not only subject to quotas but usually also tied to their employer for the duration of their stay. Peripheral regions can therefore be treated preferentially with the allocation of immobile seasonal workers. This result holds only in the short run, however, as seasonal workers may transform their seasonal permits into one-year permits after having worked 36 months consecutively in Switzerland which gives them the freedom of movement and settlement everywhere in Switzerland. Additionally, seasonal workers usually exhibit lower skill levels compared to the rest of the immigrant population. It is therefore

questionable whether seasonal workers can help to promote growth and welfare in peripheral regions.

In contrast to seasonal workers, immigrants with a one-year permit as well as immigrants with a residence permit are free to move, which makes it impossible to influence and control the regional allocation of these immigrants. Evidence shows that movements from the low-wage peripheral to the high-wage core regions dominate the migration pattern within Switzerland. This leads to a net outflow of immigrants from the periphery. It is therefore not possible to allocate immigrants to peripheral regions on a sustained basis. In order to achieve this, additional barriers to mobility would have to be introduced.

In summary, our evidence shows that migration policy is not only an ineffective instrument for regional policy, but also harms future economic prospects in Switzerland through the suboptimal allocation of immigrant workers. Migration policy should therefore rather concentrate on the attraction of skilled immigrants whose skills correspond to the needs of the Swiss labour market.

3.4 Allocational effects of migration

If we assume a neo-classical framework with homogenous labour and elastic labour supply and labour demand, migration is the result of an arbitrage process to eliminate wage differentials. Migration in turn leads to an increase in total employment and a reduction in the employment of native workers. Although national income grows, it is possible that per capita income may fall, as the additional income has to be shared with the new immigrants. While the income of native workers falls, the return to capital increases. In summary, the income, employment and distributional effects depend on the amount of immigration as well as on the demand and supply elasticities in the labour market.

One can think of several extensions of this basic model. First, demand effects resulting from migration could be considered. Second, we could think of a two good model, with one good produced capital intensively and the other labour intensively. Third, we could extend the neo-classical model in order to account for capital mobility. Fourth, the neo-classical assumptions of homogenous labour and a flexible labour market could be dropped. These extensions lead to less clear outcomes with respect to the wage as well as the employment effects for natives.

Kugler/Spycher (1992) analysed whether immigrants and natives are complements or substitutes. Their results show that skilled immigrants and natives are complements, while unskilled natives and immigrants are substitutes. The studies by Bürgenmaier/Butare/Favarger (1992) and Butare/Favarger (1992) analyse whether labour and capital are substitutes or complements in the production process. They found a complementary (substitutional) relationship between capital and foreign (native) labour in Switzerland for the period from 1950 to 1986.

At first glance, these results seem to contradict the traditional view of a complementary (substitutional) relationship between skilled (unskilled) labour and capital. This contradictory result can at least in part be attributed to the aggregation of different sectors using different shares of skilled and unskilled labour. As some sectors use mainly skilled labour while others use mainly unskilled labour, it is difficult to predict the relationship between elasticities which are based on regressions from aggregated variables. Additionally, it is likely that the demand for capital in those sectors that employ a large share of immigrants increases at a lower rate

due to the labour intensive production technology. This allows investments in those sectors, in which the substitution between labour and capital is more expensive (and in which the share of natives is larger).

Bürgenmaier/Butare/Favarger (1992) also show that there is a marked correlation between changes in elasticities of complementarity and substitution on the one hand and the stock of immigrant workers on the other hand. Complementarity between capital and foreign labour diminished considerably from 1950 until 1964, then it increased again until 1977 and subsequently stabilised. Accordingly, the degree of complementarity and the stock of immigrant workers seems to move inversely.

In contrast to the above mentioned studies, Kohli (1993, 1997) conducts his analysis on the allocational effects of migration in an open economy model. Kohli emphasised that studies based on closed economy models neglect possible interactions between international factor movements and foreign trade. His empirical analysis is also based on a production theory framework and covers the years 1950 to 1986. The results indicate that immigration may have substantial displacement effects if there is a downward wage rigidity. In the case of flexible wages, increased migration will decrease the income of native workers only slightly. Capital owners in contrast, as predicted by theory, benefit from migration. Imports and immigrant workers are found to be complements in the sense that more immigration leads to more imports.

3.5 Distributional effects of migration

The main economic justification for government action is usually seen in the provision of non-marketable goods for its residents. It is therefore legitimate to ask for an appropriate financing contribution by immigrants. To finance current costs of public services, taxes and fees can be levied from natives and immigrants alike. Additionally, immigrants would have to contribute to the existing capital stock with an entry fee or a similar levy. In general, immigration results in positive effects for natives, if the sum of taxes, fees and social security contributions is larger than the sum of fiscal and social transfers, i.e. monetary transfers, and the costs of the marginal use of public and club goods, i.e. real transfers, by immigrants.

In empirical studies based on cross-sectional data from the 1990 Swiss consumer survey, Weber (1993), Straubhaar/Weber (1994) and Weber/Straubhaar (1994) estimated the transfer balance for natives and immigrants (foreigners with a one-year or a residence permit). They used three main budget categories, namely social transfers (public social security insurance, public welfare programs and monetary transfers for redistributive purposes), producer side public transfers (indirect taxes and subsidies) and public and club goods. Their analysis indicates that natives gained from the presence of resident foreigners in 1990. The net transfer per foreign resident household in favour of the Swiss population amounted to approximately 1,770 US Dollars. The total financial benefit for the Swiss in 1990 therefore sums up to 464.1 Mio USD, which implies that the immigrant population has relieved the government budget by approximately 464 Mio US Dollars.

A more detailed analysis of the transfer balance shows that the dominant role favouring the Swiss is played by social security insurance and old age pensions in particular (approximately 3,000 US Dollars). Despite the relatively higher average expenditures for foreign resident households (approximately 260 US Dollars), the budget incidence for producer side public transfers results in a positive net effect for the Swiss population (approximately 280 US

Dollars). With respect to public and merit goods, however, there is a net transfer to foreign resident households. The average expenditure surplus of approximately 1,560 US Dollars which burdens the Swiss population is only slightly reduced by average contributions by immigrants (approximately 50 US Dollars).

The analysis by Straubhaar and Weber therefore reveals that the provision of public and merit goods represents the main financial burden caused by immigrants. The positive effect for natives resulting from social transfers and producer side public transfers is significantly reduced by the expenditure surplus in favour of immigrants resulting from the provision of public and merit goods.

The overall positive budget effect resulting from migration has to be qualified on several grounds. A first objection to the above results is that they are exclusively based on cross sectional data. To get a more accurate picture of the transfer balance, it would be necessary to perform a longitudinal analysis. One could also think of an analysis within a generational accounting framework, where contributions and benefits over the life cycle are considered. As a result of the cross sectional nature of the analysis, the structure of households considered influences the results substantially. At present, immigrants exhibit a more favourable demographic structure compared to natives. This is likely to change within the next 30 years. Additionally, unemployment rates remained well below 1% until 1990 (1990: Swiss 0.4%, immigrants 0.9%, overall 0.5%). This has changed dramatically since the beginning of the 1990s, with unemployment rates for immigrants being considerably higher than for natives (1995: Swiss 3.2%, immigrants 8%, overall 4.2%). It is therefore likely that the positive budget effect for natives has diminished over the last few years.

Nevertheless, there are also some factors that suggest an even larger gain from migration. First, immigrants with seasonal permits are not considered in the analysis. This group is, however, especially likely to pay taxes and contribute to social security, while at the same time benefits from monetary and real transfers can be expected to be small. Second, return migration after retirement might relieve health care systems, as these expenditures rise sharply with increasing age.

3.6 Summary

Five conclusions can be drawn from the analysis in this section. First, the discussion of the relationship between migration and growth showed that arguments in favour of foreign worker employment, such as economies of scale and flexibilisation of the labour market, have to be balanced against such arguments as structural preservation, deterioration of the 'quality' of immigrant labour and the slowdown of technological progress. Evidence has shown that, as a result of the Swiss migration policy, foreign worker employment has contributed to the slowdown of economic growth over the last decades.

Second, the discussion of the relationship between migration and business cycles showed that, although the rotation of immigrants has tended to decline, there are still substantial dynamics today. Empirical evidence on the buffer function of immigrant workers has shown that immigrants have borne a larger burden than Swiss during cyclical downturns. As an illustration, in the mid-1970s the decline in employment for foreign workers was much larger than for the Swiss and in the 1980s the unemployment rate for foreigners was significantly higher than for the Swiss. Nevertheless, the cyclical buffer function of immigrants has

declined substantially over time as a result of the steadily increasing share of immigrants with a permanent residence permit.

Third, the discussion of the relationship between immigration and structural change showed that migration has hampered structural change. The preferential treatment of peripheral regions through the allocation of immigration quotas is not only inefficient from a national economic point of view but it is also not capable of triggering a sustained development process in the periphery, because the administered allocation of foreign workers is reversed by out-migration of the mobile workers from the peripheral to the core regions.

Fourth, the analysis of the allocational effects of migration revealed that skilled immigrants and natives tend to be complements, while unskilled immigrants and natives tend to be substitutes. Additionally, there seems to be a complementary (substitutional) relationship between capital and foreign (native) labour in Switzerland. This result can be attributed, on the one hand, to aggregation problems and, on the other hand, to the fact that those sectors that employ a large share of immigrants tend to adopt an overly labour intensive production technology.

Fifth, the analysis of the distributional effects of migration revealed that there is a positive overall transfer balance effect from migration for natives. While there is a negative partial effect with respect to the provision of public and merit goods, there is a larger positive effect resulting from social transfers and producer side public transfers. The results of this analysis have to be qualified, as the results are based on cross-sectional data only, thereby neglecting the currently more favourable demographic structure of immigrants compared to natives. Additionally, while unemployment rates were still very low in 1990, this has changed dramatically in recent years.

4. Policy implications

The analysis in this paper has shown that there is substantial need for reform of the Swiss migration policy. The prevailing policy has not only failed to achieve the goals it aimed at, but it is also subject to the criticism of discrimination, as the admission of immigrant workers depends on their nationality. The Swiss government has taken up many of our suggestions for a fundamental economically sound reform of the Swiss migration policy (see Golder/Straubhaar 1998). The reform approach can be called a 'two circle admission policy'. Analogous to the current policy, the realisation of the complete freedom of mobility is aimed at the first circle, i.e. between Switzerland and the member countries of the European Economic Area. For immigrants from all other countries, i.e. the second circle, we have suggested that a point system similar to the ones used in Canada or Australia in combination with an overall immigration quota should be adopted in order to control immigration.

There are two main advantages that would result from the reorientation of the Swiss migration policy towards a point system. First, in contrast to a nationality specific admission policy, a point system allows for a direct consideration of the individual socio-economic profiles of immigrants in the admission decision. As a result, it is much more likely that the specific demand for labour will be met by immigrant workers, which implies that labour market efficiency can be increased. Second, the transition from a country specific admission policy to a point system eliminates the discriminating treatment of potential immigrants, because the issuance of admissions is no longer based on citizenship, but on the socio-economic characteristics of each migrant.

Three crucial issues have to be accounted for with the implementation of this reform approach. First, the allocation of points for immigrants within the second circle should follow the examples of Canada and Australia and comprise the following criteria: age, marital status, education, experience, language ability, willingness to make investments in the host country and create new jobs, existing job offer and scarcity indicators within sectors.

Second, the quota system which is currently operated in Switzerland should be maintained. Similar to Canada, the government should fix a middle term target for immigration which is subject to annual revisions, based on the overall economic situation. The use of immigration quotas allows for a flexible control of immigration that corresponds to the needs of the labour market. As the Swiss experience has shown, however, migration policy should not serve as stabilisation policy, but rather follow longer term structural and overall economic trends.

Third, the transition should also involve a reduction of the residence categories. There should be a clear distinction between temporary and permanent immigration. In the case of temporary immigration, which should primarily serve the need for seasonal workers, the goal of training as well as the exchange of skilled workers within multinational companies, the duration of residence should be limited and immigrants should not be entitled to derive any rights such as an extension of the duration of stay from their temporary residence. Family reunification, in contrast, should be allowed. In the case of permanent migration, all barriers to locational and job mobility should be abandoned. This should also apply to family members. As a result, the controversial 'Saisonnierstatut', which has been used as the main gate of entry for low-skilled workers, would have to be eliminated.

Aside from these measures which regulate the admission criteria for immigration, a more active integration policy should be adopted. The necessity for this arises from the fundamental changes in the migration motives that have taken place over the past decades. They have led to a marked increase in the share of network/family migration and refugee migration. As these forms of migration can neither be controlled nor regulated effectively for humanitarian or moral reasons, labour migration is the only policy parameter that can really be influenced by migration policy. In order to give immigrants the chance to develop their abilities and thus contribute to the prosperity of the host country's economy, efforts to integrate immigrants must therefore be intensified.

These considerations also underline the need for supporting measures in the area of asylum policy. Three main issues can be put forward with respect to asylum policy. First, Switzerland has to comply with international law. Restrictions on admission of asylum seekers are therefore difficult to justify and maintain. Second, the integration of refugees holding a permanent residence permit must be promoted much more strongly. Third, employment opportunities for provisionally accepted refugees should be liberalised. Similar to temporary immigrants they should not be entitled to derive rights on an extension of the duration of stay from their temporary residence.

The complete liberalisation of the movement of persons and goods between Switzerland and the member states of the European Economic Area within the first circle will yield positive welfare effects for the Swiss economy. These will be the result of intensified competition between the European Economic Area and Switzerland, on the one hand, and of a better access to the European labour market, on the other hand. From an economic point of view, the allocation of labour in the European labour market should be guided by market forces. This requires an efficient functioning of the labour and goods markets. In the absence of competition, misallocations as well as efficiency losses will result. As this precondition is not

satisfied for large segments of the Swiss economy, mainly the stagnating and cartelised industries of the domestic sector, simultaneous efforts have to be adopted to liberalise and deregulate the economic structures in Switzerland.

The large and persistent demand for cheap and low skilled immigrant workers of industries, such as the manufacturing and construction sector or the hotel and restaurant industry, is by and large responsible for the big share of unskilled immigrants. As a result of their skill profile, these immigrants are difficult to employ in innovative and competitive industries where job profiles require in general skilled workers. Intensified competition in these sectors would help to foster restructuring processes and accordingly reduce the demand for low skilled immigrant workers.

In summary, the analysis of the Swiss migration experience reveals substantial need for reforms. The reforms outlined above are necessary preconditions which will enable Switzerland to cope with future challenges. Simultaneously, these measures have to be supported by structural reforms of the Swiss economy, i.e. deregulation and liberalisation. The increased globalisation and intensified locational competition for mobile production factors requires flexible and attractive economic structures and conditions. At the same time, the integration of immigrants must be fostered. This will help immigrants to employ their skills most efficiently as well as to contribute to the prosperity of the Swiss economy.

The Swiss government has approved a report by the expert commission for migration policy, which outlines reform options for the Swiss migration policy. And the year 2000 was a year of remarkable political migration decisions in Switzerland:

- On May 21, 2000, over two-thirds of the Swiss population voted in favour of the bilateral agreement with the EU. This agreement will open up a new migration area between Switzerland and the EU Member States. At the latest on January 1st 2002, Switzerland and the EU will implement bilaterally the free movement of persons and the free access to the labour market. The agreement will be phased in stepwise with a transitional phase at the beginning, followed by an observational period afterwards that leaves Switzerland to hold a referendum to take a final decision (for a broader description of the bilateral agreement with the EU and for the economic consequences of the agreement, see Straubhaar 1999).
- On September 24, 2000, a so-called "18% initiative" was rejected clearly by the Swiss voters. The "18% initiative" was intended to reduce the number of foreigners from currently 19.6% of total population to an upper limit of 18%.
- As a prompt reaction to some anti-immigration tendencies revealed with the "18% initiative", the Swiss government has revised and modernised fundamentally the law on the residence and settlement of foreigners. The new legislation will take into account many of the ideas that the authors have proposed in an earlier contribution to the migration discussion in Switzerland (see Golder/Straubhaar 1998).
- Finally, by the end of the year the Swiss administration (i.e. the Bundesrat, which is the executive power in Switzerland!) has proposed a complete and far-reaching revision of the integration law (i.e. the "(Ein-)Bürgerungsrecht"). Long-term residents should more easily become Swiss citizens and the procedure should become more transparent, less arbitrary and less costly. For the third generation, the "jus solis" should be applied automatically (see EJPD 2001).

These recent changes of the Swiss migration policies come timely and they are substantial indeed. They correspond very much to the reform proposal outlined in this paper. We can

therefore be confident that coming reforms of the Swiss migration policy will lead to a move in the right direction.

5. Conclusions (lessons that might be learnt by other countries)

Three main results emerge from the analysis of the migration experience of Switzerland.

- First, there is a substantial discrepancy in the socio-demographic profiles of immigrants from different countries of origin. Immigrants from Northern European countries exhibit by far the most favourable profile.
- Second, as a result of the shortcomings and failures of the Swiss migration policy, which not only favours the immigration of unskilled workers but also produces a sustained sectoral misallocation of immigrants through mobility restrictions, the analysis of the economic effects of migration reveals that immigrants tend to have a negative impact on the Swiss economy. Empirical evidence shows that growth, as well as structural change, are negatively affected by immigration. Additionally, the cyclical buffer function of immigrants has declined substantially. The analysis of the allocational effects of migration indicates that skilled (unskilled) natives and skilled (unskilled) immigrants are complements. Evidence also revealed that there is a complementary (substitutional) relationship between capital and foreign (native) labour in Switzerland. The analysis of the distributional effects of migration indicates, in contrast, that there is a positive overall transfer balance effect for natives that results from migration.

The main conclusion that can be drawn from the analysis of these issues for the Swiss case is that the effectiveness of migration policy cannot be evaluated in isolation, as interdependencies with economic policy and politico-economic processes have to be taken into account. Migration policy is not only influenced by, but often also used as an instrument for stabilisation, growth or regional policy. One therefore has to analyse whether migration policy is an adequate instrument to achieve these goals. Additionally, as a result of the political bargaining process, migration policy often contains exceptions from the rules that can lead to inefficient outcomes. These results are reconfirmed by the Swiss case which shows clearly that migration policy has by and large failed to achieve the goals set out.

It must be recommended, therefore, that migration policy should concentrate on those issues that can be influenced effectively, namely the selection of immigrants and the integration of resident foreigners. The Swiss experience has shown that myopic policies, as well as lobbying activities of cartelistic and oligopolistic industries, are mainly responsible for the large share of unskilled and poorly performing immigrant workers. If labour markets were working efficiently, much of the scope of migration policy would be eliminated by the competitive forces on these markets. From a politico-economic point of view, migration policy should therefore be devised simply and transparently, in order to minimise the scope and influence of special interest groups.

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Migration and Immigrants: The Case of The Netherlands

Aslan Zorlu/Joop Hartog

1. Introduction

In the early 1960s, the Netherlands switched from an emigration to immigration country, possibly for the second time since the Golden Age. The increase in prosperity in the Netherlands reduced emigration and induced new immigration flows at the same time. Post-war immigrants can be distinguished in three main groups: immigrants from former colonies, those who were recruited for unskilled jobs (so-called guest workers), and more recently refugees. The social-economical position of ethnic minorities is, in general, not comparable with natives although a clear improvement in their position is observable. Policy-makers have reacted to a constant migration surplus with a restrictive immigration policy, at the same time aiming to improve the position of immigrants who have already arrived. However, the restrictive immigration policy aims at selected immigrant groups who are supposed to be a burden for the Dutch welfare system. Immigrants from developed countries and top managers from everywhere can enter the Netherlands relatively easily. Despite the restrictive immigration policy, rising labour shortages in certain sectors induce new discussions about the need for immigrants from time to time. Recently this discussion has been intensified due to the process of ageing.

This article examines the migration experience of the Netherlands.¹ The focus will be on the labour market effect and the performance of some specific immigrant groups such as: Turks, Surinamese, Moroccans, Antilleans and refugees. Section 2 gives a historical overview of the migration from and to the Netherlands with an emphasis on the post-war immigration and its impact on the Dutch society. Section 3 focuses on the labour market position of the migrants who arrived in the post-war period and the impact of immigration on the labour market. Section 4 considers labour market effects of immigration. Section 5 looks ahead, section 6 concludes.

2. The ebb and flow of migration

2.1 Migration until 1945

The Netherlands is turning into an immigration country, possibly for the second time in its history. The first period of an immigration surplus was from 1585 to 1670, a period which was known as the Golden Age in Dutch history. Migration is prevalent at all times, at least in the Netherlands. However, the percentage of immigrants was higher in the 17th and 18th century than in the 19th century (Lucassen and Penninx, 1997:29). In the period of the Golden Age, there was relatively great prosperity and tolerance in the Netherlands in comparison to the surrounding countries, which attracted many immigrants. A large number of immigrant workers, as well as religious and political refugees, moved to the Netherlands for either a short stay or to settle permanently. Lucassen and Penninx (1997) estimate that foreign-born people composed more than 6 % of the Dutch population between 1585 and 1780. They argue

¹ The Dutch experience until 1980 is surveyed and analysed in Hartog and Vriend (1989). Van Ours and Veenman (1999) also document Dutch post-war immigration history, partly overlapping and partly complementary to this paper.

that the change in the share of foreigners is closely correlated with the relative prosperity of the Netherlands. The number of immigrants was high until the mid-eighteenth century; the percentage of immigrants sharply decreased in the 19th century while the economy stagnated.

In the 17th and 18th century, a relatively small number of migrants left the Netherlands. In these two centuries, no more than 10,000 people emigrated to North America while from the mid-nineteenth century to the mid-twentieth century, the number of Dutch people leaving the Netherlands was higher than the number of immigrants. An overwhelmingly large part of Dutch emigrants headed for North America. After the mid-1840s, the total number of Dutch people who emigrated to North America has been estimated to be around 250,000 (HIM, 2001). Bad potato and rye harvests were the main push factors, while the favourable economic conditions in North America attracted many Dutch immigrants. After 1870, the number of immigrants increased from 50,000 between 1890 and 1900 to 175,000 in 1930 (Lucassen and Penninx 1997).

Figure 1 (all tables and figures, see appendix, pp. 135-140) illustrates the migration pattern for almost the entire 20th century. Until 1960, the Netherlands was considered to be an emigration country although, from time to time, immigration was larger than emigration in connection with various historical events such as wars and economic crises. During the First World War, thousands of Belgian refugees crossed the border trying to escape from the war. From 1920 to 1940, a large portion of immigrants was composed by Jews and other opponents of the Nazi regime from Eastern Europe, Germany and Austria. After the German invasion in 1940, many Dutch people fled to the UK.

2.2 Migration 1945-1998

After the Second World War, the Netherlands experienced an emigration surplus in the recovery period of the economy until the early 1960s. Since 1961 the annual immigration flows exceed emigration flows systematically except in one year, namely 1967 (see Figure 1). From this year on the Netherlands can be considered more as an immigration country than an emigration country. The immigration flow highly fluctuated between a range of 37,000 and 127,000 people in a year, while the emigration flow demonstrated a stable pattern around 60,000 people per year since 1953.²

2.2.1 Immigration

Immigration follows a common European sequence, of post-war and post-colonial restructuring, recruitment of unskilled guest workers, immigration curbs and arrival of refugees in large numbers (Zimmerman, 1995). In the Netherlands, decolonisation refers to Indonesia (1949) and Surinam (1975). Right after the war, in 1947, only about 104,000 people with a foreign nationality were counted, i.e. 1.1 % of the population (Penninx et al., 1994: 8-10). The first large immigration flow was from Indonesia, which had been a Dutch colony until December 1949. Large numbers of Eurasian repatriates³ who had been interned in the Japanese camps in the Dutch East Indies/Indonesia during the War returned home. The two major immigration waves occurred directly after the decolonisation of Indonesia in 1949 between 1949-1951 and between 1952-1957. Another immigration stream occurred in the

² Dutch population grew from some 9 million in 1945 to some 16 million in 2000.

³ They were born in Indonesia, often from mixed parents. They had never been in the Netherlands before.

early 1960s after the conflict between the Netherlands and Indonesia on New Guinea (see Figure 2). Migration from Indonesia has caused no economic problems for migrants with Dutch citizenship (which they possessed in the case of two Dutch parents, and could choose in the case of one Dutch parent) and apparently, integration has been smooth. Problematic, however, was the position of Moluccans, mostly former soldiers in the Dutch-Indies Army and their families. They were concentrated in certain areas in the Netherlands, isolated and deliberately declined integration, hoping to return to an independent Moluccan republic. After 1974, their labour market position was relatively poor (Veenman, 1990). There have been severe and violent political confrontations, as Moluccans required the Dutch government to support their action for an independent republic. After the early 1990s, political tensions eased and their labour market position improved (Lucassen and Penninx, 1994, 145).

Two large immigration flows occurred after the decolonisation of Surinam in 1975 and between 1979-1980 prior to the expiry of the transitional agreement on the settlement and residence of mutual subjects (see Figure 3) (Lucassen and Penninx, 1997: 42-44). Immigration from Surinam and Dutch Antilles has not led to smooth economic integration, and these groups are still targets for economic policies (see below).

The period of overall net-immigration started in the beginning of the 1960s (see Figure 1). The flow of large numbers of 'guest workers' after that time (the 1960s) created an immigration surplus in the Netherlands. During the long post-war boom, the demand for workers for unskilled jobs increased while the supply of unskilled Dutch workers was decreasing. The shortage of unskilled labourers was compensated by the inflow of Mediterranean workers (Hartog and Vriend 1979). Workers were actively recruited or came spontaneously from countries like Italy, Spain, Portugal, Turkey, Greece, Morocco, Yugoslavia and Tunisia. The Dutch government regulated the recruitment practices by bilateral agreements with the countries in the 1960s. The total number of immigrants reached 235,000 in 1970 (Penninx et al., 1993: 17). The recruitment policy stopped during the first oil crisis but the immigration from the recruitment countries continued as a chain-migration, at first in the form of family reunification throughout the 1970s and later on in the form of family formation in the 1980s and 1990s (see Figure 4).

Between 1982 and 1983 the immigration flow stagnated and even dropped almost to the level of emigration, no doubt as a reaction to the deep recession of the Dutch economy after the second oil crisis in 1979. The increase of immigration in the second half of the 1980s was dominated by family formation/re-union of 'guest workers'. Additionally, the flow of political refugees and asylum seekers, from politically unstable areas in the world, has also increased.

While the chain-migration from Turkey and Morocco has continued during the last two decades, the number of south European immigrants did not grow much after the end of formal recruitment, and even experienced a decrease. From 1958 till the early 1960s, both immigration from and emigration to the EU countries increased substantially. Figure 5 shows that the immigration surplus is closely correlated to economic performance of the Netherlands⁴. An increase in unemployment encourages emigration and discourages immigration, and a decrease in unemployment leads to a reversed situation (Heijke, 1979; Hartog and Winkelmann 2000). However, in the EU area migration flows remain within a small range, possibly due to a relative simultaneity of the business cycle of European economies.

⁴ Unemployment increased in 1967, in 1973, and reached a peak of some 12% in 1982/83. During the 1990s it dropped substantially.

In the end, Surinamese, Antillians, Turks and Moroccans became the largest ethnic minority groups and this group is gradually growing due to a combination of continuous immigration and a relatively high birth rate. Table 1 indicates the composition of the population in the Netherlands in 1996 and 2000. The number of second generation Turks and Moroccans has increased by 25.7 and 29.7 % in this period. In 2000, the Netherlands had a total of 2,775,325 residents or 17.5% of the total population who were born abroad or who had at least one parent who was born abroad⁵. About the half of these people are originally from the so-called non-western countries making up about 8.8% of the entire population. The largest group, in this category, is Turks (308,890), followed by Surinamese (302,515), Moroccans (262,220), and Antilleans and Arubans (107,200). About half of the ethnic minorities are from Western countries and these immigrants do not get attention from research or policy, at least up to now. More than the half of Western immigrants (56.4%) are from European countries. People from the southern European countries (89,305) compose only 11.6% of total number of people from European countries. According to UNHCR, the number of the political refugees was 118,700 in 1999 (see below).

In the 1990s, restrictive immigration policy led to a decline and relative stabilisation in the flow of Turkish, Moroccan and Surinamese immigrants but the overall immigration flow did not decrease. Obviously, the restrictive policy had a certain impact on immigration flows generated by ethnic social networks in the form of family formation and reunification. Immigration streams are now increasingly dominated by political refugees and asylum seekers in the 1990s and 2000s.

2.2.2 Emigration

In the last two centuries, the main destinations of Dutch emigration have been the specific immigration countries: Australia, Canada, New Zealand, South Africa, and the USA. In the early 1950s, there was a sharp increase, accompanied by a deliberate emigration policy: subsidies for transport, counselling, guidance, and bilateral international agreements for admission of Dutch. Motives for emigration were fear of unemployment, the Cold War, perceived lack of opportunities for agriculture and generally low economic expectations. Emigration decreased considerably after 1952 to a relatively stable trend, contrary to the overall immigration pattern (see Figure 1). The reaction of emigration to changes in migration policy and macro-economic developments is clearly small compared to immigration.⁶ Two peak years of emigration are associated with the period of economic recession in 1967 and in the beginning of the 1980s. In both years, the destination of Dutch emigrants was to the special emigration countries. Between 1946 and 1972, 481,000 Dutch citizens emigrated mainly to Canada, the US, Australia and New Zealand. The economic recession in the beginning of 1996 caused only a small increase. After this recession, other EU-countries became much more an alternative destination for the Dutch migrants. On the other hand, while the return migration of Turks and Moroccans mirrors the business cycle until 1990, it seems to be weaker when correlated with the business cycles of the Dutch economy since

⁵ Since 1992, this definition is applied to the ethnic background of the residents because the identification of an immigrant is increasingly undermined by assimilation/integration. Children of first generation immigrants were born in the Netherlands or came to the Netherlands at early ages. Moreover, between 1985-1998, 491,000 people have gained Dutch nationality.

⁶ Although small, reactions are discernible. Hartog and Winkelmann (2000) find strong evidence that Dutch migration to New Zealand in the postwar period was sensitive to unemployment in both countries.

then. This is likely due to the restrictive immigration policy of the Dutch government with regard to immigrants from non-EU countries. The policy has led to a lower number of both immigrants and emigrants.

The situation was notably the other way around for guest workers from Italy, Spain, Portugal and Greece. The immigrant population from these countries did not grow since 1973. In the formation process of the European Union, the number of immigrants from southern European countries has continuously decreased while most of the guest workers, especially the Spanish workers, returned home. On balance, the yearly migration surplus was negative in 1973, 1985 and 1995 (see Figure 5). It appears that rising commodity trade between the members of European Economic Community (EC) worked as substitute for migration. Straubhaar (1988) finds a strong correlation between intra-EC-trade and intra-EC-migration: the intra-EC-migration share of the entire EC-migration decreases by 1.3 per cent while the intra-EC-trade share of the total EC-trade increases by 0.8 per cent.

Migration to other EU-countries increased considerably between 1959-1967. Emigration in both directions demonstrates a marginally decreasing trend until 1987 and then increases again. While the EU migration balance is negligible, the open European market did create non-negligible flows between countries.

Emigration can thus be summarized as an early post-war peak to the traditional immigration countries, increased intra-EU labour mobility with a negligible balance and volatile return migration of Turks and Moroccans, and other guest workers.

2.2.3 Refugees

Until 1983, the annual number of refugees was counted in hundreds.⁷ Thereafter, a strongly increasing trend in the number of asylum requests can be observed. The increasing immigration in the second half of the 1980s is consequently related to political refugees and asylum seekers from various countries.

There is a clear change in the composition of the asylum seeker population. The origin of asylum seekers moves with the centres of violence and oppression. In the 1980s, a large group of asylum seekers came from Turkey, Sri Lanka, Surinam, Iran, Poland, Ghana, Somalia, while in the 1990s most of the asylum seekers came from Iraq, Afghanistan, Bosnia Herzegovina, Iran, Sri Lanka, Yugoslavia and Somalia (Lucassen and Penninx 1997, UNHCR 2001)

It should be noted that an increase in asylum requests is not identical with an increase in admitted refugees. Over time the number of rejections has increased as well. Table 2 indicates, before 1992 some 10% to 20% were admitted, while since then the proportion has risen to a third. In turn, the rejection of an asylum request does not mean that the rejected asylum seeker leaves the Netherlands. Many asylum seekers move to illegality or an unknown destination. Some are able to acquire a residence permit on the basis of another reason like marriage to a Dutch citizen. Moreover, the asylum procedure takes a very long time and is quite complicated. These factors seriously hinder an estimation of the total number of refugees. Altogether UNHCR (2001) estimated a total of 131,800 refugees in the end of 1998.

⁷ Mostly, they came from former communist countries, like Poland, Hungary (1956) and Czechoslovakia (1968); they easily found their way into Dutch society.

2.2.4 Migration policy

The flow of guest workers was initiated by employers, but regulated by a series of international treaties; the intention was temporary residence, and initially, each year about 30% of residing immigrants returned (Hartog and Vriend, 1989). When unemployment strongly increased after the early 1970s, the guest workers did not return to their homelands, and were massively hit by unemployment. In the meantime, the Netherlands had become a magnet for international migration flows with its internationally high standard of living. As a reaction the Dutch government tightened its immigration policy since the second half of the 1980s. Labour migration had already been banned in 1973. On the other hand, increased European integration made it easier for EU immigrants to settle, culminating in completely free mobility of labour under the Treaty of Amsterdam (2 October 1997). For non-EU residents, family formation and re-union are the two main grounds of admission, subject to strict conditions. They are allowed to settle (temporary) in the Netherlands *if and only if* they are:

- a minor family member (younger than 15 years old) or the partner of a legal resident (native Dutch or legal non-Dutch) with a paid job which provides an income above the minimum wage.
- students, who are mostly allowed on the basis of bilateral agreements.
- labour migrants, according to the Law on Foreign Workers, who are mostly top managers and top sportsmen.
- political refugees, although their selection procedure has become increasingly strict.

Students are allowed to work only limited hours. Asylum seekers do not have access to the labour market as long as they are in the legal procedure of application for a refugee visa. Because migrants from non-EU countries are not allowed to settle as labour migrants, a request for asylum remains their only possibility to enter the Netherlands. This may well contribute to the increase in the number of asylum seekers. The Dutch government motivates the exclusion of asylum seekers from the labour market by claiming that 'this policy discourages potential asylum seekers'.

The initial guest workers were supposed to be temporary workers and hence their integration was no policy goal. The main aim was to ensure that immigrants would have sufficient opportunities to participate in Dutch society without giving up their own life-style and values, since this would strengthen ties with the home country.

In the deep recession of the 1980s, minority unemployment was seen as an inevitable outcome of restructuring and modernising of the industrial sector (Lucassen and Penninx 1997). Government efforts focussed generally on supplying short training and on guiding job searches via labour offices, with some special emphasis on minorities. But at the time, providing income support dominated over active labour market policies. Later, there were attempts to improve the position of minorities in agreements with employer associations to set targets for minority employment shares, but this proved completely ineffective. By the end of the 1980s, the government policy switched to the Canadian model in which the employer is asked to state the ethnic composition of the work force in their annual report. But in 1998, unemployment among ethnic minorities was still four times higher than that of the native Dutch citizens (Table 3, discussed below). The poor performance may be attributed to the voluntary character of the measurement since employers are not sanctioned if they refuse to publish the ethnic composition of their workforce. In 1998 the government started a special introductory programme for immigrants, including Dutch language courses and introduction

to Dutch society in general, to be implemented by local government. The programme is not run very tightly, and is inefficient and of low quality.

2.2.5 Undocumented workers

While the Dutch government tries to prevent immigration from non-EU countries, a gradual liberalisation of the immigration policy is observable for those workers from Poland and some other eastern European countries, who are prepared to work in unskilled (seasonal) jobs (Van Ours and Veenman, 1999). But naturally, the restrictive immigration policy creates a population of undocumented workers. These workers become illegal after the refusal of their request for refugee status or they enter the Netherlands legally or illegally without applying for legal residence status at all. Engbersen et al. (1999) estimate the number of undocumented immigrants in the four largest cities in the Netherlands at 40,000, divided between Amsterdam (18,000), Rotterdam (11,000), The Hague (8,400) and Utrecht (2,600). Hardly anything is known about immigrants who become illegal after the refusal of their request for refugee status, except for the suggestion (or hope) of policy-makers that they move to surrounding countries. Undocumented immigrants are often from the same countries as settled immigrants, as a shadow population of legal immigrants, and live in large cities like other immigrants. They operate through networks of (own) immigrant communities. They earn an informal income at the 'daily spot markets' for unskilled, dirty, unattractive low-paid manual jobs in labour intensive sectors like horticulture, catering, industry etc (see Hartog and Zorlu, 1999 for evidence on textile sweatshops). Despite the enforcement policies of the Dutch government, undocumented immigrants seem to be permanent members of Dutch society just as in other advanced economies (Zorlu 2000). They serve as lubricant for cyclical and seasonal adjustments in the highly regulated Dutch labour market, as young, highly motivated workers for jobs deemed unattractive by formal workers. The famous *gedoogbeleid* (tolerated non-compliance) solves the problem when undocumented labour is in high demand.

3. The labour market position of ethnic minorities

The labour market positions of the three main groups (migrants from former colonies, guest workers and refugees) are characterised by strong differences, just as their migration history. Immigrants from former colonies often speak the Dutch language before they arrive. They are also more familiar with Dutch society. However, we still observe significant differences within this category. The position of Indonesians has strongly improved while Surinamese, Dutch Antilleans and Arubans have a less favourable position, even though improvement in their position is also noticeable.

Immigrants who initially arrived as guest workers also strongly differ in their social career in the Netherlands. The South Europeans – Italians, Spanish, Portuguese, Greeks, and Yugoslavs, and their descendants - have improved their position significantly while Turks and Moroccans still occupy an unfavourable position (Veenman and Roelandt, 1994; Lucassen and Penninx, 1997: 141-165; Van Ours and Veenman, 1999). Related to these differences, policy attention and research concentrate mainly on Moroccans, Turks, Surinamese, Antilleans and Arubans.

3.1 Employment and earnings

Ethnic minorities have been disproportionately affected by the increasing unemployment in the beginning of the 1980s. Especially 'guest workers' employed in low skilled jobs in the manufacturing industry lost their jobs. Once they were unemployed, it was difficult to re-enter in the new jobs in manufacturing and services. The share of low-skilled employment decreased by 35 percentage points between 1970 and 1996. More than two-thirds of the decrease occurred between 1970 and 1984. Virtually all of it is due to the fact that low-skilled jobs within industries disappeared by skill upgrading. The shift of employment from manufacturing to services is responsible for only about 4 percentage points of the decrease in low-skilled employment (Zorlu and Hartog 1999). As a result, the unemployment rate among ethnic minorities is three times higher than among the native Dutch labour force, for all age categories (Table 3). Moroccans and Turks have the worst opportunities in the Dutch labour market. Guest workers have not survived the intense restructuring and skill upgrading of the Dutch economy. They end up in unemployment, early retirement schemes and disability benefits, just as low-skilled older Dutch natives. Downward wage pressure is mitigated by the social minimum (legal minimum wage, social benefits) which at the same time creates openings for undocumented workers.

The low qualification level of ethnic minorities causes disadvantages in job level, participation level and earnings in addition to unemployment. Table 3 presents main labour market indicators by ethnicity. Especially the low schooling level and the young age of Moroccan and Turkish workers is notable. More than 40 per cent of the Moroccan/Turkish labour force only has a primary school education. However, the unemployed Moroccan and Turkish workers are from all education levels, while the native Dutch workers with the lowest level of education are clearly over-represented in registered unemployment.

Table 3 also indicates that a skill upgrading takes places for the entire labour force, which appears to be stronger for ethnic minority groups, especially Turks and Moroccans. Still, the educational gap for ethnic minorities is dramatic (Antilleans excepted). The poor educational achievement of second generation immigrants is closely related to the age of arrival in the Netherlands (Van Ours and Veenman 1999). Those who arrived young successfully participate in the Dutch educational system, while youngsters arriving in the middle of their school career have difficulties 'catching-up' with their class mates. Especially young people from non-Dutch-speaking countries must first learn the Dutch language, in a handicapped parental environment with poor language skills and limited knowledge about Dutch society and the Dutch educational system. Just as among the first generation, the education gap is largest for Turks and Moroccans and smallest for Antilleans.

Lack of human capital explains *only* a part of the low employment level of immigrants. Kee (1993, Chapter 6) studies employment differences between Dutch men and four groups of immigrants, Antilleans, Surinamese, Turks and Moroccans, with employment gaps with Dutch men ascending in that order. The employment probabilities are explained from schooling, experience and some household characteristics. For Moroccans and Antilleans, differences in characteristics more than explain the gap: at equal characteristics, they would even have higher employment probabilities. For Surinamese, 25% of the employment gap can be so explained, for the Turks 40%; such a decomposition thus leaves 75% and 60% for discrimination. It is remarkable that the difference is not along the cultural and language divide, with Surinamese and Antilleans at one end, Turks and Moroccans at the other. But the results also indicate that Turks and Moroccans would not benefit from extra education in their homeland, while Antilleans and Surinamese definitely would. Similarly, Turks and

Moroccans would not benefit from extra work experience in their homeland, while Antilleans and Surinamese would. Turks and Moroccans with poor language skills also do worse. The overall effect of characteristics thus appears an averaging that does hide some relevant differences. Van Beek (1993) uses an employer survey to analyse the inclination to discrimination. He estimates the influence that employers attribute to characteristics when hiring and finds high relative emphasis for age (27%), gender (23%), ethnic background (10%), health (10%), education (7%), and language (5%) etc. of a low-skilled worker. The ideal worker is described as a young, healthy, native Dutch male. The first four main characteristics (age, gender, ethnic background, and health) can typically not be influenced by the workers themselves. Several studies stress the role of discriminatory behavior of employers, especially against Turks and Moroccans (Niesing et al., 1994; Bovenkerk et al., 1995; Van Ours and Veenman, 1999). However, the high unemployment is only a small part of their labour market disadvantage. Niesing et al. (1994) suggest that especially Turks and Moroccans occupy more frequently jobs without promotion opportunities and employers are not eager to keep these workers.

While male 'guest workers' have become increasingly unemployed and their descendants have entered the labour market, the labour supply of (married) women has increased strongly during recovery from the slump of the 1980s. The recovery was also characterised by an increase in part-time and flexible employment. The allocation of part-time and flexible jobs shows some marked patterns by gender and ethnic background. Women are more frequently part-time employed than men. However, this pattern highly varies across the ethnic minority groups. Part-time and flexible jobs are not only confined to the low end of the labour market; to neutralise this effect we consider differences for medium job levels, standardized for education (medium), age (35) and family composition (married, two children). The likelihood that such a woman is a part-time worker is the highest for women with an EU-country background (95%), followed by native Dutch women (93%), women from non-European countries (85%), Eastern European countries (79%) and Turkey (58%), Morocco (47%) and Surinamese/Antillean women (39%). Surinamese/Antillean and Moroccan women are more likely to be full-time workers, with probability of 61 and 53 per cent, respectively. EU women are least likely to work full time (5%). The probability for Dutch women, at 7%, is surpassed by non-European (15%), East European (18%) and Turkish women (30%). On the other hand, all ethnic minority men are more likely to be part-time workers than native Dutch men (6%), except Turkish men. The highest probability is for East European, Moroccan and Surinamese/Antillean men (21% to 33%). Flexible jobs have almost zero probability for all groups except Turkish women (12%) and East European men (10%). Indonesian people are about the same as Dutch in their employment status distribution (results taken from Zorlu, 2001).

Hartog and Vriend (1990) studied allocation of workers over job levels and earnings using survey data of Turks and Moroccans aged 16 to 25 and similar data for Dutch youth in the early 1980s. The over-representation of young Turkish and Moroccan workers in low-level jobs can be explained by their personal characteristics like sex, family background and experience. With identical characteristics, their distribution over job levels would not differ from the distribution for native Dutch.

Van Ours and Veenman (1999) report on regressions of labour earnings for male household heads working at least 30 hours a week in 1994, using education, occupation, supervisory position or not, work experience, age and time in the Netherlands. The factors explain a large share of the earnings gap with native Dutch: 98% for Turks, 87% for Surinamese, 81% for Antilleans and 78% for Moroccans. At first sight again, there is no relation to cultural or

language distance. Kee (1993) uses small samples of these immigrant groups in 1984-1985, a period of high unemployment, for deeper analysis of wage differences (for male household heads, 18-65). For Turks and Moroccans, schooling and (potential) experience in the home country have no effect on wages. For Antilleans and Surinamese, schooling in the home country does raise earnings, at about the same rate as schooling they obtain in the Netherlands. For all groups, schooling in the Netherlands is rewarded less than for Dutch natives. Also for all groups, experience in the Netherlands is rewarded better than experience in the home country. But only for Surinamese is there a return to home country experience. The effect of proficiency in the Dutch language is not very well established. Simple dummies for self-reported proficiency are not significant in OLS regressions. Estimates with the more complicated McManus model generate no transparent results although many interaction effects with schooling and experience come out. (Kee 1993, chapter 5).

Recently, a large and representative sample, LSO (LoonStructuurOnderzoek or Wage Structure Survey), of the Dutch Central Bureau for Statistics (CBS) has become available, with data for 1997. The large number of observations on ethnic minorities in these data allows studies with more details and precision than before.

Zorlu (2001) studies the wage discrimination between native Dutch and seven ethnic minority groups within and between gender categories for the first time. For the first time also, the position of two successful immigrant groups, workers from the EU countries and Indonesia, are included. On average, EU men earn the same weekly wages as Dutch men, and Indonesian men earn even 11% more. For women, EU immigrants earn 4% less, but Indonesian immigrants earn 11% more. The gap in average weekly wages to Dutch men is some 30 to 45% for East Europeans, non-Europeans, Turks, Moroccans and Surinamese/Antilleans. For women, the gap is much smaller, at 10 to 30%, and Surinamese/Antillean women even exhibit an earnings advantage over Dutch women. Among men, 75 to 80% of the gaps are due to differences in characteristics, for women even a larger share.⁸ The descriptive statistics indicate that Indonesian men and EU women are, on average, higher educated than their Dutch counterparts; Indonesian women and EU men are slightly lower educated than the Dutch counterparts. Both categories of immigrants are older than the Dutch, and, as a consequence, more experienced. Remarkably, a large share of EU and Eastern European immigrants has a university education⁹. The estimations suggest that all ethnic minority groups face a certain degree of wage discrimination compared to their own gender. The degree of discrimination strongly differs by gender and ethnic groups, ranging between 0.2 to 18 percentage points in mean offered wages. Among men, discrimination is lowest for EU immigrants. Among women, the results are quite different. It is negligible for Turkish, Moroccan and non-European women, about 11% for EU, Surinamese/Antillean and Indonesian women, and 19% for East European women. East Europeans are not rewarded for their education, and neither are Moroccans. East European men are not compensated for experience.

If we look at gender wage discrimination within ethnic groups, some surprising results turn up. First of all, it appears that non-European and Moroccan women are clearly favoured

⁸ Characteristics used are education, experience, tenure, hours worked, part-time/full-time, family composition, job level, variables indicating employment in the public sector and the size of the city, and selectivity correction for participation.

⁹ The share of workers with a university education in the labour force is for the different gender and ethnic groups as follows: Dutch women (6%), EU women (9%), Eastern European women (16%); Dutch men (8%), EU men (12%), Eastern European men (14%) (Zorlu, 2001).

relative to men from the same ethnic group. Secondly, Dutch women rarely face a wage discrimination. Thirdly, especially women from Eastern Europe and EU-countries are underpaid due to gender wage discrimination.

Poor performance in the wage and salary sector stimulates immigrants to find other income generating activities. Many immigrants establish their own small (family) businesses like restaurants, groceries, clothing repair shops, bakeries, butcher shops etc. in the areas of big cities where a large concentration of immigrants can be found. These small firms basically rely on family and cheap labour. However, not all immigrant groups are proportionally represented in small businesses. In 1997, Tillaart and Poutsma (1998) counted a total of 34,561 immigrant business firms in the Netherlands, of which 6,324 were Turkish, 5,613 Surinamese, 3,266 Chinese, 2,496 Moroccan, 1,611 Egyptian, 1,581 Antillean/Aruban and 1,344 Italian.

3.2 Undocumented workers

By nature, the position of undocumented workers is hard to monitor. However, a unique study exists on the Turkish clothing industry in Amsterdam, with data obtained from direct observation (Hartog and Zorlu, 1999). After 1980, when the Dutch textile industry collapsed, an informal clothing industry emerged in Amsterdam, operated by Turkish entrepreneurs and creating a textbook variety of a perfectly competitive labour market. As long as officials tolerated the sector, many undocumented workers entered from Turkey. The labour market was very transparent, with high labour mobility and wages directly related to productivity. Wages were highly differentiated, and starting wages were well below the official social minimum. When the policy of tolerated non-compliance ended, a wage differential emerged between documented and undocumented workers, thus shifting part of the employer's expected fines for illegal employment to workers. Also, when the EU signed a treaty with Turkey allowing untaxed textile imports, the sector moved to Turkey: commodity and labour mobility appeared substitutes. The sector has now reduced to a fraction of its former size, and has a mixed legal/illegal structure.

3.3 Refugees

The labour market position of refugees is hardly documented in the Netherlands. They can not be identified in official statistics. It is, however, a well known fact that the long application period affects the future career of refugees negatively while this ineffective period leads to large burdens for the government budget, in 1997 estimated at 1.4 billion guilders, 0.2 % of GDP (Mattheijer, 2000: 32). Mattheijer (2000) surveys available Dutch studies on refugees and concludes that they are highly educated (with educational composition similar to the Dutch), predominantly from urban areas, and invest more in specific Dutch human capital than guest workers (learn Dutch language faster, complete the immigrant introduction courses more often and apply more effort to integrate in Dutch society (o.c., 85). The recent study of Tillaart et al. (2000) indicates that the age and skill composition of refugees strongly differs by country of origin. Afghans and Iranians are higher educated than Somalians, Ethiopians and Eritreans. The percentage of refugees with university education is highest for Afghans (47), followed by Iranians (37) and Somalians (23). They arrived in the Netherlands at a relatively advanced age. They too, find that on average, refugees are equipped with more human capital than other immigrants. However, the average unemployment rate is considerable and 42% of the employed workers have a part-time or flexible job or are the

owner of a small business (4% among refugee groups studied by Tillaart et al. (2000)). The employment rate seems to correlate with the residence duration of refugees from various countries of origin.

4. Labour market effects of immigration

The inflow of Mediterranean guest workers may well have induced a substantial downward pressure on the unskilled wage. Between 1958 and 1972, the unskilled relative wage for men in manufacturing was stable, in spite of strong excess demand, while for unskilled women in manufacturing it increased markedly (from 73% to 94% of the skilled wage). Employers considered women no substitute for men in those days. Estimating additional cost of importing labour at 10%, it takes a wage elasticity of Dutch unskilled labour supply below 0.84 to make the employer strategy of recruiting import labour a rational strategy, i.e. generating lower wage cost than letting excess demand drive up wages (Hartog and Vriend 1989).

Less speculative is an analysis of cross-effects of the presence of immigrants on wages. Using a large nationwide survey in 1998, Zorlu and Hartog (2000) estimate Mincer type earnings functions for three skill levels and include as regressors the proportion of immigrants in the respondent's city of residence (548 cities).¹⁰ As Table 4 (panel A) indicates, the presence of EU residents has no discernable effect on wages of native Dutch workers. Non-EU immigrants, best characterised by unskilled labour, have a negative effect on low-skilled Dutch and a positive effect on high-skilled Dutch, while leaving medium-skilled wages unaffected: substitutes for low-skilled Dutch, complements to high-skilled Dutch.

The elasticities are very small, though. In panel B, based on data collected by CBS (Zorlu and Hartog, 2001), the immigrant groups are further decomposed. Again we find that EU immigrants have no significant effect on native wages, and the same holds for "Other immigrants". The presence of Turks depresses all wages, making them substitutes for all skill levels. Moroccans are only complements to medium-skill natives, and Surinamese are only complimentary to high-skilled native labour. These results are the first ever estimated for the Dutch economy and need further scrutiny in extended research.

Both data sets have also been used to retrieve the parameters of a translog production structure. Combined with assumptions on wage elasticities of native supply (0.5, 0.6 and 0.7 respectively, for unskilled, medium and high-skilled) and the skill composition of immigrants, we have simulated the effect of an immigration wave equal to 5% of the labour force. Using the data on which the panel is based, we predict wages to fall for all Dutch natives, but in different magnitudes, as reproduced in Table 5.

Under recruitment policy, the immigrants are mostly unskilled (skill composition 0.75, 0.20, 0.05), under balanced immigration, the skill composition of immigrants is equal to that of native Dutch (0.30, 0.45, 0.25) and under selective immigration, the immigrants are higher skilled (0.1, 0.6, 0.4). The wage effects are substantial, especially so for the unskilled under recruitment policy and for the high skilled under selective immigration.¹¹

¹⁰ The data, from a national survey in regional newspapers, were organized by SEO Foundation for Economic Research. We are grateful to Professor Bernard van Praag for permission to use these data.

¹¹ The magnitudes are larger than one might have anticipated for the estimated wage effects. But note that the simulations are based on different estimates, notably on estimating structural coefficients from wage share equations.

5. Conclusions

In 1950, the Netherlands had 10 million inhabitants, in 2000 almost 16 million. This means continuation of a tradition of high population growth by international standards. In the five centuries after 1500, French population increased fourfold, Belgian sixfold, and the Dutch fifteenfold (De Vries and Van der Woude, 1995, 67). While the birth surplus dropped after the early 1960s from an annual average of 160,000 to 60,000 in the period 1976-1995, the migration surplus made up for it partially, by growing from next to nothing to an annual average of 35,000 (Van Ours and Veenman, 1999). But remarkably, population growth itself is taken for granted. While pressure on space for residential, recreational and productive purposes and traffic noise and congestion create mounting problems and policy debates, the question of a desirable size of the population is never explicitly posed. And it has taken a long time for economic and social policies to switch to an orientation on permanent rather than temporary settlement and to accept explicitly that the Netherlands had shifted from an emigration to an immigration country. Admittedly, this had not been the case since the seventeenth century. Only in 1998, a programme for introducing immigrants to Dutch society got started, although the immigration surplus has been positive since 1962. The shift in policy from passive income support to active labour market programmes has also come about quite slowly. Within the active programmes, ethnic minorities have been designated special target groups, but the success of these programmes is not evident, except perhaps for direct public sector job creation (Salverda, 1998).

The strong performance of the Dutch economy in the second half of the 1990s has generated substantial labour shortages in some sectors such as ICT, health, education, construction, agriculture etc. while the decrease in the numbers of unemployed workers seems to have reached its limit. Many unemployed people are considered unfit for the available jobs. The emerging labour shortage in addition to the ageing of the labour force has stimulated discussion about a need for new immigrant labour in the Netherlands. However, the focus is now on skilled labour rather than on unskilled. Again, policy-makers stress their preference for short-term contracts and an immigration policy to prevent permanent settlement of contracted workers.

After the Second World War, immigration to the Netherlands had three main sources. First, the decolonisation of Indonesia and Surinam generated sizeable immigration flows, concentrated in 1949-1957 for the former and peaking in 1975 and 1979-1980 for the latter. Second, the post-war economic growth attracted 'guest workers' from Mediterranean countries. The primary flow started with the first recruitment treaty in 1960 (with Italy) and tapered off in the slack labour market of the 1970s, but then was superseded by family re-union flows. Also, increasing EU integration shifted its origins from Italy, Spain and Portugal to Turkey and Morocco; large proportions of the south European immigrants have returned to their home countries. Third, flows of applicants for refugee status became sizable after the mid-1980s. After 1961, the Netherlands shifted to a positive immigration surplus. At that time, the sizable emigration flows of the early 1950s to the world's traditional immigration countries dwindled to very modest levels. Economic integration through the EU has led to sizable worker flows in both directions (about 30,000 annually, half a percent of the labour force), with an immigration surplus close to zero. In 2000, 17.5% of the population in the Netherlands either is born abroad or has at least one parent who is born abroad.

The flow of immigrants from Indonesia with Dutch citizenship status has been accommodated quite smoothly. However, Moluccan immigrants, for decades fully focussed on a return to their islands, have faced poor labour market conditions during the 1970s and 1980s and have

sought violent political confrontations. One might suspect this attitude to be responsible for their economic disadvantage; however, ethnic minorities experiencing economic success were not at all oriented towards the Dutch social environment (Van Ours and Veenman, 1999, 16). The guest workers have not survived the economic structuring and the skill upgrading of the Dutch economy. They ended up massively in unemployment, early retirement and disability benefit programmes. Their children still have a disadvantage in education and labour market accomplishments, especially second generation Turks and Moroccans. Immigrants from Surinam and the Dutch Antilles have only modestly benefited from their acquaintance with Dutch language and culture, Antilleans more so than Surinamese.

The refugees that succeeded the guest workers as a dominant immigrant group are higher educated, have more human capital, have by expectation better social and economic prospects than guest workers. However, little is known about the actual economic integration. Little is known also about undocumented workers, a group that naturally grows as a consequence of tight migration rules. They may come directly, or they may have been refused refugee status and not be effectively expelled. Whatever their origin, we do not know much about their economic position.

Increased EU integration has also raised migration flows between member states. EU immigration plus EU emigration jointly count for 0.4% of the Dutch population. Residential moves between cities amount to 4% of the population. Thus, EU mobility is only a fraction of intra-national mobility.

We know very little of the wider economic impact of immigration in the Netherlands. There is good reason to believe that the immigration of guest workers has effectively exerted downward pressure on the unskilled male wage in the 1960s. In later periods, this pressure may have been restrained by the social minimum, thus referring additional labour supply to the pool of unemployed. However, analytic empirical studies of this hypothesis are lacking.

We do have some novel evidence that non-EU immigrants are substitutes for low-skilled and complements to high-skilled Dutch workers. Also, EU immigrants seem to have no effect on the labour market position of native Dutch.

Given the paucity of empirical economic research on the effect of immigration on the Dutch labour market, there are many avenues for further research that should be travelled. This not only holds for the guest workers, for whom Zorlu's dissertation (in progress) is unearthing much interesting evidence, but it certainly holds for the impact of refugees. In fact, for refugees themselves we barely know how they fare, let alone that we know anything about the wider implications.

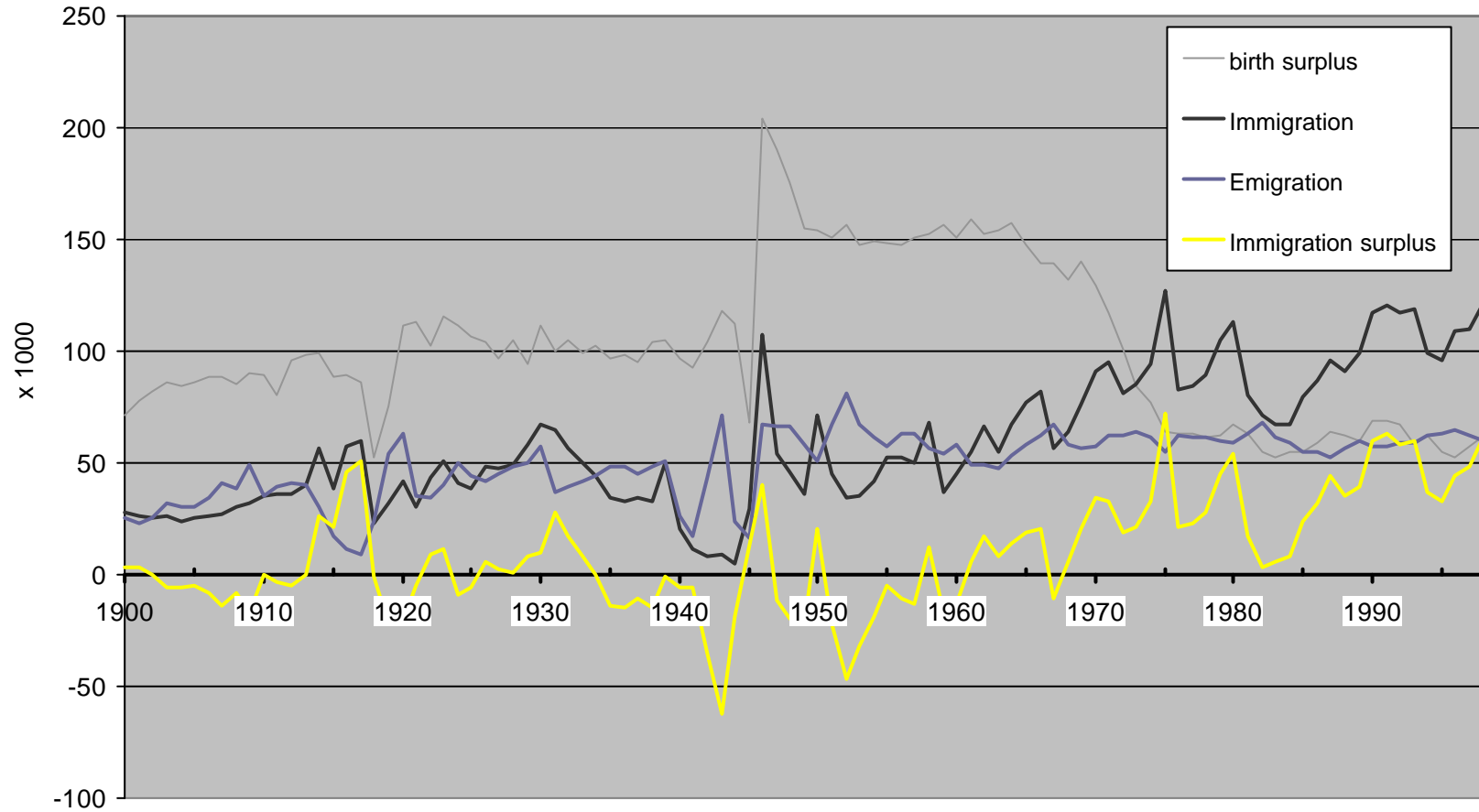
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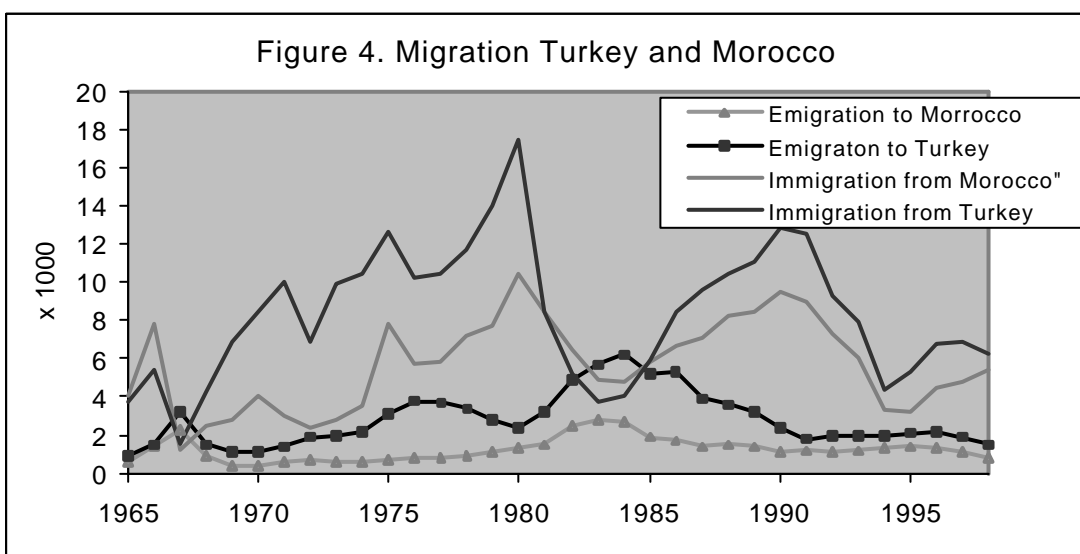
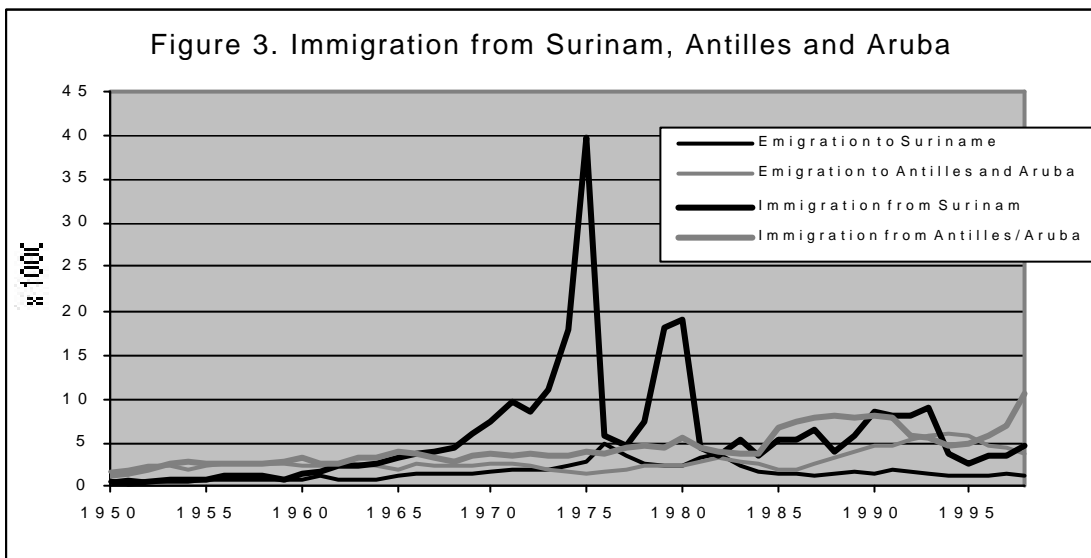
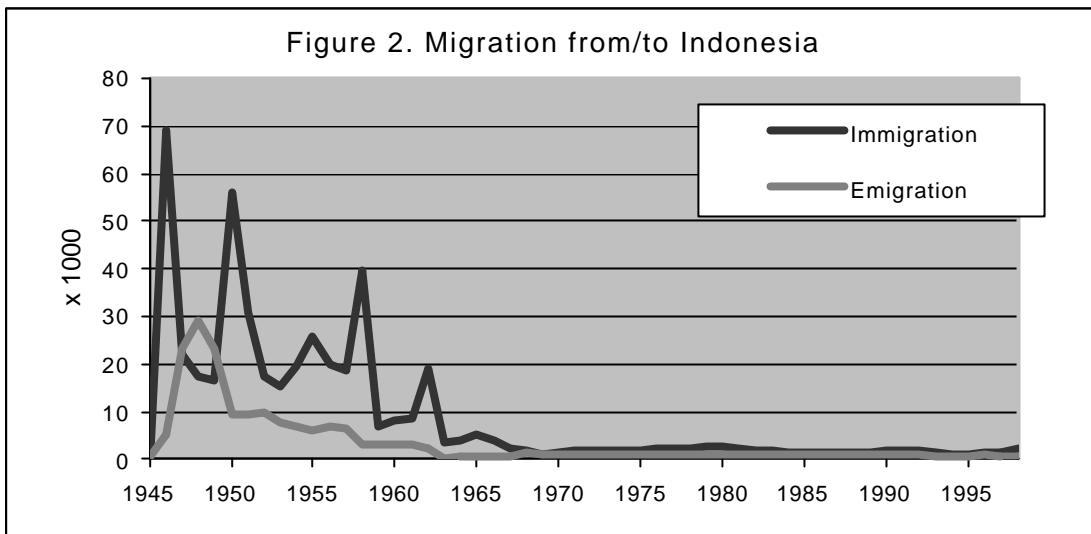
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Appendix

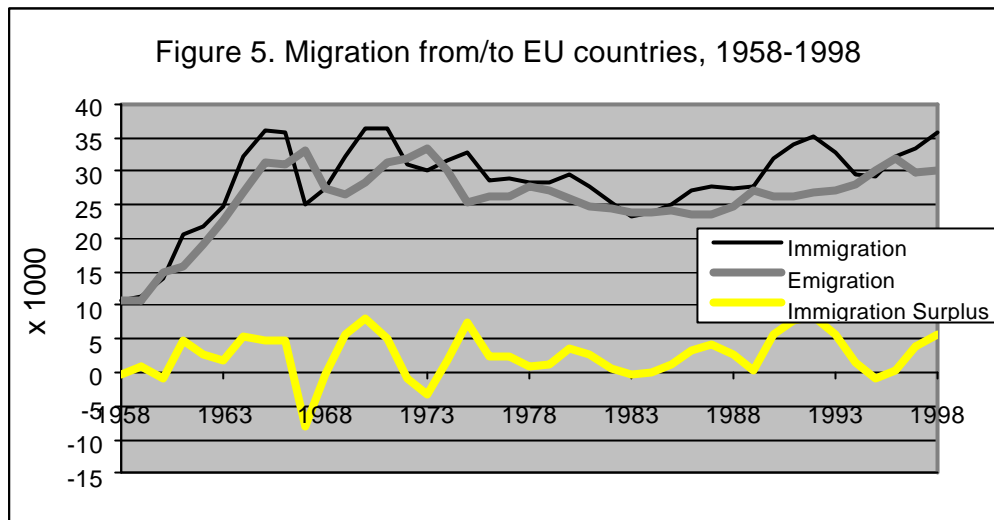
Figure 1. Migration from/to the Netherlands, 1900-1998



Source: CBS Statline (2001)



Source: CBS Statline (2001). For Figure 2, 3 and 4. In Figure 2, until 1963 inclusive Dutch New Guinea. In Figure 3. The Dutch Antilles inclusive Aruba from 1986 onwards.



For 1958-1974 Belgium, Germany, France, Italy and Luxemburg
 Source: CBS Statline (2001)

Table 1. The composition of population in the Netherlands in 1996 and 2000

	Western countries							non-Western countries					Dutch	Total Population
	Total Western	non-Europe	Europe					Total non-Wes	Turkey	Morocco	Surinam	Antil/Aru		
				Greece	Italy	Portugal	Spain							
1996														
Total	1327610	570510	757100	10065	31485	12960	28415	1171115	271510	225090	280615	86825	12995175	15493895
First generation	522555	246845	275710	5900	14955	8760	16710	761565	167250	140570	179265	55805		
Second generation	805060	323675	481385	4165	16525	4200	11700	409555	104270	84515	101350	31020		
2000														
total	1366540	597095	769445	11230	33780	14280	30015	1408770	308890	262220	302515	107200	13088645	15863970
first generation	544895	260345	284550	6495	16160	9510	17285	886245	177755	152540	183250	69265		
second generation	821655	336755	484900	4740	17620	4775	12730	522535	131135	109685	119265	37935		

Source: CBS Statline (2001)

Table 2. Asylum applications and refugee status determination, 1982-1998

	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98
Applications	1353	1806	2785	5644	5865	13460	7486	13900	21210	21620	20350	35400	52570	29260	22170	34440	45220
Decisions								12980	14200	25180	51380	42700	58210	57410	84070	49140	47820
Conventional status				758	1067	1131	1504	1030	690	780	4900	10340	6650	7980	8810	6630	2360
Humanitarian status								1080	860	1920	6890	4670	1260	10520	14780	10360	12740
Total admitted %				13.4	18.2	8.4	20.1	16.2	10.9	10.7	23.0	35.2	33.2	32.2	28.1	34.6	31.6
Stock of refugees								27200	28500	21300	26900	33200	30800	72000	103400	118700	131800

Source: Lucassen and Penninx 1997 for between 1982-1984. Asylum requests plus invited refugees. .

Source: UNHCR (1995 and 2001) for between 1985-1998.

Table 3. Labour force by ethnicity, age and education level, 1992-1998

		Total Population		Labour force (LF)								Employed Labour F.				Regist. Unempl., %				U-rate		
		LF	Non-LF	Age, %			Education level, %				Education level, %				Age, %			Education level, %				
		x1000	x1000	1	2	3	A	B	C	D	A	B	C	D	1	2	3	A	B		C	D
Dutch	1992/94	9337	3522	16	58	26	9	24	44	24	32	48	66	78	8	5	4	12	6	4	4	5
	1996/98	9427	3245	13	58	29	7	21	45	26	35	49	69	80	6	4	4	12	6	3	3	4
Eth. Minor.	1992/94	1077	503	14	63	23	22	24	31	22	25	43	53	67	23	18	12	31	20	12	7	17
	1996/98	1138	495	11	64	25	18	23	35	23	26	46	59	66	17	17	12	31	19	11	7	16
Turks	1992/94	164	95	29	60	11	53	28	16	3	24	39	49	55	31	32	32	35	30	24	.	32
	1996/98	141	78	17	71	10	41	29	24	6	24	44	56	65	24	32	43	42	28	20	.	32
Moroccans	1992/94	112	72	26	59	15	58	22	15	.	18	30	44	57	30	34	.	38	30	.	.	32
	1996/98	112	63	22	63	14	45	24	22	6	23	40	59	61	17	25	22	27	25	18	.	23
Surinamese	1992/94	180	75	15	68	17	20	31	32	16	28	46	58	74	18	18	13	29	22	11	.	17
	1996/98	180	61	10	70	21	18	28	37	17	34	54	70	79	15	12	13	24	15	7	.	13
Antilles/Aruba	1992/94	43	19	12	69	19	11	26	39	23	17	40	56	69	24	.	.	35	.	.	.	24
	1996/98	44	18	12	62	27	12	27	35	23	43	55	78	.	24	17	.	67	29	11	.	23
Others	1992/94	80	33	13	57	30	28	34	27	11	39	54	55	65	15	.	.	18	13	.	.	14
	1996/98	93	40	9	67	22	20	28	33	17	35	45	58	59	18	17	20	18	20	11	11	18

A: Primary school, **B:** Extended primary (VBO/MAVO), **C:** Secondary school (MBO/HAVO/VWO), **D:** High Vocational/University (HBO/WO)
 1: 15-24 year, 2: 25-44 year, 3: 45-64 year. *Others* refers to the rest of the people belonging to the target groups.,

Source: CBS Statline (2001)

Table 4: Wage effect of percentage immigrants in local labour market

	Low skilled		Medium skilled		High skilled	
	Coeff.	t	Coeff	t	Coeff	t
A) OLS estimates, 1998, GPD survey 548 cities						
EU immigrants	.0070	.65	-.00006	-.02	-.0087	1.37
Non-EU immigrants	-.0037	2.26	-.00058	.50	.0023	2.01
B) IV estimates, 1997, LSO data (CBS), 572 cities						
EU immigrants	-.0001	.23	-.003	1.55	-.004	1.23
Turks	-.010	3.54	-.003	2.67	-.005	2.26
Moroccans	.011	1.87	.012	4.44	.002	0.55
Surinamese	.010	1.06	.006	1.65	.015	3.51
Other	-.014	1.09	.004	1.01	.000	.04

Table 5: Predicted effect of increase in immigration by 5% of total labour force, on wages of the skill groups

Change in the wage of	Recruitment policy	Balanced immigration policy	Selective immigration policy
Low skilled wages	-0.200	-0.027	-0.005
Medium skilled wages	-0.039	-0.024	-0.005
High skilled wages	-0.005	-0.020	-0.072

International Migration in Britain: Trends and Policies*

Timothy J. Hatton

1. Introduction

Over the last forty years the United Kingdom has moved from being a country of net emigration to one of net immigration. This changing balance reflects a number of long run and short run forces. During this period migration, especially immigration, has become an important policy issue. While the politics of migration has received much attention the economic implications have been less prominent in the debate. This paper sketches the factors which have determined the flows of migrants in and out of Britain and assesses their significance for the British economy. It then examines the demographic and economic profiles of immigrants and ethnic minorities. Some policy implications are drawn in the conclusion.

2. The changing balance of UK migration

Like most other western European countries, Britain has traditionally been a country of emigration. Between 1870 and 1914 the total net outflow of British citizens was 5.6 million or about 3.4 per thousand of the UK population per annum. Then, as now, migration was a two-way process and the inward movement averaged about half the gross outflow (as measured by passenger movements to and from UK ports). About half the gross outflow and an even larger share of the net outflow was from Ireland, then part of the UK. More than half of UK emigrants went to the United States and a quarter went to Canada, with the remainder going to Australia, New Zealand and what is now South Africa. Very few migrated outside the English speaking regions of recent settlement and those who did normally returned. Net immigration of non-British citizens was small by comparison with the outflow; most notable among these were Jewish immigrants from Eastern Europe from the 1880s on.

The period between the two World Wars saw sharply reduced emigration levels. The United States Immigration Acts of 1921 and 1924, which introduced quotas for each country, are often seen as marking the end of the age of mass migration. But British immigration to the United States never reached the quota levels and emigration to other New World countries also fell sharply relative to pre-war levels. In the depression of the 1930s, there was net immigration of British citizens. Emigration to the New World from the (now independent) Irish Free State was also much lower during the interwar period and Britain became the principal destination for Irish emigrants. Although migratory movements were much reduced, the pattern of emigration remained that of the pre-war period.

International migration revived again after the Second World War. As the costs of travel declined and air travel became more common, the volume of passenger movements was no longer an adequate measure of migration. The best measure of postwar migration is derived from the statistics from the International Passenger Survey (IPS), a survey of arrivals and departures by sea and by air. These statistics exclude migrants to and from Ireland and, until 1963, those

* This paper draws heavily on material presented in Hatton and Wheatley Price (1999). I am grateful to Steve Wheatley Price for helpful comments.

travelling to and from European countries. Immigrants are identified as those who have been abroad for at least a year and intend to stay for at least a year, while emigrants are those who are departing for an intended stay of at least a year. According to the IPS estimates, in the half century from 1946 gross emigration was 9.9 million while gross immigration was 8.1 million. A large share of the flows in each direction are return migrants and hence the degree of turnover is much less than the gross flows seem to suggest. During the 1990s only 44 percent of those recorded as immigrants and 58 percent of emigrants expected to stay for more than 4 years. Fewer still applied for and were granted permanent settlement--about one third of the inflow of foreign citizens.¹

For the postwar period as a whole, the net emigration balance represents only about 35,000 per annum or less than one per thousand of the population. Net emigration was highest in the early postwar period: from 1946 to 1970 the net outflow averaged about 65,500 per annum while in the following quarter century it averaged about 3,500 per annum. The long term decline in the net emigration balance is largely a result of a downward trend in gross emigration rather than an upward trend in gross immigration. And as Figure 1 shows, it was mainly due to the decline in the net emigration of British citizens rather than to an increase in the net inflow of foreign citizens.² If estimates of the numbers of Irish migrants and asylum seekers are included in the figures then net immigration would be higher by about 45 thousand per year in the 1990s and by somewhat less in earlier years.³

The destinations of British emigrants followed its historical pattern until the early 1970s. There were substantial net flows to Australia, Canada and New Zealand and South Africa (now called the Old Commonwealth) as well as continued flows to the United States. The bulk of the decline in net emigration from the 1970s can be accounted for by the falling net emigration to these traditional destinations (Table 1, all tables and figures see pp. 152-155). In the cases of South Africa and New Zealand the net outflows of previous years were reversed. The balance of migration with Europe also moved in the same direction, turning to net inflows from the 1980s. The major sources of net inflows up to the 1990s were countries in Asia, Africa and the Caribbean, mainly those with former imperial ties to Britain. Although immigrants from these New Commonwealth countries became the main focus of British immigration policy from the 1960s onwards, by the 1990s they formed less than half of the gross inflow of foreign citizens.

During the 1990s the sources of immigration became more diverse and there was a steep upward trend between 1992 and 1998, the latest year for which data are available. The overall migration balance moved from a net outflow of 11,000 in 1992 to a net inflow of 133,000 in 1998. This upward shift in the immigration balance came in almost equal parts from increases in immigration of citizens from the Old Commonwealth, from the EU, from other foreign countries (particularly the United States), and from a decline in the net emigration of British citizens. An important question is whether this represents a short term deviation or a new long term trend, and

¹ Acceptances for settlement are granted increasingly to those who have been in the country for four years or more on work permits, as refugees or as family members of other immigrants.

² British citizens include those born abroad and naturalised immigrants. The pattern of net flows for those born in Britain is very similar to that for British citizens and is accounted for largely by a fall in the outflows rather than by a rise in inflows.

³ Heavy in-migration from Ireland in the 1950s and 1960s declined and was replaced in the 1990s by net out-migration (mainly among Irish citizens) from the 1980s. This trend was partially offset by increasing immigration of foreign citizens who were either asylum seekers or were short-term visitors subsequently granted an extension of stay.

how far it reflects changing economic conditions and/or immigration policies in Britain as well as those of other countries.

3. The determinants of international migration

Migration takes place for a variety of reasons as Table 2 illustrates. Although migration is often assumed to be chiefly labour migration in response to economic incentives, only a minority of immigrants or emigrants in the 1990s reported that the reason for their migration was work related, and the overall balance of these was outward. This was more than offset by net inward movements of those joining or accompanying other family members, those entering to study, or those arriving for other reasons. Furthermore, more than half of the sharp rise in net immigration observed in the IPS statistics between 1992 and 1998 was due to a rise in prospective students and those moving for 'other' reasons. Only a quarter of the increased net inflow is accounted for by work related migration. Nevertheless, it seems likely that economic conditions influence all categories, either directly through family relationships, or more indirectly. Of course, such influences are mediated by immigration policies (both in Britain and abroad) in determining the observed outcomes in terms of migrant characteristics, as well as the total migrant flow.

Econometric studies for the 1970s and 1980s find that the key short run forces driving net immigration were differentials in wages, unemployment, and employment growth between home and overseas countries. It has also been found that housing costs exert an important influence on the decision to migrate. (Muellbauer and Murphy, 1988). These economic forces can be seen particularly clearly for migration between Britain and Ireland, where there are no restrictions on movement (Ó Gráda and Walsh, 1994). While short run movements in Irish emigration to Britain are driven by relative unemployment rates, the long term decline (and eventual reversal) of net inward migration is due to the convergence of living standards in Ireland on those in Britain.

The movement of British citizens, largely to former British Dominions and the United States also responds strongly to relative economic conditions, just as it did in the late nineteenth century (Hatton, 1995). Large outflows from the 1950s through to the 1970s were driven by substantial differentials in real wages and per capita income, and reinforced by chain migration effects. The effect of these forces was underpinned by relatively permissive immigration policies in the receiving countries. One factor in long run decline in net emigration is the gradual improvement in real earnings in Britain compared to receiving countries, particularly South Africa and New Zealand. Another factor was the ending of positive incentives for emigration, as in the case of Australia, and the disappearance of preferential treatment of British immigrants.

Net immigration of non-British citizens is less responsive to short-run changes in economic conditions (Figure 1), largely as a result of tighter restrictions on immigration. Beginning in the 1950s, the major new element in British migration history was the arrival of immigrants from the New Commonwealth. This immigration is sometimes seen as a guestworker system, somewhat similar to that of postwar Germany. Although many were drawn by buoyant economic prospects, only about 10 percent came with a specific offer of a job (Coleman, 1994, p. 38-9). From the early 1960s when immigration restrictions were first imposed, the number of vouchers or work permits was strictly regulated. Between the early 1970s and the early 1990s about 35,000 immigrants per year were admitted on work permits. This legislation was specifically aimed at what was perceived to be an incipient flood of immigrants from the New Commonwealth. By the late 1980s about two thirds of New Commonwealth immigrants were entering as husbands,

wives or dependants (mainly children). These immigrants, admitted under family reunification policies, represent the echo effects of earlier labour migration.

The fastest growing group of applicants for admission in the last 20 years is asylum seekers. The total number of applications rose slowly in the 1980s and then surged to a peak of 45,000 in 1991. The figure rose again from 25,000 in 1992 to 46,000 in 1998 and 71,000 in 1999. Among European countries, Britain now ranks second only to Germany in the number of applications received, a fact that seems surprising given the British government's hard line on 'economic refugees'. Although many of the applications can be related to specific wars and disturbances, as reflected in those from Somalia and Ethiopia in the late 1980s or those from Yugoslavia in the late 1990s, many others are not so obviously linked. Those granted asylum status or 'exceptional leave to remain' account for one fifth of all decisions between 1994 and 1998. In an attempt to clear the rising backlog of applications the number admitted rose to 21,400 in 1999, or two thirds of all decisions.

4. Immigration policy

The British Government's immigration policy has been driven essentially by concerns about race rather than by concerns about immigration per se. The overall net migrant flow has rarely been a matter for concern. Much more important has been the preoccupation with the colour, creed and ethnic background of immigrants. Before the 1960s immigration control applied only to non-British subjects. All subjects of the Crown were entitled to free entry to Britain and this included all Britain's colonies and dominions. Under the Nationality Act of 1948 the right of settlement was extended to newly independent countries of the Commonwealth. Immigration was controlled at the sources through diplomatic and administrative methods and it was applied mainly to the non-white populations in Asia, Africa and the Caribbean. The loss of administrative control over these newly independent countries and the mounting flows of immigrants from the West Indies and the Indian subcontinent led ultimately to the imposition of formal immigration controls. (Spencer, 1997, p. 38)

The Commonwealth Immigration Act of 1962 reflected the desire to control immigration from the New Commonwealth. It introduced a voucher system to admit immigrants under three categories: (A) those with pre-arranged jobs, (B) those with special skills, or (C) where there were specific domestic needs for labour. It also allowed the admission, in addition to the primary migrant, of wives, fiancées and children up to age 16. In 1965 and 1969 these conditions were tightened; admission under category C was abolished and the numbers admitted under A and B were reduced. Under the Commonwealth Immigrants Act of 1968 UK passport holders were made subject to immigration controls unless they, a parent or grandparent, had been born, adopted or naturalised in Britain. During the 1960s an increasing proportion of immigrants gained entry on the basis of family reunification rather than as primary immigrants.⁴ As a result, during the 1970s and 1980s, the criteria for the admission of family members were progressively narrowed.

The 1968 Act was provoked by the arrival of growing numbers of East African Asians, who had opted for British passports when their adopted countries became independent, and it was followed by steps to redefine British citizenship in line with immigration policy. Under the

⁴ It was estimated that under the voucher system, each voucher taken up admitted on average 3.7 immigrants (Spencer, 1997, p. 127).

Immigration Act of 1971 'patrials' were distinguished from 'non-patrials'. Patrials were defined as British Commonwealth citizens who had themselves or whose parent or grandparent had been born, adopted, or naturalised in Britain. Non-patrials had no more rights than aliens. But this further raised the issue of unequal treatment of British citizens as defined by the 1948 Nationality Act. Under the British Nationality Act of 1981, three types of British citizens were created: British Citizens, British Dependent Territories Citizens, and British Overseas Citizens. Only the first of these gave automatic right of entry and it extended only to those born, adopted or naturalised, registered as citizens or permanently settled in Britain.⁵

Immigration policy has been inextricably linked with race relations (see Layton Henry, 1992). From the late 1950s, there were periodic outbreaks of violence culminating in riots in the inner-city areas of Toxteth (Liverpool) and Brixton (London) in 1981/2. During the 1960s, government initiatives in race relations marched almost in lockstep with increasing restrictions on immigration. This correlation is sometimes explained as a response to the growing polarisation and politicisation of the race issue (Jones, 1977). It took the form of appeasing the anti-immigrant lobby with tougher immigration controls on the one hand, while appealing to pro-immigrant sentiment with positive efforts to promote racial harmony and to outlaw discrimination on the other. In the face of mounting evidence of discrimination against ethnic minorities, Race Relations Acts were introduced in 1965, 1968 and 1976, making discrimination in housing and employment illegal and setting up bodies to promote racial harmony. In the 1980s, the focus shifted to the way that public policies towards law and order, education, health, as well as employment impinged unfairly on non-whites.

In the early 1990s, there was growing concern about the rising numbers of asylum seekers, some of whom entered Britain on tourist visas and subsequently claimed asylum. Once more the policy reaction was to tighten restrictions in response to perceived threats of undesirable immigration. The Asylum and Immigration Act of 1993, which removed a visitor's right of appeal if refused entry, evidently halved the number granted asylum between 1993 and 1994. It also increased the number held in detention pending decisions at the same time as raising the number of repatriations. The Asylum and Immigration Act of 1996 removed the right to all state and local authority benefits (including housing) from those claiming asylum after arrival and those whose applications had been rejected but who still remained in the country. A further Asylum and Immigration Act in 1999 introduced new measures to streamline the applications and appeals process, strengthening deterrents against clandestine asylum seekers, while providing limited support for genuine cases.

5. The economic and demographic impact of international migration

Although migration has been a controversial issue, its effects on the British economy have been the subject of surprisingly little research. As a result, few comparisons can be drawn with studies of labour market impacts, particularly on wages and employment, that have been conducted for the United States and some European countries, such as Germany.⁶ Some studies use computable general equilibrium models to calculate the effects of migration on wages, capital intensity, sectoral change and per capita income. One recent study uses these methods for the period of mass emigration before the First World War (Hatton and Williamson, 1998, chap. 10) In the

⁵ In addition it descended to first generation children of citizens born abroad to British citizens who were born in the UK.

⁶ See Borjas (1994), De New and Zimmermann (1994).

absence of international migration from 1870 the labour force would have been 16 percent larger in 1911 than it actually was. The general equilibrium effects of this drain of labour was to raise the average unskilled real wage in 1911 by between 6.6 and 12.2 percent, depending on whether or not capital is assumed to be internationally mobile.

Between 1951 and 1991, the UK population increased by a modest 15 percent. Depending on the method of calculation, up to half of this increase can be accounted for by immigration. But it seems more appropriate to evaluate the effects of net migration rather than of immigration alone. As Table 3 shows, in the 1960s and 1970s net immigration provided a small but increasing offset to the (declining) rate of natural increase. From 1981, net immigration provided between a third and two thirds of total population growth. Over the whole 35 year period the net contribution of migration was close to zero. It might be argued, however, that the timing of migration is more important than the total numbers involved. In principle, 'guestworker' effects could add an element of flexibility to the labour force and smooth out fluctuations in unemployment. While this may have occurred to a small extent in the short-run, in the long-run the effects were the opposite of what the guestworker model would predict. Between 1950 and 1975, when the unemployment rate averaged 3 percent there was net emigration. By contrast, in the period since 1975, when the unemployment rate averaged 8 percent, there has been net immigration.

It has sometimes been suggested that international migration represents a loss of human capital to the economy. The IPS data divides those with occupations between professional/managerial and manual/clerical groups. Among the higher occupations the net outward balance in the 1970s was reversed by the 1990s (Table 4). The increase in the share of these higher occupations in the gross inflow is partly due to the fact that work permits are no longer issued for manual, craft, clerical or domestic work. Notable too is the persistent net inflow of students, who probably added further to the net recruitment of relatively skilled workers.⁷ Although this classification is very broad, investigations of specific high-skilled sectors have also failed to point to a serious brain drain. An evaluation of the flows among university-based scientists and engineers over the period 1984-92 found that, compared with the previous decade, there was a slight rise in immigration and no change in emigration. Furthermore, there was no evidence of any quality difference between immigrants and emigrants (Ringe, 1993, p.63).

In the 1950s and 1960s, the share of the low-skilled among immigrants was much higher than in the last two decades, but this inflow was smaller than the outflows of low-skilled workers. In the relatively buoyant market of the early postwar period, low-skilled immigrants were recruited to jobs in sectors such as transport, hospitals and textile manufacturing. Since the 1970s, conditions in the low-skill labour market have deteriorated as structural shifts in the economy and technical change have reduced the demand for unskilled labour (Nickell and Bell, 1995). Even with a tightening labour market and with active labour market policies, the supply of unskilled labour exceeds demand (Dickens et. al., 2000). At the same time, the earlier net outflow of manual and clerical workers has been reversed. Over the 1990s, the gross inflow of manual and clerical workers recorded by in the IPS statistics was more than half a million and about 40 percent of these were non-EU foreign citizens. While the allocation of work permits and leave to remain should have restricted the flow of lower skilled workers and especially those without pre-arranged jobs, its effects seem to have been limited. But continued unskilled immigration has

⁷ No doubt, a share of those who entered as students recorded themselves as managerial and professional when they returned. In that case, the net balance of those recorded as managerial and professional understates the net inflow.

been partly the result of entry through family reunion, family formation and asylum (see Coleman, 1996).

6. Immigrants and ethnic minority groups in Britain

Much of the debate about immigration has been aimed at non-white ethnic minorities. But it is important to distinguish between immigrants and ethnic minorities. Many of those recorded as immigrants are not members of an ethnic minority group while, on the other hand, a large share of the ethnic minority population were born in Britain and are therefore not immigrants. Census statistics show that the proportion of foreign born increased from 4.4 percent of the population of England and Wales in 1951 to 6.5 percent in 1971. In 1991, the foreign born were 7.4 percent of the population and 45 percent of these were born in New Commonwealth countries. Less than half of the foreign-born recorded in 1991 were citizens of foreign countries, most of the remainder having acquired British nationality since arrival.

The 1991 census also recorded ethnicity based on a combination of race and region of extraction. Of the 5.5 percent of the population who categorised themselves as ethnic minorities, Indians, Pakistanis and Bangladeshis make up about half, while those describing themselves as Black Caribbean, Black African or Black Other make up a further 30 percent. Nearly half of the total ethnic minority population was born in Britain, although only a third of the Black Africans, Bangladeshis and Other Asians were second generation (Table 5). The proportion is particularly high for the category Black Other, many of whom described themselves as "Black British". As Table 5 shows, the shares of men and women in ethnic minorities is similar to that of the white population but their average age is much lower. The small proportion over age 60 reflects the fact that most immigrants were young on arrival, so that only those surviving from the earliest immigrant cohorts have reached retirement age. The vast majority of those aged under 16 were born in Britain and, in part, this reflects the high birth rates and large family sizes of some groups, particularly Pakistanis and Bangladeshis.

Census and other data also reveals a very marked concentration of ethnic minority populations in certain parts of Britain. These locations were established early on in the settlement patterns of successive waves of immigration. Ethnic minority populations are heavily concentrated in urban centres with 45 percent located in the Greater London area alone, as compared with 10 percent of the white population. Other major areas of settlement are the Midlands and the industrial/urban parts of Lancashire/Yorkshire. Even within urban areas ethnic minorities are concentrated in certain localities, often the more depressed inner-city areas. This concentration has important implications. First, the exposure to British culture may be less than it would appear at first sight. Second, as the literature from the 1970s onwards has emphasised, these ethnic minorities must be considered as communities and not just as individuals and families.

Important elements in the adaptation to the host country environment are language fluency, education and vocational qualifications. Lack of these skills can be a key source of disadvantage. Many of the early postwar immigrants had little education and poor language skills. But these deficits relative to the white population have eroded over time because of rising education levels in source countries, because of the changing selectivity of immigration, and because an increasing proportion of ethnic minorities have been educated in Britain. Table 6, taken from a survey by the Policy Studies Institute (PSI), shows that English fluency among ethnic minorities ranged from 91 percent among African/Asian men to 40 percent among Bangladeshi women. Although rates of fluency were significantly lower for those not born in Britain, they rise sharply

with length of time since migration, especially for those groups with initially low levels of language fluency. Analysis of the PSI data shows that language acquisition is less marked for those living in localities where there is a high density of members of the same ethnic group, particularly where they comprise more than ten percent of the population (Modood and Berthoud, 1997, p. 62).

Evidence for earlier periods showed a tendency for polarisation in the educational attainment of ethnic minorities--with relatively large proportions both of highly qualified individuals and of individuals with no qualifications. This has become less marked as a larger share of the ethnic minority population has been educated in Britain. As Table 6 indicates, among men, slightly higher proportions of Caribbeans and Pakistanis, and a much higher proportion of Bangladeshis have no qualifications or qualifications below 'O' level as compared with whites. It is also notable that Indians, African/Asians and Chinese have much larger proportions with degree level qualifications than whites. But these figures conceal even higher relative levels of attainment among the younger cohorts and among those yet to reach the labour market. According to the PSI study "No ethnic group had a lower participation rate in post-16 education than white people and some had a much higher rate" (Modood and Berthoud, 1997, p. 76).

Differences in educational attainment are paralleled in the labour market experience of different ethnic minority groups. Data from the 1991 census in Table 7 shows that labour force participation rates are lower for some ethnic minorities than for whites. For men, this is partly due to the participation in further and higher education among those aged 16-24 and early retirement among those aged over 55. But the most striking differences are in unemployment rates which are much higher among Blacks, Pakistanis and Bangladeshis than among the other groups. Among those employed or self-employed there are also sharp differences in levels of occupational attainment and earnings. Analysis of data from the PSI study indicate that while all ethnic minorities suffer some disadvantage, the labour market status of Chinese and African/Asians is similar to that of whites; Indians and African-Caribbeans suffer some disadvantage while Pakistanis and Bangladeshis are the most disadvantaged. These and other findings stress the fact that the differences among these groups are greater in many respects than the differences between ethnic minorities as a whole and the white population (Modood and Berthoud, 1997, Ch. 4).

7. Analysing differences in labour market status

In order to probe deeper into differences in labour market status, it is necessary to use multivariate analysis. Early studies of earnings, employment and occupational attainment tended to treat ethnic minorities as a single category, thus masking significant within-group differences. And they often concentrated on decomposing the effects of different variables on ethnic minorities and whites, and labelling the unexplained residuals as discrimination. Often no distinction was made between first and second generation immigrants and/or no allowance was made for the 'assimilation effects' of the length of time since migration. With the advantage of richer datasets, more recent studies have followed the lead of Chiswick (1978, 1982) in allowing for assimilation effects and at the same time distinguishing between the different ethnic minority groups.

In one recent study, Shields and Wheatley Price (1998) analysed earnings data from the Labour Force Survey (LFS) for 1992-4, controlling separately the education and labour market experience obtained in the UK and abroad, and distinguishing between whites and ethnic

minorities. In general, they find that immigrants receive lower returns to education and experience if it was acquired abroad--suggesting that it may be of poorer quality or that it is not easily transferable to the British labour market. They also find that both among immigrants and among the native-born, non-whites receive a lower return on education and experience than do whites. Allowing for these variables and others such as marital status, region and industrial sector, there also remain residual disadvantages for certain groups such as Pakistanis.

The results from LFS data on the incidence of unemployment are even more striking. Higher levels of education reduce unemployment rates more for whites than for ethnic minorities, whether immigrants or not (Wheatley Price, 2001). But among immigrants there are large reductions in the incidence of unemployment with time spent in the UK. For white immigrants unemployment incidence falls from nearly 20 percent for recently arrived immigrants to 7.5 percent for those who have been resident for 20 years. Among non-whites there is a much steeper fall, from 41 percent for those recently arrived to 13.6 percent for those who had been resident for 20 years. But non-white unemployment rates remain higher than those of whites and this applies equally to those born in Britain and those born abroad. Muslim groups such as Pakistanis and Bangladeshis remain severely disadvantaged, even allowing for differences in education and experience (Blackaby et. al., 1999).

Lack of English language ability may be a particular source of disadvantage, not captured in surveys like the LFS. A recent analysis of the data for ethnic minority immigrant men from the PSI survey mentioned earlier indicates that rates of fluency are higher for immigrants who were relatively young on arrival and that it increases with length of time since migration (Shields and Wheatley Price, 2001). For those who are employed, fluency increases their earnings by 15 to 20 percent. More important still, fluency increases the probability of gaining employment--by 20 percent for men and 25 percent for women (Shields and Wheatley Price, 1999). Taken together these effects explain a significant share of the economic disadvantage among ethnic minorities.

These and other results point to large and significant effects on earnings and employment of time since migration--suggesting a considerable degree of economic assimilation for white and non-white immigrants alike. In part this may reflect the rebound from downward mobility at the time of first entry--a fact that would help explain some of the differences between immigrant groups. They also indicate that language and education are important factors in upward mobility, although some immigrants benefit less from these, especially if their education was acquired abroad. Second generation immigrants benefit from higher levels of education than their parents (and the white population) but still suffer some disadvantage.

8. Conclusions

This brief sketch of Britain's recent experience of international migration has concentrated on the economic and demographic characteristics of migration to and from the country. Clearly, the political climate is a key determinant of policies towards international migration and it has become (or has remained) an important political issue for many European countries. Those issues have not been addressed here and the four general policy recommendations which follow stem from economic and demographic considerations alone.

- Britain has experienced very modest population growth and an ageing population structure, trends which are likely to continue. Growing net immigration, mainly of young people, should not be a cause for alarm. With the improving performance of the national economy,

there may be economic and demographic advantages to maintaining, or even increasing, current levels of immigration in the medium term.

- There has been a trend towards net immigration of relatively high-skilled workers. Given the weakness of demand for low-skilled labour and the experience of immigrants with low levels of education and training and with poor language skills, it is appropriate to select, even more than previously, immigrants with high skills and qualifications.
- There is a significant inflow of students to further and higher education in Britain. Given the importance of host country education and training in the economic success of immigrants and given the severe penalty suffered by recently arrived immigrants in gaining employment, greater preference should be given to the allocation of work permits to those who have received further or higher education in Britain.
- Asylum applications (and admissions) have increased dramatically in the recent past and new policies are being developed to deal with them (National Asylum Support Office, 2000). Since these are often disadvantaged groups, greater effort should be made to give refugees better prospects of upward mobility by providing education and training schemes as a bridge to employment. Language training is a key foundation in which such schemes must build. It remains to be seen if recent initiatives in this direction go far enough.

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Table 1
UK Net Migration by Country of Origin or Destination
 (Thousands per decade)

	1969-78	1979-88	1989-98
Commonwealth			
Australia	-286.3	-187.1	-52.3
Canada	-112.2	-71.4	-15.3
New Zealand	-63.3	-3.4	+24.6
South Africa	-99.3	-8.6	+45.2
Other African Commonwealth	+76.1	+48.4	+56.6
Bangladesh, India, Sri Lanka	+124.0	+111.8	+93.1
Pakistan	+46.1 ¹	+87.5	+59.2
Caribbean Commonwealth	-4.5 ³	+5.0	+5.4
Other Commonwealth	+56.6	+17.5	+34.9
Foreign			
European Union	-56.9 ⁴	+29.5 ⁵	+133.7 ⁶
Rest of Europe	-18.1	-7.2	+19.1
United States	-21.7	-75.5	-19.8
Rest of America	+5.6	-2.0	-6.8
Middle East	+54.3 ² }	-55.1	+0.6
Other Foreign	}	+39.1	+77.9

Source: OPCS International Migration, 1978, 1988, 1998

Notes: (1) From 1973 only; (2) Includes Pakistan 1968-72; (3) West Indies only; (4) Coverage reflects enlargement in 1973; (5) Reflects enlargement in 1981 and 1986; (6) As constituted in 1995.

Table 2
Reasons for Migration, 1989-98
 (Number of migrants in thousands)

Reason	Inflow	Outflow	Balance
Work related	532.3	638.9	-106.6
Join/accompany	738.9	571.7	+167.2
Formal study	552.8	101.5	+451.3
Other reasons	492.8	444.1	+48.7
Not stated	283.3	383.3	-100.3

Source: Calculated from OPCS International Migration, 1998, p. 9.

Table 3
Population Change and Net Migration, 1961-1996
 (annual averages)

	Population growth (000's)	Population growth (%)	Net migration (000's)	Migration share (%)
Years				
1961-66	367	0.69	-8	-2.0
1966-71	257	0.47	-56	-21.0
1971-76	58	0.10	-55	-94.8
1976-81	27	0.05	-53	-120.2
1981-86	83	0.15	+43	+51.8
1986-91	188	0.33	+60	+32.8
1991-96	199	0.34	+76	+38.2

Source: Calculated from Population Trends (various issues).

Table 4
Net Immigration by Age and Occupational Status
 (Thousands per decade)

	1969-78	1979-88	1989-98
Occupation (adults)			
Professional/Managerial	-106.1	-45.8	+101.4
Manual/Clerical	-313.9	-126.3	+53.2
Students	+169.2	+51.7	+151.2
Other Adults (unoccupied)	-63.3	+40.2	+94.8

Source: OPCS, International Migration, 1978, 1988, 1998.

Note: Other Adults are chiefly those labelled as 'housewives'

Table 5
Ethnic Minorities in the 1991 Census (GB)

	Population Share	Born Overseas	Female	Age Under 16	Age 60+
Ethnicity					
White	94.5	4.2	51.7	19.3	22.1
Black	0.9	46.3	52.1	21.9	10.9
Caribbean					
Black African	0.4	63.6	49.7	29.3	2.7
Black Other	0.3	15.6	50.9	50.6	20.7
Indian	1.5	58.1	49.7	29.5	6.8
Pakistan	0.9	49.5	48.5	42.6	3.7
Bangladeshi	0.3	63.4	47.8	47.2	3.3
Chinese	0.3	71.6	50.5	23.3	5.7
Other Asian	0.4	78.1	52.6	24.4	4.1
Other Other	0.5	40.2	48.3	41.7	5.0

Source: 1991 Census, Ethnic Group and Country of Birth, Vol. 2, London: HMSO, 1993.

Note: Other includes ethnic minorities of mixed race/ethnicity.

Table 6
Fluency in English and Education Qualifications among Ethnic Groups

Ethnicity	English spoken fairly well		Highest Qualification below 'O' level		Highest Qualification Degree	
	Men	women	men	women	men	Women
White	-	-	31	38	11	8
Caribbean	-	-	44	34	6	3
Indian	81	70	35	40	24	19
African-Asian	91	86	32	32	20	15
Pakistani	78	54	48	60	11	7
Bangladeshi	75	40	60	73	10	3
Chinese	76	76	31	25	26	17

Source: Modood and Berthoud (1997) p. 60, 65-66.

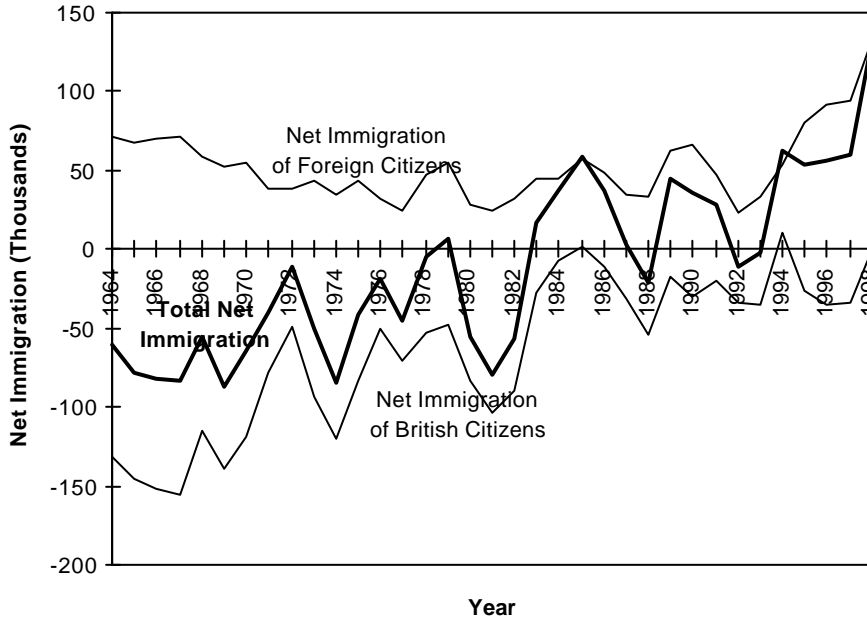
Table 7
Employment and Unemployment by Ethnic Group

Ethnic Group	Men		Women	
	Economically Active	Unemployed	Economically Active	Unemployed
White	87.0	9.4	68.3	4.5
Black-Caribbean	86.4	20.7	73.3	10.1
Black-African	70.4	20.4	61.4	15.2
Black-Other	83.7	21.4	64.8	12.0
Indian	82.3	11.0	60.4	7.6
Pakistani	71.3	21.6	28.3	8.3
Bangladeshi	74.3	22.9	22.2	7.7
Chinese	72.4	7.6	56.7	4.7
Other Asian	78.2	11.1	56.2	6.9
Other-Other	78.5	15.5	58.2	8.7

Source: Owen, 1997, p. 33.

Notes: Economically active as a percentage of the population aged 16-64 (men) or 16-59 (women); unemployed as a percentage of the economically active.

Figure 1
Net Immigration: Total, British and Foreign Citizens, 1964-1998



Migration and Regions – The Case of Austria*

Peter Huber

Abstract

This paper summarises the findings of recent research on the effects of migration on the Austrian labour market and draws attention to the fact that migratory movements have had a distinct regional dimension in the past. In our analysis of the mobility behaviour of foreign residents we find that existing networks of foreigners of the same nationality are the most powerful predictors of both new migration and net migration from abroad to a particular region. Internal mobility, however, is less closely correlated to the existing networks. This suggests that improved integration of foreign workers into the Austrian labour market may be the most effective measure, if a more even spread of migrants across the territory is desired.

1. Introduction

In the years from 1989 to 1993 the number of foreign residents in Austria increased by 345,000. The stock of foreign residents thus more than doubled within a four year period. Since in the same time period naturalisations exceeded the natural increase in foreign population by 20,000 the actual net inflow of foreign migrants was almost 365,000 or 4.7% of the total population in 1989. The stock of foreigners as a percentage of the total population moved from 4.5% to 8.6% in this time period.

The experience of such rapid migration and the concerns over the potential repercussions of the enlargement of the European Union by the Central and Eastern European candidate countries have moved migration issues to the centre of scientific as well as political interest in the last decade in Austria. Research has focused on the effects of migration on the labour market outcomes for natives (Winter – Ebmer and Zweimüller, 1994, 1996, 1996a, 1996b, 1998, Boeri and Brücker, 2000, Hofer and Huber, 2001, 2001a), the macroeconomic consequences of migration on the Austrian economy (Biffl et al 1997, Breuss and Schebeck, 1999; Breuss 2001, Keuschnigg and Kohler, 1998, 1999) as well as the labour market and integration experiences of migrants (Biffl, 1999 and Fassmann et al, 1999). Policy has been preoccupied with reformulating legislation towards a more residence based system of regulation and taking a restrictive stance on the possibility of freedom of movement of labour.

One aspect, which has gone largely unnoticed in the debate, are the potential regional implications of migratory movements. This, however, is both of political and scientific importance. For instance, recent research for other countries has shown that new migrants tend to locate in regions where there is already a strong minority of the same ethnicity and that migrants are more mobile than natives (see: Bartel, 1989, Bartel and Koch, 1991 and Rephann and Vencatasawmy, 1998). Furthermore, migration may have different implications for different regions.

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This paper reviews the recent migration experience of Austria as well as the literature on the effects of migration on the labour market. Furthermore, we analyse the regional settlement structure of migrants in Austria in order to evaluate the motives for settling in a region. Section two of the paper describes the migration experiences since the 1980s. Section three summarises the findings of empirical work on the effects of migration on Austrian labour markets. In general, this work suggests a far from simple adjustment mechanism to migration in Austria and finds small effects on workers in general, but differences for different labour market groups. Thus, issues of income distribution should be more important in the debate than aggregate effects. Section four presents an empirical analysis of the settlement decision of migrants using a data set recently made available by the federal ministry of internal affairs, which reports the stock of foreigners residing legally by regions and nationality, and the statistical office, concerning the mobility of nationals and foreigners. Section five analyses the internal migration decision of foreign citizens in Austria. Section six then concludes by drawing some policy conclusions, stressing the relevance of regional issues for the enlargement process of the European Union.

2. The Austrian migration experience in the 1990s

In many respects Austria was a special case concerning migration in its post World War II history. It was a receiving country for less qualified labour mainly from Turkey (around 56% of the foreign residents came from this country in 1999) and former Yugoslavia (20%). Aside from the former Yugoslav Republics only Polish, Hungarian and Romanian migrants account for more than 10,000 (or a share of around 3%) of the total migrant population. At the same time, it was a sending country for more highly qualified labour to, in particular, the neighbouring countries (Germany and Switzerland). Furthermore, during most of its post World War II history Austria, due to its special geopolitical situation, was a transit country for asylum seekers primarily from Eastern Europe. These migrants entered Austria and as a rule hoped to move on to the traditional emigration countries such as the US, Canada or Australia.

Throughout the 1980s Austria was a net receiving country of foreign labour. Migration policy for the largest part was oriented towards a model of temporary labour migration (the so-called "rotation principle"), which had its roots in the labour shortages of the 1960s. Although migration policy in this time period resembled that of Germany in many respects, due to a low wage level, Austria tended to receive less qualified labour than Germany. This together with the low priority Austrian migration policy gave to integration of foreigners up until the late 1980s, causes migrants to be less well integrated in Austria than in Germany (see Fassmann et al, 1999). Foreign workers in Austria are concentrated in only a few sectors (construction and hotels and restaurants account for 27% of total foreign employment but only 13% of native employment) and wage differentials between foreign and native employees remain high.

Table 1: Development of the Austrian population 1981–1998

	End of year Population		Change in stock of foreign residents due			Total	Emi- gration	Migra- tion
	Total	of this foreigners	Natural population change	Migration	Naturalisation		of Austrians	Balance
1981	7,584.094	319.167	5.330	33.067	-7.431	30.966	3.548	29.519
1982	7,567.339	297.665	5.489	-19.834	-7.157	-21.502	422	-20.256
1983	7,566.693	295.639	4.088	3.781	-9.895	-2.026	1.504	2.277
1984	7,574.364	299.936	2.916	9.172	-7.791	4.297	2.269	6.903
1985	7,582.160	308.829	2.762	13.439	-7.308	8.893	3.505	9.934
1986	7,593.818	320.937	2.805	17.363	-8.060	12.108	5.598	11.765
1987	7,602.488	331.555	3.095	14.139	-6.616	10.618	7.065	7.074
1988	7,628.072	356.488	3.490	28.757	-7.314	24.933	7.962	20.795
1989	7,689.529	417.877	4.105	64.589	-7.305	61.389	8.484	56.105
1990	7,768.944	494.246	5.063	80.286	-8.980	76.369	8.373	71.913
1991	7,867.796	581.118	7.184	90.825	-11.137	86.872	3.174	87.651
1992	7,962.003	665.349	9.820	86.067	-11.656	84.231	4.000	82.067
1993	8,015.027	706.335	11.003	44.114	-14.131	40.986	3.800	40.314
1994	8,039.865	720.911	10.744	19.107	-15.275	14.576	6.000	13.107
1995	8,054.802	726.305	10.321	9.439	-14.366	5.394	2.000	7.439
1996	8,067.812	730.869	10.200	9.991	-15.627	4.564	5.000	4.991
1997	8,075.425	734.340	9.263	10.000	-15.792	3.471	7.000	3.000
1998	8,082.819	739.837	8.983	14.300	-17.786	5.497	9.800	4.500

Source: Austrian Statistical Office.

The 1990s were marked by a number of changes in the international environment. These had effects on both migration flows and migration policy. The two most important of these events were the opening of Central and Eastern European countries at the end of the 1980s and the early 1990s and the accession of Austria to the European Union in 1995.

The opening of Central and Eastern Europe was associated with rapid immigration. In the time period from 1989 to 1993 about 120,000 foreign workers and 365,000 residents entered the Austrian labour market. This represented an inflow of over 3% of the labour force and around 4% of the resident population or a doubling in the original stock of foreign workers as well as residents. Contrary to popular belief, however, the inflow of foreign labour in this time period did not come from Central and Eastern Europe but from the traditional sending countries. 65,000 of the additional foreign workforce came from former Yugoslavia and 20,000 from Turkey.¹ Thus 71.4% of this immigration wave came from traditional sending countries. Furthermore, the share of foreign workers from Central and Eastern Europe stayed almost constant at around 15% of all foreign workers. The structure of foreign workers has also remained unchanged since that time period (see Table 2). Aside from the opening of borders to the candidate countries, immigration in this time period was fuelled both by the economic boom – as in other countries immigration is highly procyclical in Austria – and political developments in the traditional sending countries.

¹ In contrast to earlier migrations, however, a larger share of Yugoslav labour migrants came from Bosnia (rather than from Serbia) during this period (see: Hofinger and Waldrauch, 1997).

Table 2: Structure of foreigners with residence permits by major sending countries in 1999*

	1995	1996	1997	1998	1999	2000
Yugoslav Federation	28,41	28,04	28,13	28,28	25,79	25,17
Bosnia-Herzegovina	13,68	14,77	15,48	15,45	18,19	18,50
Croatia	9,94	10,48	11,00	10,99	10,67	10,30
Slovenia	1,86	1,85	1,83	1,73	1,65	1,59
Former Yugoslavia	53,90	55,13	56,44	56,45	56,31	55,56
Turkey	19,64	19,56	18,21	17,82	18,21	18,49
Romania	4,54	4,36	4,49	4,28	3,94	3,69
Poland	4,41	4,27	4,20	4,19	3,92	3,86
Hungary	2,66	2,60	2,54	2,76	2,82	2,89
Czech Republic	1,70	1,58	1,52	1,54	1,54	1,60
Slovakia	1,19	1,29	1,37	1,56	1,58	1,68
Candidate Countries	14,50	14,10	14,12	14,33	13,80	13,72
Others	11,96	11,21	11,22	11,40	11,68	12,23

* Excluding European Union Nationals, Source: Biffi (2000).

While the structure of sending countries was thus changed less dramatically in the early 1990s than commonly believed, the increase in population led to a number of less obvious changes in the structure of the foreign population. For instance, the labour market participation rate of migrants had been falling, while both the average age and the share of females increased for most of the 1970s and 1980s. The arrival of mainly young and male migrants in the beginning of the 1990s increased the participation rate, reduced the share of females and the average age of the foreign population. Also the migrants of the early 1990s were more highly educated than earlier cohorts (see Hofinger and Waldrauch, 1997).

The migration together with the changes in the international environment led to substantial structural change in the employment patterns of foreigners. In 1992, the share of foreigners in construction – the largest employer of foreigners in Austria – was 4 percentage points lower than in 1988. Branches, which were experiencing increased international competition, such as the textile industry (which dramatically reduced its employment in this time period) and to a lesser extent metalworking, resorted to cheaper foreign labour and increased the share of foreign employment. Among the growing branches only personal services – also a low wage branch – increased its share of foreign employment.

The early 1990s also brought a substantial change in migration policy. In different phases these changes were causes or effects of the increased migration pressures. In the late 1980s reforms actually preceded the inflow of migrants, while in the early 1990s policy primarily reacted to the challenge of increased inflows. The general intentions of policy were threefold. First, more emphasis was put on the integration of resident foreigners. For instance, already the Act on Employment of Foreigners of 1988 (Ausländerbeschäftigungsgesetz 1988) for the first time acknowledged that foreign labour did not follow the "rotation principle" assumed in the legislation since the 1970s, but had become resident. Second, heavy emphasis was put on the combat of illegal migration and black marketeering among migrants. In 1992, the residence of foreigners was newly regulated. The new law on residence of foreigners (Fremdengesetz) provided a highly differentiated set of quotas for different residence titles in an attempt to curtail both illegal migration and black marketeering. Third, the access to both residence as well as work entitlements was consecutively reduced. For instance in 1990, the Act on Employment of

Foreigners was once more reformed, enabling the Minister of Social Affairs to regulate maximum numbers for the labour supply of foreigners. From 1990 to 1994, this maximum number was put at 10% of the total labour force. In 1994 and 1995, the number was further reduced to 9%.²

Table 3: Cross border flows of Austrians and foreign residents by nationality, 1996 to 1998

Immigration							
	Austrians	European Union	former Yugoslavia	Turkey	Rest of Europe	Rest of world	Total
1996	12830	11393	15782	5939	14637	9349	57100
1997	13227	11507	15059	6236	14684	9409	56895
1998	13494	11986	16993	5909	14004	10337	59229
1999	14331	13226	23270	7296	15388	13199	72379
Emigration							
	Austrians	European Union	former Yugoslavia	Turkey	Rest of Europe	Rest of world	Total
1996	17136	6451	17149	4871	13904	6539	48914
1997	18830	7628	17069	4459	13572	7027	49755
1998	19407	7812	14274	3950	12056	6773	44865
1999	19644	7653	16620	3797	12004	7205	47279
Net Migration							
	Austrians	European Union	former Yugoslavia	Turkey	Rest of Europe	Rest of world	Total
1996	-4306	4942	-1367	1068	733	2810	8186
1997	-5603	3879	-2010	1777	1112	2382	7140
1998	-5913	4174	2719	1959	1948	3564	14364
1999	-5313	5573	6650	3499	3384	5994	25100
Gross flows in % of net change ¹⁾							
	Austrians	European Union	former Yugoslavia	Turkey	Rest of Europe	Rest of world	Total
1996	-6,96	3,61	-24,09	10,12	38,94	5,65	12,95
1997	-5,72	4,93	-15,98	6,02	25,41	6,90	14,94
1998	-5,56	4,74	11,50	5,03	13,38	4,80	7,25
1999	-6,39	3,75	6,00	3,17	8,09	3,40	4,77

1) 100* (Emigration + Immigration)/Net Migration, Source: Austrian Statistical Office, Wanderungsstatistik 1996 to 1999.

Although fears of immigration (in particular from southern EU member states) were also voiced in the public debate preceding the accession to the European Union in 1995, migration from EU countries did not rise substantially after 1995. Accession thus had much less dramatic effects on the migration balance of Austria. Figures on total immigration have remained almost stable since 1995 with the fluctuations by and large reflecting changes in the immigration policy towards

² The interplay of the Law on Residence of Foreigners (Fremdengesetz) and the Act on Employment of Foreigners (Ausländerbeschäftigungsgesetz) is made clear by the fact that these 9% regulate the stock of work permits, while quota according to the Fremdengesetz regulate flows according to residence titles which may or may not be associated with a work permit.

third countries. Net immigration from European Union member countries was stable at around 4,000 and 5,000 persons per anno since 1996.

Evidence on the emigration behaviour of Austrians after accession to the European Union is contradictory. After an increase in 1994, emigration fell sharply in 1995 and then steadily increased to attain the highest reported levels in the last 20 years in 1998 (see Table 1). By contrast, data on foreign workers in Germany – the most important receiving country for Austrians – reports a steady decline. This suggests that if there was any reaction of emigration to accession, it took place with considerable delay and should have changed the structure of destination countries for Austrian citizens (see: Biffel, 1999).

Net immigration figures, however, mask much of the migratory dynamics. Due to the increased importance of short-term migration, gross migration figures are still relatively high. According to data from the Austrian residence register (Melderegister), net immigration amounts to only 25,000 foreigners in 1999. Gross cross border flows of foreigners, however, numbered around 120,000 or almost 5 times the net migration. This figure varies substantially across sending regions (see: Table 3), reflecting both differences in "settlement" of the relevant group as well as differences in regulations. For instance, migrants from the European Union (who can enter Austria without restrictions) consistently show the lowest turnover figures. Migrants from former Yugoslavia as well as the rest of Europe (mainly the candidate countries), on the other hand, account for a much higher share of the cross-border movements, while Turkish residents' turnover comes close to that of EU citizens.

3. Effects of migration: the existing literature

3.1 Micro-economic studies

The substantial changes in immigration flows and policies over the last decade triggered a number of studies on the effects of immigration on the Austrian labour market. This research has primarily followed the micro-econometric tradition and suggests a relatively complex reaction of the Austrian labour market to immigration. In particular, effects are far from homogeneous across time periods and different labour market groups. For instance, Winter-Ebmer and Zweimüller (1994) find that industry level foreign employment had a significant impact on the probability of workers to become unemployed only in the period 1988 to 1989, but not from 1991 to 1992. Effects also vary substantially among sub-groups: In most studies blue-collar workers are more strongly affected than white-collar workers, workers in non-seasonal industries more strongly than others.

Also, results in cross-sectional regressions depend heavily on the choice of variables for measuring immigration. Winter-Ebmer, Zweimüller (1994) look at how the unemployment risk of young (under 31) male Austrians is influenced by industry-wide, region-wide and firm level employment of foreigners. Only industry level foreign employment has a significant impact on the probability of workers to become unemployed in 1988. Regional or firm level unemployment in contrast remains insignificant. Winter-Ebmer, Zweimüller (1996a) study wage levels of young male Austrian blue-collar workers. They find a significant negative effect of the change in foreigner share on wage growth, but once more regional and firm level foreign employment remains insignificant.

Results on the full sample of Austrian workers are reported in Winter-Ebmer and Zweimüller (1996). The share of foreigners increases the unemployment risk as well as the share of time spent without employment for men. For women coefficients remain insignificant and have an unexpected sign. With respect to the wage rate, no negative impact of the foreign labour share is found. The majority of the estimation results point to a positive impact. The results, however, differ strongly between high and low income earning men. The wage of high income earners is positively correlated with the foreign labour share. For young workers, middle-aged workers and blue-collar workers the largest negative impact is found. Low-income earning men are negatively effected by immigration.

The more recent contribution of Winter-Ebmer and Zimmermann (1996b) analyses unemployment risk as well as unemployment duration (hazard rates) and in comparison includes both trade and migration into the right hand side variables. A change in the share of foreigners in a particular industry increases the unemployment risk only if no industry dummies are included in the control variables. Changes in the migrant share also have a significant positive impact on the duration of employment.

Winter-Ebmer and Zimmermann (1998) and Brandel, Hofer and Pichelmann (1994) finally use slightly different methodologies. Winter-Ebmer and Zimmermann (1998) used industry level data to test the effects of migration and trade simultaneously, while they find no effects of migration on total employment growth, migration, however, does reduce domestic employment. A 1% increase in the share of foreigners in industry, for example, reduces domestic employment by 0.13%. The effects of trade, in contrast, are small, a 1% increase in the import share leads to a 0.03% reduction in employment. Finally, wages react negatively to increased immigration, the elasticity lying at 0.16% and non-East European export shares increase wages with an elasticity of 0.24%. All other effects are insignificant.

Table 4: Results of studies on the effects of migration on the Austrian labour market

Author(s)	Dependent Variable	Measure of Migration	Result
Winte-Ebmer Zweimüller (1996)	Unemployment entry wages wage growth individual non-employment rate (for different subgroups)	Foreigner share	Migration: reduces wages of high qualified, increases wage levels of low qualified; increases time in unemployment and chance to enter unemployment
Winter-Ebmer Zweimüller (1994)	Unemployment risk of young males	Foreigner share	Migration has a significant impact at the industry level wages only in 1988-89
Winter-Ebmer Zweimüller (1996a)	Wages and wage change of young males	Foreigner share and change in foreigner share	Migration change in foreigner share has negative effects on wage growth but a positive effect on wage levels
Winter-Ebmer Zimmermann (1998)	Native employment growth from aggregate data	- Change in foreign share - change in east import and export share - change ROW import and export share	Migration reduces native employment growth
Winter-Ebmer Zweimüller (1996b)	Unemployment risk and duration	- Change in foreigner share - change in CEEC export and import share	Migration increases unemployment risk only if no industry controls are included, but increases unemployment duration significantly
Boeri and Brücker (2000)	Wage growth and mobility of native workers aged 19 to 56	- Change in foreigner share	Migration reduces native wage growth when migration is instrumented, increases the probability of a move to unemployment
Huber and Hofer (2001)	Wage growth and mobility of male native workers aged 19 to 56	- Change in foreigner share - change in import and export shares	Migration increases probability of a move to unemployment, reduces wage growth of blue-collar workers. Effects are concentrated on blue-collar workers.
Huber and Hofer (2001)	Wage growth and mobility of native male and female workers aged 19 to 56, wage growth of different income quartiles	- Change in foreigner share - change in import and export shares	Migration has positive effects on high income groups and negative effects on low income groups as well as immobile females

Brandel, Hofer and Pichelmann (1994) use firm level data to distinguish between enterprises with growing and declining employment in the time period from 1991 to 1994. They find that foreign workers in average did not lose jobs in declining firms, while foreign employment also increased in growing firms. They also find that new employment of foreigners occurs mainly in

firms where incumbent foreign labour is replaced by new foreigners. Thus migration primarily affects the existing foreign labour force in Austria rather than natives.

Most of the results of these studies are based on a data set from the time period from 1988 to 1992. This raises concerns about the robustness in times of less rapid migration. Boeri and Brücker (2000) find that for the period 1991 to 1994, wage growth of natives was reduced significantly (although by a small amount of 0.25 percentage points) by an increase in the share of foreigners by 1 percentage point. The effect is insignificant for white-collar workers but more pronounced for blue-collar workers. Results on a multinomial logit model for Austria indicate a positive and significant impact of changes in the migration share on the probability of moving into unemployment.

Recently, Hofer and Huber (2001, 2001a) have used the same data set from 1991 to 1994 to corroborate Winter–Ebmer and Zweimüllers results. We also find substantial differences in the reactions of male white and blue-collar workers' wages and mobility to migration. Migrants reduce only blue-collar workers wage growth. Furthermore, an inflow of migrants reduces sectoral mobility of all types of workers but the unemployment hazard is increased by migration for blue-collar workers only (see: Hofer and Huber, 2001). In Hofer and Huber (2001a) results are extended to women and to different quartiles in the income distribution. We find that only immobile women's wage growth was negatively affected by migration, while results on mobile women remain inconclusive. Finally, we find that both women and men in the upper quartile of the wage distribution profited from migration, while women and men in the lowest quartile had lower wage growth.

3.2 Macro-economic studies

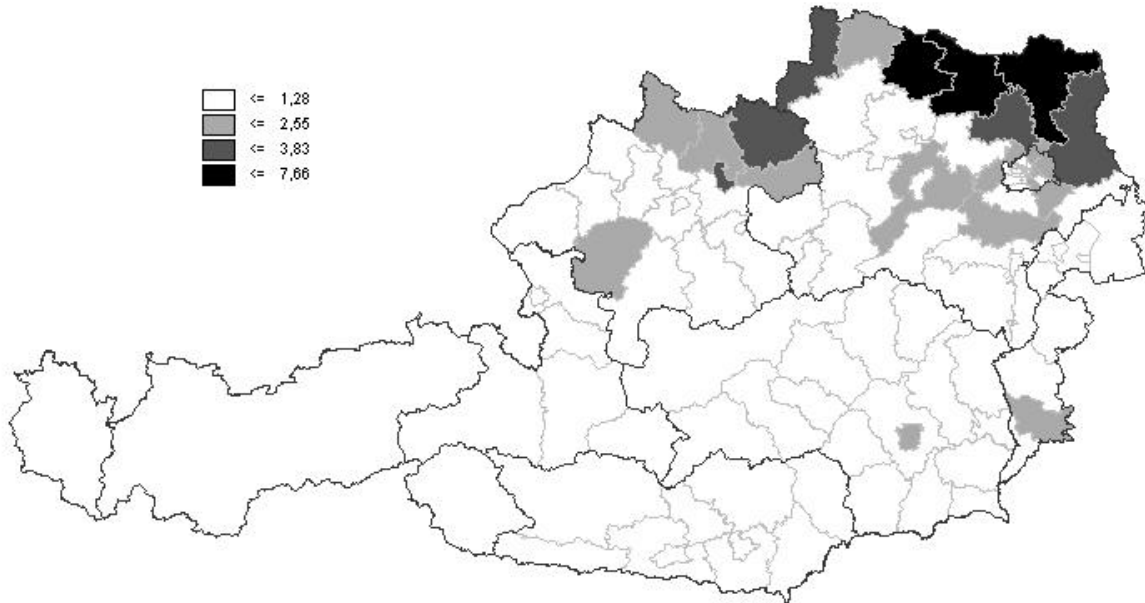
In contrast to the many micro-econometric studies on the effects of migration on workers, only few studies have used macro-economic simulation techniques to gauge the aggregate effects of migration. Exceptions are Kohler and Keuschnigg (1998, 1999) who use an endogenous growth model to simulate the general equilibrium effects of an immigration of 200,000 workers to Austria and Breuss (2001) who performs a similar study using a standard econometric model. Both studies come to relatively similar conclusions. Migration increases the economic welfare of native residents as well as GDP. According to Breuss (2001) the aggregate effects of migration on unemployment seem to be negligible, but the participation rate of natives is reduced by emigration even in the long run. Furthermore, Keuschnigg and Kohler (1999) find – in accordance with micro-econometric evidence that the wage differentials between highly qualified and less qualified labour are increased by immigration. Furthermore, relative to other forces of economic integration, the effects of migration seem to be small. For instance, in the most recent of these studies Breuss (2001) predicts the effects of enlargement of the European Union on the labour market. He finds that Austria's GDP would be increased by around 0.8% relative to a scenario without integration. Only one eighth of this increase comes from migration, trade and the single market effects are much more important, accounting for one quarter and over half of the total GDP growth, respectively.

In consequence, most of the available evidence on the effects of migration in Austria suggests positive growth effects on the overall economy, small aggregate effects on workers, but relatively large differences in the effects on different labour market sub-groups. In particular, low income earners and blue-collar workers (both male and female) seem to suffer reduced wage growth and a higher risk of moving out of employment in the face of migration.

4. Regional settlement structure of migrants

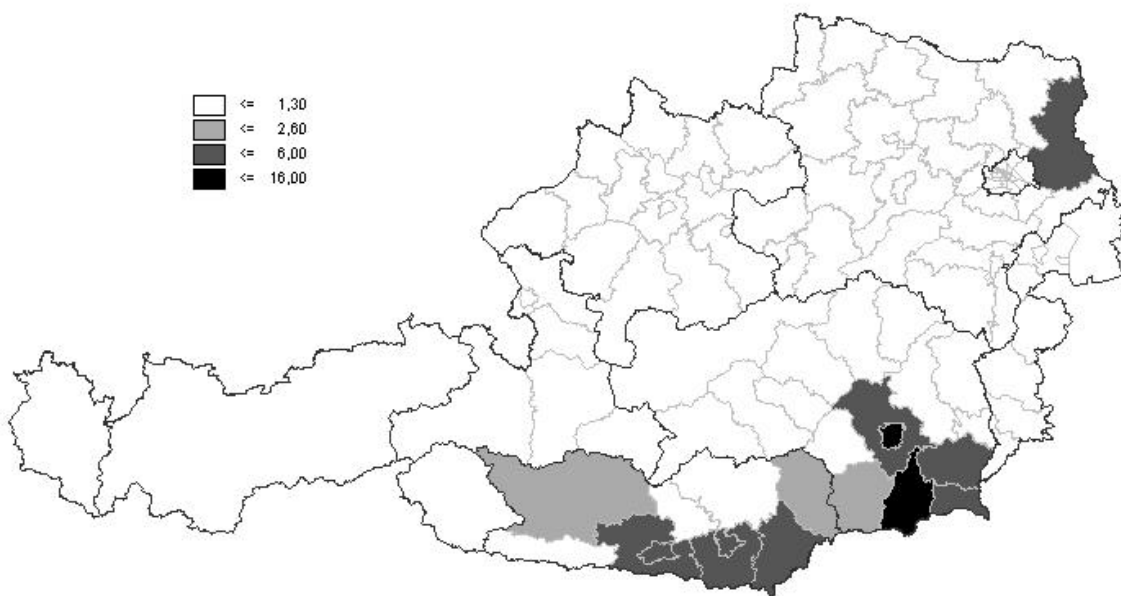
A "stylised fact" that has gone practically unnoticed in the Austrian migration debate are the regional repercussions of migration. In Austria migrants in particular from the neighbouring candidate countries typically settle in the eastern region of Austria (the counties of Burgenland, Vienna and Lower Austria). Furthermore, there are marked differences in the settlement structure by nationalities. Two examples of this are shown in figures 1 and 2. In contrast to most other sending countries, Slovene migrants primarily settle in the South of Austria while Czech nationals prefer the northern border regions of Austria (see Figures 1 and 2).

Figure 1: Settlement structure of the Czech population in Austria, 1999



Notes: Figure displays the share of overall Czech residents in individual Austrian districts, Source: Fremdeninformationssystem, 1999.

Figure 2: Settlement structure of the Slovene population in Austria, 1999

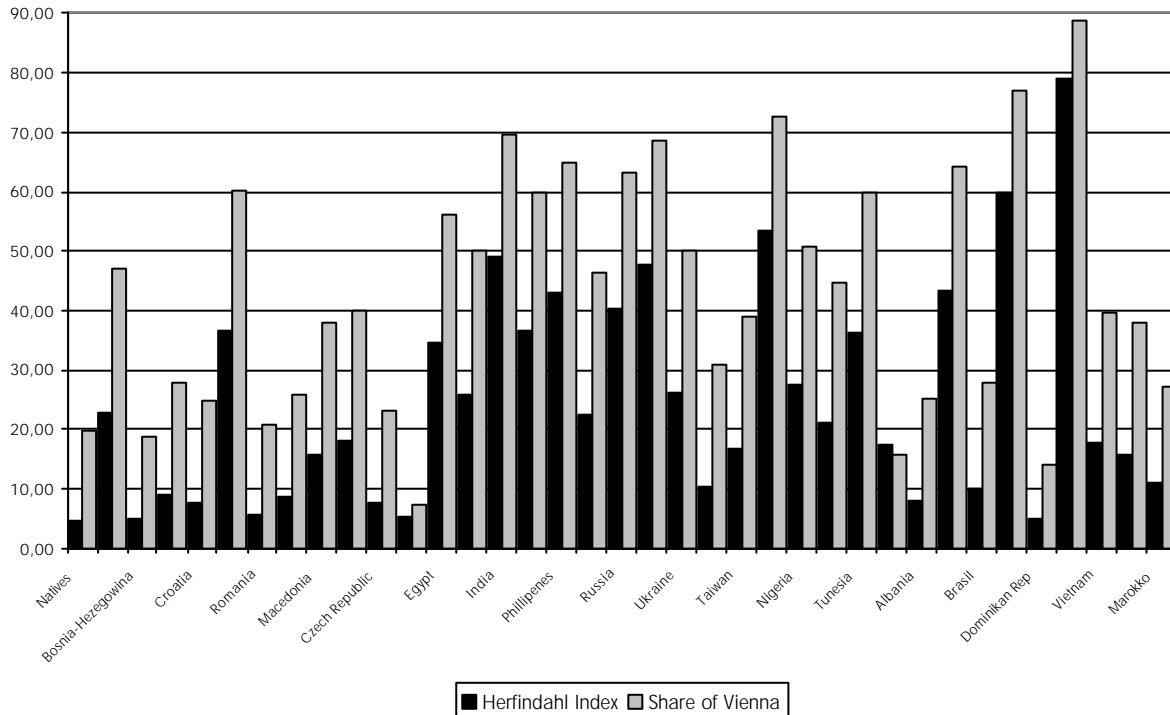


Notes: Figure displays the share of overall Slovene residents in individual Austrian districts, Source: Fremdeninformationssystem, 1999.

In order to assess the extent of spatial clustering of migrants, we calculate (for migrants from the 36 largest sending countries) first, the share of the largest region (Vienna for all migrants) in the total stock of migrants from this country and second, the Herfindahl index across the 90 districts of Austria (see figure 3).³ The Herfindahl Index is defined as the sum of squared shares of a sending country's total resident population across regions. It attains its minimum (given by $1/n^2$) when the foreign population is distributed evenly across districts, and its maximum (of 1) when all of the population of a particular sending country resides in a single district.

Since the Austrian population is unevenly distributed across regions as well – with around 20% residing in the capital of Vienna – we compare the Herfindahl Index for different sending countries with that of domestic residents (first entry in Figure 3). Foreigners are spatially more clustered than natives for all of the largest sending countries of migrants in Austria. The spatially most strongly clustered nationality are Israeli citizens with a Herfindahl of 0.79 and 88.8% of the population living in Vienna. The nationality with the lowest regional concentrations are Bosnians, their spatial concentration is comparable to that of Austrians – and Vienna's share of this nationality is below that of the national population.

Figure 3: Regional concentration by major sending countries



Source: Foreign Residents Information System (Fremdeninformationssystem), 1999.

Vienna is the largest receiving region for all nationalities. Its share in the population, however, varies substantially across nationalities. Aside from Israeli, the highest shares of foreign population in Vienna are found among Bangladeshi and Japanese, the lowest among Slovene and citizens of the Dominican Republic as well as Ghana. But also among the largest sending countries (Serbs, Bosnians, Turkey, Croatians and Poles), the spatial concentration varies substantially. Bosnians, Croatians and Turks tend to be more evenly dispersed than the average

³ We consider the city of Vienna as a single district in these calculations.

"foreign citizens" and are generally less concentrated in Vienna. Poles and Serbs, by contrast, are more centred on Vienna.

Some of these patterns reflect national and historical particularities. For instance, the Israelis' high concentration in Vienna can be explained by the presence of a Jewish community in the city, while the low concentration of Slovenes in Vienna is due to a minority Slovene group in southern Austria. The concentration of Poles in Vienna may also be explained by the existence of informal ethnic networks (see: Kohlbacher and Reeger, 1999). There are, however, some general patterns to these figures. In particular, correlation analysis suggests that migrants from larger sending countries are also more evenly dispersed across regions than migrants of smaller sending countries. Finally, Asian migrants as well as migrants from neighbouring countries are in general more concentrated than others, while migrants from the Americas are more evenly dispersed.

A number of theoretical arguments can be brought forth to justify the spatial clustering of migrants. One explanation suggests that differences in costs of living and job availability across regions could be a motivating force for migrants to choose a particular region. Second, differences in the behaviour of regional administrations could cause spatial clustering. For instance, Borjas (1998) argues that differences in the generosity of social security could drive the choice of region of residence. Migrants likely to receive welfare benefits are more likely to settle in regions with more generous welfare systems.

While both of these explanations have found some empirical support, neither can explain the tendency of migrants of the same ethnicity to cluster in the same region found in the data above. Network theories of migration seem to be the only theoretical approach, which can explain such clustering. According to these theories migrants of the same nationality settle close to each other, since the presence of fellow countrymen makes personal contact easier, enhances their access to work places, housing and loans and reduces the psychological migration costs (see: Carrington et al, 1996).

Some stylised facts of the Austrian migration experience support these theories. For instance, network theories would suggest that more highly qualified migrants, not so much in need of help from their fellow citizens, would choose to live further away from the spatial clusters of migrants. This is confirmed by data from the Austrian census in 1971, 1981 and 1991. The regional distribution of migrants differs most from the regional distribution of natives in the group of lowly qualified workers. Around 40% of the lowly qualified (those with only compulsory education) migrants, but only 15% of similarly qualified natives lived in Vienna in 1981 and 1991. By contrast, among the highly educated (completed tertiary education) the settlement structure is more comparable, around 45% of the highly educated foreigners and 35% of the highly educated natives lived in Vienna. Furthermore, in the peripheral regions of Austria the share of highly educated foreigners is actually higher than that of natives (see Huber, 2001).

In an attempt to disentangle the relative importance of economic motives, distance to the home country and network effects, we perform a regression analysis of the determinants of the share of foreigners from a given country moving to a particular region. Suppose that M_{it} is the number of migrants arriving in Austria from sending country i in year t and λ_{ijt} is the share of migrants from the same country i going from to province j in time period t . Also suppose that s_{jt} is the share of residents from country i living in region j at the beginning of the time period t . Furthermore D_j is the road distance of the capital of province j from the capital of country i while Δe_{jt} , u_{jt} and w_{jt}

are the growth rate of employment, the unemployment rate and the wage rates in the receiving province j . We run regressions of the form:

$$(1) \quad I_{ijt} = \mathbf{a}_i + \mathbf{g}_t + \mathbf{d}_1 \Delta e_{jt} + \mathbf{d}_2 u_{jt} + \mathbf{d}_3 w_{jt} + \mathbf{d}_4 s_{ijt} + \mathbf{d}_5 D_{ij} + \mathbf{z}_{ijt}$$

In this regression the coefficient δ_4 measures the effect of network size in the receiving region on the share of foreigners going to that region, while the coefficients δ_1 through δ_3 measure the strength of economic motives.⁴ The constants γ_t and α_i are time and sending country fixed effects, which were included in the regression to account both for business cycle effects and time invariant aspects of the attractiveness of particular regions to a certain migrant group.⁵ All data is from the time period between 1996 to 1999.⁶ We estimate equation (1) for the gross and net inflows of overall migrants. Furthermore, since we hypothesise that labour market motives should be more powerful, relative to network effects, for foreign workers, we also estimate the equation for gross and net inflows of foreigners in working age, in order to highlight the location choice of the potential labour migrants.

In column 1 of table 5 we report results predicting the gross migration inflow into a region. The share of the total inflow of migrants of a particular nationality received by a province is closely linked to the share of migrants of the same nationality already residing in that province. A region with a one percentage point higher share of migrants of the same nationality in average receives a share of new migrants that is 0.4 percentage points higher. Distance to the home country by contrast does not have a significant effect, while wages as well as employment growth have a significant positive impact on the settlement structure. According to our results, a region offering a one percent higher wage with all else equal receives a 0.6 percentage point higher share in immigration. A one percentage point increase in the employment growth rate attracts a 0.05 percent higher share of migrants into the region. Somewhat surprisingly, a higher unemployment rate in a region does not have a significant impact on the settlement decision.

⁴ Since social security regulations are federal law in Austria, there is relatively little regional variation in this factor influencing migration.

⁵ We also tested (by means of an F-Test) the hypothesis of the relevance of receiving province specific effects, these remained insignificant throughout.

⁶ We use migration data from the central register of migrants to measure gross and net migration flows. Registered unemployment and employment data, as well as the wage rate in manufacturing, are taken from social security and labour administration sources, road distances were taken from www.ticoverly.com.

Table 5: Regression results estimating equation 1: dependent variable: share of a foreign group received by a particular province

Dependent Variable	All Migrants		Migrants in Working Age	
	Share of Gross Inflow into Region	Share of Net Inflow (in % of total gross inflows)	Share of Gross Inflow into Region	Share of Net Inflow (in % of total gross inflows)
Sijt	0,3851 (0,0216)	0,1366 (0,0364)	0,2869 (0,0187)	0,0951 (0,0261)
Dij	-0,0388 (0,1350)	-0,0691 (0,1024)	0,0530 (0,1079)	-0,0378 (0,0718)
Ujt	0,0009 (0,0096)	0,0230 (0,0070)	0,0040 (0,0075)	0,0197 (0,0052)
ln(wjt)	0,6236 (0,1392)	0,2918 (0,1120)	0,5305 (0,1057)	0,2331 (0,0695)
Ejt	0,0501 (0,0271)	0,0052 (0,0265)	0,0326 (0,0326)	-0,0032 (0,0182)
R2	0,89	0,59	0,88	0,52
Nobs	504	504	504	504
F-Test for Time Effects	0,00	0,06	0,00	0,00
F – Test for Sending Country Effects	0,00	0,99	0,00	0,76

Specification includes fixed effects for time (4) and provinces (9), values in brackets are standard errors of the estimates.

We would expect that labour market variables such as wages, unemployment are more important determinants for the choice of region of residence for working age migrants, since these migrants are more likely to be labour migrants. Thus in the third column of table 5, we restrict our estimation to inflows of working age migrants only. We find that both the coefficients for (log) wage levels and employment growth do not differ significantly from those of overall migrants. National networks, however, are of a significantly lesser importance for new working age migrants than other migrants.

Finally, while the inflow rate is a measure for the choice of newly arriving migrant's choice of location, this does not necessarily mean that the net migration balance vis à vis foreign countries is positive for regions with higher wages and/or a higher share of the foreign residents. Due to substantial return migration, the determinants of outflows can be expected to be very similar to those of inflows. In columns 2 and 4 we, for this reason, look at how net migration inflow of a region (in % of total inflows of the same nationality to Austria) is related to our explanatory variables. These results suggest that not only newly arriving foreigners tend to locate in regions with a higher share of the population of the same nationality and higher wages, but that these regions also have more positive migration balances vis à vis foreign countries. Although the size of our effects is substantially reduced, – reflecting the smaller variance in net migration figures due to return migration processes, – the share of resident foreigners, wages and past employment growth are the most important predictors of net migration to a region.

We performed a number of additional experiments to analyse the sensitivity of these results to the choice of specification. In particular, we used different measures of labour market developments, such as the change in unemployment rates, to test whether this would change the overriding effect of the share of residents residing in that region. This was not the case. The coefficient on s_{jt} remained highly significant irrespective of the choice of indicator for labour market development. Also we were concerned about the choice of measure of distance and its potential multicollinearity with s_{ijt} . When omitting s_{ijt} the coefficient of D_{ij} remained insignificant. Furthermore, adding log distances or distance squared terms did not change the insignificance of the distance measure. Results thus seem robust to small changes in specification. This leads us to conclude that previous migrations of the same nationality to a region, wages and past employment growth are the most important determinants for the settlement decision of a migrant.

5. Movement of migrants within Austria

There are a number of reasons to believe that the original settlement decision is not the end of the story concerning the location choice of migrants. Foreigners are more mobile even in internal migration than nationals. In the time period from 1996 to 1999, 7.5% of the foreign residents changed their province (Bundesland) of residence, but only 3.2% of the nationals. In part, this higher spatial mobility may be attributed to the lower levels of "settlement" of foreign residents. For instance, foreigners are less likely to be home owners and do not tend to have extensive personal networks in their region of residence, which reduces for foreigners the psychological as well as financial costs of migration.

If, as is commonly assumed, aside from the positive network externalities arising from living near other foreigners of the same nationality, a high share of migrants in a region also has negative effects, such as deteriorating regional infrastructure and reduced labour market or income opportunities, one would expect that, as foreigners become more integrated (i.e. with an increasing length of stay) and less dependent on ethnic networks, they will change their place of residence away from the clusters of original migrants. A phenomenon which we refer to as the "suburbanisation" of migrants.

Table 6: Internal and external migration balance by Austrian province (total moves between 1996 and 1999 in % of the resident population)

	Internal Migration					
	Natives			Foreigners		
	Leavers	Joiners	Net Moves	Leavers	Joiners	Net Moves
Burgenland	4,30	4,80	0,50	26,65	21,20	-5,44
Carinthia	2,40	1,94	-0,46	10,75	9,35	-1,40
Lower Austria	3,77	5,06	1,29	14,76	12,72	-2,03
Upper Austria	1,88	1,58	-0,30	7,70	7,14	-0,56
Salzburg	3,32	3,15	-0,17	8,27	6,68	-1,59
Styria	1,97	1,59	-0,38	8,57	8,97	0,40
Tyrol	1,62	1,64	0,01	7,15	4,80	-2,34
Vorarlberg	1,87	1,55	-0,32	3,49	2,94	-0,55
Vienna	6,00	5,43	-0,57	4,14	6,25	2,11
Total	3,20	3,20	0,00	7,51	7,51	0,00
	External Migration					
	Natives			Foreigners		
	Leavers	Joiners	Net Moves	Leavers	Joiners	Net Moves
Burgenland	0,35	0,25	-0,10	35,73	42,56	6,83
Carinthia	0,81	0,56	-0,25	24,14	29,53	5,39
Lower Austria	0,54	0,36	-0,18	40,13	43,50	3,37
Upper Austria	0,82	0,58	-0,24	33,51	38,53	5,02
Salzburg	1,16	0,75	-0,40	24,18	26,21	2,03
Styria	0,65	0,45	-0,20	27,18	37,07	9,90
Tyrol	1,07	0,75	-0,32	31,82	43,82	12,00
Vorarlberg	1,81	1,24	-0,56	24,11	27,03	2,92
Vienna	2,02	1,56	-0,46	16,76	26,95	10,19
Total	1,02	0,73	-0,29	25,65	33,02	7,37

Source: Austrian Statistical Office, Wanderungsstatistik 1996 to 1999.

There are, however, also a number of reasons which may cause the higher internal mobility of migrants. In particular, entrance to the Austrian labour market for all migrants other than EU nationals is highly regulated and bound to the availability of jobs. In the first year of their residence, foreigners are legally bound to their employer and cannot look for employment elsewhere. After this first year for another two years, the foreign worker is free to look for employment in the province of the original issue of work permit. The migrant is free to look for employment anywhere within the country only after three years. This may lead to situations where foreigners enter the Austrian labour market in a region where employment is available, in the hope to move to their preferred region of residence later. This would imply that foreigners migrate to regions with a higher share of residents also once they have entered Austria.

In table 6, we display the internal mobility of foreign citizens relative to that of Austrians. Aside from documenting the higher mobility of foreigners relative to natives, this table reveals that the

mobility patterns of foreigners and natives do not correlate strongly. On net, foreigners have moved towards Vienna and (to a lesser extent) to Styria in the observation period. Both these regions were net emigration regions for Austrians. Furthermore, those provinces which have been the largest receiving regions in terms of native population – Lower Austria and the Burgenland – were net sending regions for the foreign population.

Internal mobility also differs somewhat among the 14 large European sending countries analysed in this study. For instance, in the time period from 1996 to 1999 14% of the Romanians resident in Austria in 1996 changed their province of residence, but only 0.2% of the Russians. Also the direction of migration differs among nationalities. While Vienna is a receiving region in internal migration of foreigners for all nationalities, except Russians, substantial moves have also occurred of Romanians to Carinthia and Styria, Macedonians and Albanians to Burgenland and Bulgarians to Vorarlberg.

Table 7: Internal mobility across province borders by nationality (total moves between 1996 to 1999 in % of resident population in 1996)

	Burgen-land	Carinthia	Lower Austria	Upper Austria	Salzburg	Styria	Tyrol	Vorarl-berg	Vienna	Total ¹⁾
Albania	8,11	-1,68	53,19	0,00	-20,00	-2,99	-20,00	0,00	5,67	4,02
Bosnia	-5,04	0,54	-5,00	0,01	-1,36	2,53	-1,91	-2,22	4,63	1,15
Bulgaria	-22,73	-7,50	2,54	-1,67	-7,33	-4,76	-1,08	1,23	2,00	1,49
Yugoslavia	-2,06	-6,01	-3,47	-0,35	-2,17	2,33	-4,25	-1,39	2,15	1,12
Croatia	-2,48	0,42	-1,47	-1,02	-3,39	3,53	-3,32	-3,01	2,26	1,10
Macedonia	2,76	1,30	-1,38	-0,17	-4,45	-0,58	-3,15	2,22	1,03	0,54
Poland	-1,03	1,20	-0,82	-1,82	-3,68	-2,06	-3,85	1,61	0,86	0,55
Russia	-0,60	-0,59	0,98	-0,29	0,32	-0,27	-0,48	0,36	-0,10	0,21
Rumania	-90,24	63,00	1,50	-30,73	-30,23	94,62	-23,68	-61,54	17,43	14,29
Slovakia	-2,54	2,86	-0,07	-9,09	-1,69	-4,29	-6,91	0,00	2,74	1,19
Slovenia	0,00	-0,54	-8,03	-5,88	5,19	1,78	-6,19	-10,48	3,30	1,35
Czech Republic	-32,22	4,35	-0,78	-0,34	-2,97	-1,66	0,87	-3,50	1,72	0,74
Turkey	-10,39	-10,33	-5,19	-0,74	0,56	5,46	-2,03	0,50	3,96	1,45
Hungary	0,25	3,24	-0,71	-2,75	-9,13	1,07	-3,19	-4,96	1,89	0,75
Total	-3,03	-1,22	-3,09	-0,59	-1,81	1,66	-2,75	-0,88	2,72	0,00

1) Sum of moves across province borders in % of total resident population of the respective nationality, Source: Austrian Statistical Office, Wanderungsstatistik, 1996–1999.

Again, we approach the issues addressed by a regression analysis, in which we regress the net internal migration rate (MI_{ijt}) of foreigners of nationality i to province j in time period t (in percent of the resident population of the same nationality in the province) on the share of residents from country i living in region j at the beginning of the time period t (s_{ijt}), distance of the capital of the province to the capital of the sending country and our labour market indicators. Our regression thus reads:

$$(2) \quad MI_{ijt} = w_i + t_t + b_1 \Delta e_{jt} + b_2 u_{jt} + b_3 w_{jt} + b_4 s_{ijt} + b_5 D_{ij} + x_{ijt}$$

where the interpretation of variables is analogous to those in equation 1. Once more we estimate this equation separately for all foreign migrants and working age migrants only.

Table 8: Regression results estimating equation 2: dependent variable: net emigration rate of a foreign group

Dependent variable	Net internal rate of migration	Net immigration rate to Austria
sijt	0,0004 (0,0006)	-0,0020 (0,0006)
dij	-0,0023 (0,0094)	0,0205 (0,0235)
ujt	0,0020 -0,0012	-0,0005 (0,0022)
ln(wjt)	0,0774 (0,0180)	0,1004 (0,0291)
ejt	0,0070 (0,0044)	0,0136 (0,0077)
R2	0,07	0,11
Nobs	504	504
F-Test for time effects	0,39	0,42
F-Test for sending country effects	0,00	0,00

Specification includes fixed effects for time (4) and provinces (9), values in brackets are standard errors of the estimates.

We find that the internal migration of foreigners in Austria follows substantially different patterns than the choice of original residence. First, the relationship between the resident foreigner share in the region and internal net immigration becomes insignificant for overall migrants and significantly negative for the working age migrants. Thus, once migrants become more integrated, they do not tend to move towards the regions of existing networks, and working age migrants actually suburbanise. Second, our regressions in table 8 are characterised by much lower R^2 values than those for the original settlement of migrants. This suggests that to explain the internal migration behaviour of foreigners, a wider range of variables – such as perhaps on regional amenities and on housing markets – may be needed. Wages and employment growth rates by contrast remain important determinants of direction of internal migration to a region. An increase in relative wages of 1% of a province, according to our results, increases the inflow of overall migrants by 0.07 percent and of working age migrants by 0.1 percent of the resident population.

6. Conclusions

Issues of migration and its impact on labour markets have been a primary concern in the controversial debate on migration in Austria. This debate, in part, has been fuelled by the expected migration and commuting as a consequence of an enlargement of the EU by the Central and Eastern European candidate countries. Forecasts of this expected migration for Austria are usually based on gravity equation estimations and have varied among authors. For instance, Walterskirchen and Dietz (1998) have estimated a long-run migration potential of some 200,000 workers for the five most advanced candidate countries, while Boeri and Brücker (2000) predict

around 40,000 residents to migrate annually in the first few years from the 10 candidate countries. Although most estimates are speculative to some degree, since they are based on relatively simple models of international migration, enlargement could lead (aside from the expected commuter flows (see: Birner et al. (1999) and Huber (2001)) to higher immigration than has been experienced in the second half of the 1990s but substantially lower immigration than in the early 1990s. Furthermore, the migrants from Central and Eastern Europe should be more highly qualified than previous cohorts and should also be predominantly short-term migrants.

This paper summarises the findings of recent research on the effects of migration on the Austrian labour market and draws attention to the fact that migratory movements have had a distinct regional dimension in the past. In contrast to the popular belief that immigration has detrimental aggregate effects on the labour market, previous research shows that migration increases the welfare of residents as well as GDP. In general, the positive effects of migration are smaller than the expected positive effects from other aspects of integration such as increased trade and specialisation. Also, aggregate effects on the labour market are small. Research, however, also highlights the potential distributional consequences of the migration: In general, blue-collar workers and low income earners are negatively affected by migration, while high income earners tend to profit from the additional supply of foreign workers. Issues of distribution should thus be more important in the debate than issues concerning aggregate macro-economic developments.

Our analysis further shows that regional issues may play a role in the debate on migration. In particular, the number of residents of the same sending country in a region is a powerful determinant of the choice of location for migrants as well as the economic development of these regions. Furthermore, due to legal stipulations, lower house ownership rates and fewer social ties, migrants tend to be more mobile within the country as well. The direction of these internal moves is, however, less strongly influenced by the presence of existing networks. Indeed, working age migrants seem to move out of the regions with a high localisation of foreigners as their stay in Austria is prolonged.

There are a number of ways these findings could influence a rational policy towards migrants. First, our analysis suggests that despite attempts to steer the regional settlement structures of migrants through region specific quota, policy has not been very successful at changing the settlement structures of migrants in the past. This suggests some scepticism is in place concerning the possibility of such a policy in the future. Second, to the extent that new migrants need a particular infrastructure to integrate in Austrian society, such infrastructure should be provided in those localities where there already is a large share of these migrants, since these are also the regions where most new migrants may be expected. Finally, our evidence also suggests that once migrants have resided in Austria for some time, they become less dependent on "national networks". Thus, improved integration seems to be the most promising policy to avoid an undesired regional concentration of migration.

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First- and Second-Generation Migrants in Germany – What Do We Know and What Do People Think

Michael Fertig/Christoph M. Schmidt

Abstract

This paper provides a snapshot of the stock of immigrants in Germany using the 1995 sample of the Mikrozensus, with a particular emphasis on distinguishing first- and second-generation migrants. On the basis of this portrait, we draw attention to the empirically most relevant groups of immigrants and review the received literature on economic migration research in the three principal avenues of migration research. The aspect which we concentrate on in our empirical application, the welfare dependence of immigrants, is a matter of intense debate among economists and policy-makers. We contrast the very moderate actual public transfer payment dependence of migrants to Germany with the perception of migrants' dependence on public assistance by Germans from various population strata.

1. Introduction

Ten years after German re-unification, and more than fifty years after World War II, German society has transformed its composition to an extent that the founding fathers of post-war Germany could not have anticipated. Certainly, much of this change is a reflection of the international developments, most notably European economic and political integration, the demise of socialism in Eastern Europe, the consequences of post-war baby booms and baby busts, and the ensuing population ageing. Yet, German society in particular has been shaped by the intense and multi-faceted immigration experience, leading to the variegated society we observe today.

The early German post-war migration experience has been dominated by migration streams from Europe's South, with a clear focus on labour migration. However, the ethnic composition of immigration to Germany has changed over time. Europe as a whole, and Germany as its largest immigration country, has become a net receiving region, and the geographic and cultural distances to the immigrants' countries of origin have increased significantly. As a consequence of this continuous influx, German society today not only contains a large immigrant population. Most importantly, second-generation migrants are a sizeable fraction of the German population. It is reasonable to fear that, if their integration is hampered, this will set off a process of transition from immigrant communities to ethnic minorities and such a climate might make it difficult to prevent second-generation immigrants from persistently becoming second-class citizens.

Yet, despite its paramount relevance for all European countries, almost no research has targeted the question of second-generation migrants' integration into society, neither in comparison to the integration of their parents' generation nor to natives of the same age, nor are the potential consequences of different policies regarding the participation of second-generation migrants in the political process fully understood. To help reduce this gap, this paper will contribute to the received literature on immigration to Germany – which tends to concentrate on the labour market performance of first-generation migrants – by providing an overview on the existing research, with an explicit focus on distinguishing results for first-

and second-generation immigrants. Moreover, this paper offers empirical evidence regarding a matter of intense current debate among economists and policy-makers, the dependence on social assistance programmes by different immigrant generations. To address the issue of integration most cogently, we contrast the empirical facts with the perception of native Germans regarding this social assistance dependence.

As a basis for this discussion we draw up a balance sheet of sorts regarding the stock of non-citizens in Germany, distinguishing between foreign-born and German-born non-citizens (first- and second-generation immigrants) using the German "Mikrozensus" 1995 (section 2.2). Specifically, we provide a description of both generations regarding demographic structure, year of immigration, gender and family status, education profile, income and other socio-economic characteristics. This portrait, in combination with the historical background given in section 2.1 enables us to identify the immigrant groups relevant enough to warrant a separate empirical analysis. Following a brief overview on the three principal topics in the area of migration research (section 3.1), we use section 3.2 to as comprehensively as possible answer the question what do we know about the relevant groups of non-citizens in Germany, and to clarify which research questions remain open at the time being. In section 4.1 we provide detailed empirical evidence on the actual public transfer payment dependence of migrants, and contrast these findings with the perception of migrants' dependence on public assistance by German natives (sections 4.2 and 4.3). The final section offers some conclusions and outlines further directions of research.

2. The immigrant population in Germany

This section provides a comprehensive statistical portrait of the population of first- and second-generation immigrants in Germany in 1995. As a first step in this endeavour, we will briefly outline the historical experience of immigration to Germany in more detail. The second sub-section condenses the wealth of individual-level information on both immigrant generations into a set of central demographic and socio-economic characteristics and compares them with that of German natives. Moreover, given this characterization and the historical background of immigration to Germany, we identify the most important – in terms of quantitative importance – immigrant groups currently living in Germany. The following section then surveys the existing evidence in the received literature on Germany, regarding the three principal areas of economic migration research, with emphasis on the distinction of migrants from the first and the second generation.

2.1 Historical background

The history of immigration to Germany after World War II can sensibly be divided into four periods (see Schmidt and Zimmermann (1992)). The years from the end of World War II to the early 1960's were characterized by the post-war migration flows which were triggered by the massive disruption caused by Europe's two world wars. During the first post-war years, until about 1950, these flows consisted mainly of displaced people of German ethnicity originating in Eastern Europe. Thereafter, West Germany was affected by migration of ethnic Germans from Eastern Europe leaving the Soviet occupation zone in the East having arrived there from Eastern Europe, and of Germans originating directly from this eastern part of Germany (see Schmidt (1996)). The second period from 1955 to 1973 was characterized by labour migration within Europe from the Mediterranean to the northern countries and – to a lesser extent – the immigration of labour from overseas. During this time, Germany actively

recruited "guest workers" from several selected European countries (Italy, Spain, Greece, Turkey, Portugal and Yugoslavia), as well as from Morocco and Tunisia. The principal idea behind this recruitment effort was to retain the remarkably strong manufacturing-led growth performance of the German economy despite shortages of manual labour. Excess demand for labour emerged during the 1960s and was not compensated by a sufficient increase in female labour force participation which one could observe elsewhere (see e.g. Carlin (1996)). Thus, in these years immigration to Germany was clearly dominated by demand-oriented migration incentives due to labour shortages, a characteristic necessarily impinging upon the potential of any supply-side oriented model trying to explain extent or composition of immigration flows. This aspect is the more remarkable, as contemporaneous migration research – with its focus on the US experience – almost exclusively rests on supply-side reasoning when explaining in terms of an economic model how immigrant skill composition, observed as well as unobserved, changes over time (see e.g. Borjas (1991)).

In fact, the conceptually very powerful Roy model has been the workhorse model of research on migrant performance ever since Borjas' (1987) article, and has been behind most of the discussion on declining relative immigrant "quality" and "cohort effects" (see also section 3.1 below). A brief look at German immigration history demonstrates how inappropriate a direct translation of this debate would be to the German context: the "guest workers" of the 1960s were deliberately selected to be manual workers, so one should not attribute the low fraction of brain surgeons among them to any sophisticated mechanism of immigrant self-selection.

The middle of the 70s, especially the year 1973, constitutes a fundamental regime switch, a development which was triggered by the first oil crisis and the ensuing economic problems, not only in Germany, but throughout the developed world. For instance, a large literature documents and analyzes the abrupt slowdown in US productivity after 1973 (see e.g. Baumol et al. (1989)), a phenomenon that apparently left its trace until the middle of the 1990s. In Germany, one of the major reactions to the first oil price shock and the beginning of a recession was that the recruitment of guest workers was stopped and immigration was restrained. Similarly, all across Europe immigration policy was tightened by setting up a broad range of institutional barriers to immigration from outside Europe. Only two major channels of legal immigration to Germany remained: family reunification and applying for asylum. Apparently as a reaction to the suppression of other channels, one could observe a surge in asylum-seekers and refugees. On the other hand and in contrast to such external barriers the EU and its predecessors fostered internal migration in Europe, e.g. by EU-wide acknowledgement of university diplomas and formal training. The fourth, most current period of immigration to Europe started at the end of the 1980s with the dissolution of socialism and has led to an increased inflow of people from Eastern Europe. In addition, the civil war in Yugoslavia has triggered a new surge of refugees and asylum-seekers migrating to Europe.

2.2 The population of non-citizens in Germany 1995

The following portrait of immigrants residing in Germany in 1995 is based on the information collected in the 1995 sample of the German Mikrozensus. The aim of this sub-section is to describe both immigrant generations by the most interesting socio-economic characteristics and to compare them to native Germans. It becomes transparent through this descriptive evidence that not only are natives and immigrants very different, but there is considerable heterogeneity among the immigrants themselves. We distinguish individual-level characteristics falling into three groups of indicators: (i) demographic indicators, (ii) labour force indicators, and (iii) information on income and income sources.

Demographic indicators

Figure 1 (all figures and tables see appendix pp. 201-218) displays the age distribution of first- and second-generation immigrants as well as that of native Germans. Clearly, this current age distribution has been shaped by immigration history – variations in the magnitude of immigrant influx and typical age at immigration – and by demographic behaviour. Specifically, whether and at what age first-generation immigrants might return to their country of origin has been a matter of intense research (see e.g. Dustmann (1996), Schmidt (1994), and Schmidt (2000)). The migrants' choice regarding their fertility – with frequency and timing as its principal components – has been researched less intensely. In particular, it is difficult to assess whether migrants' demographic behaviour tends to adopt quickly to that of the indigenous population. On average, the second generation of immigrants is considerably younger than the first generation which is in turn younger than the native population. Moreover, the majority of first-generation immigrants was in its prime age, i.e. in the age group between 15 and 35 years, at the time of entry to Germany (cf. Figure 2).

If all immigrants remained in the destination country for their whole lifetimes, the distribution of years of entry in the current migrant population would predominantly reflect fluctuations in aggregate immigration intensity (and, of course, old-age mortality). Yet, due to the large emigration flows which accompanied large-scale immigration throughout the last decades (Schmidt (2000)), recent immigrants tend to dominate the migrant population numerically.

Figure 3 displays the year of immigration of the 1995 population of immigrants in Germany. Around 50% of this stock immigrated after 1978 whereas only 40% who were still residing in Germany in 1995 entered the country prior to the recruitment stop in 1973. For this reason it seems appropriate to reject the idea of the migrant population in Germany consisting mainly of workers who arrived as guest workers and decided to stay. Rather, this population is a mixture of former guest workers, their families, and – to a large extent – of more recent immigrants with other motives for immigration and from other origin countries.

The upper panel of Table 1 reports the geographical distribution of first- and second-generation immigrants at the level of the federal states (Bundesländer). The lower panel reports the distribution of immigrants by citizenship. The majority of first- as well as second-generation immigrants concentrates in the two southern states Baden-Württemberg and Bayern as well as the largest state Nordrhein-Westfalen. Both southern states are highly industrialized states and have had lower unemployment rates than the national average. In contrast, the industry structure of Nordrhein-Westfalen has been dominated by the mining and steel industries which were actively recruiting manual labour in the 1960s and the beginning of the 1970s.

By far the largest first-generation immigrant groups are Turks, followed by Yugoslavians and immigrants from the other European guest worker countries (Italy, Greece, Portugal and Spain). For the second generation, this ranking changes somewhat. Turks are also the largest group, but the other guest worker countries are providing the second largest group. This is apparently due to the increase in refugees from Yugoslavia following the civil wars in the beginning of the 1990s, which may have increased the number of first-generation immigrants from ex-Yugoslavia considerably.

Labour force indicators

Table 2 reports the highest schooling degrees and formal training levels of immigrants and natives. At first glance, one would perhaps expect that the relatively low educational endowments of the first generation of immigrants – after all, many of these migrants were recruited as manual workers (Schmidt (1997)) – would be mitigated substantially in the second generation. Yet, somewhat surprisingly, the share of second-generation immigrants reporting a higher schooling degree is substantially lower than that of native Germans and that of first-generation migrants. This apparent contradiction of the "natural" convergence hypothesis is interpreted as an indicator of "dissimilation" – to express the opposite of assimilation – between natives and foreigners born in Germany by Riphahn (2000). If this were the correct interpretation, the policy implications would be enormous. Integration measures aimed directly and exclusively at the second generation should be implemented with priority over all alternative integration programmes or initiatives paid from the public budget.

However, in interpreting this information one should bear in mind that almost all second-generation migrants received their schooling degrees in Germany, whereas typically a substantial part of the first-generation migrants did not. The direct comparability of schooling degrees across countries and the transferability of the implied human capital from one country to another are heavily debated topics in the received literature. Thus, the comparison of reported schooling degrees between natives and first-generation immigrants has to be handled with caution. It seems reasonable to presume that – in terms comparable to the associated German degrees – among first-generation immigrants the highest formal training level is overstated as reported in the lower panel of Table 2. These measurement problems notwithstanding, a further noticeable feature arguing against the "dissimilation" hypothesis is the remarkably low share of second-generation migrants without any formal training and the relatively high share with a formal vocational training degree – a concentration on years of education seems somewhat misplaced for judging this issue. The treatment or even correction of the measurement problems described above awaits further research – it will be difficult at the conceptual level, though, to separately identify genuine human capital investment abroad and inter-generational tendencies to invest in education.

In line with these observations is the distribution of immigrant groups and natives across selected industry sectors (cf. Table 3). Here as well we would have expected convergence across natives and the children of migrants. The sectoral distribution as well as the unemployment rate of the second generation indeed resemble much more those of the native Germans than could be observed for those of the first generation. The first generation which was to a large part actively recruited to perform manual work in the German manufacturing industry is predominantly still employed in this sector as well as in the food and beverages sector. Together with the construction sector these two sectors comprise more than one half of the employed first-generation immigrants. For natives as well as second-generation immigrants, however, these three sectors only account for slightly more than one third of the employed, respectively.

Income and income sources

The level of household income and its sources are important indicators of the economic well-being and performance of different population strata (see e.g. Biewen (2000)). Figure 4 displays the distribution of household income for natives and immigrants. Unfortunately, the Mikrozensus contains only categorized income information. However, this income

distribution is more right skewed for natives than for second-generation migrants which in turn is more right skewed than that of the first generation.

Table 4 reports the primary sources of income for immigrants and natives. A remarkable pattern is the high share of natives for which pensions are the primary income source. A considerable share of first- as well as second-generation immigrants, however, report social assistance payments as main income source. Such a result would seem to vindicate translating to Germany the serious concern with rising immigrant welfare dependence which is raised in the US literature on immigration. Yet, German post-war immigration history was very heterogeneous, and it would be important to know who exactly is disproportionately dependent on social assistance. For instance, if one found that the low-skilled workers recruited for manual labour in the 1960s – or their descendents – are typically in lower social rungs, the relevant comparison would be with native unskilled. Similarly, if welfare dependence was mainly a phenomenon of asylum-seekers, this would be a question of legislative design, rather than a reflection of self-selection mechanisms. These issues are taking centre stage in the empirical part of this paper. Moreover, a substantially higher share of the immigrant population reports work income. That is, notwithstanding our reservations at taking mean outcomes at face value, the first step of analysis should be the formation of a balanced view displaying more clearly welfare dependence and active labour market contribution by immigrant group.

Relevant immigrant groups in Germany

Given this overview of the stylized facts and the historical background provided above, the following immigrant groups in/to Germany should be distinguished for purposes of any deeper empirical analysis: (i) ethnic Germans who immigrated directly after WW II, (ii) recruited guest workers, (iii) immigrated family members of the guest workers, (iv) permanently and temporarily accepted asylum-seekers and refugees, (v) ethnic Germans who immigrated after 1990, (vi) migrants from within the EU utilizing the free movement agreement, (vii) legal temporary workers (e.g. seasonal workers) mainly from Eastern Europe, (viii) illegal migrants, and (ix) children of these immigrant groups being born in Germany (the second generation).

Legal temporary workers (vii) are of quantitative negligible magnitude. Their access is tightly restricted to only some thousand people per year who can be recruited for specific industry sectors on the basis of temporary formal work contracts. A repeated admission of these contract workers is usually not possible (see regulations in § 10 Ausländergesetz, and several statutory orders concerning work permissions and exceptions from the recruitment stop). For illegal migrants (viii) there are no reliable figures available. The only data source for this group are the apprehensions of German border police. On average these were around 34,000 people per annum between 1995 and 1999. The actual share of illegal immigrants living in Germany might be higher, but an assessment of this number is of highly speculative nature. The other immigrant groups can be identified in available microdata, and can be analyzed separately in empirical studies.

3. Economic migration research – the state of the discussion

3.1 Migration research – three principal topics

Economic research concerning migration issues can be conceptualized into three broad fields, each of them interrelated with each other. All these research areas carry important implications for immigration policy, again reflecting an intimate relationship between them. These fields may be described most sensibly by the following set of research questions:

1. Which factors determine the decision to migrate, i.e. which are the motives or driving forces behind observed immigration flows? Naturally, since the decision to migrate is in all likelihood the outcome of a systematic process, the characteristics of those who decide to relocate from their original home to a new destination are hardly a random sample of the indigenous population of either country. Understanding the composition of migration flows seems therefore to be an important prerequisite for the analysis both of migrant performance and the impact of immigration.
2. Which factors determine the economic performance of immigrants in the destination country, i.e. for instance do wages or employment prospects of immigrants converge or diverge as the duration of residence unfolds if compared to that of natives and what are the reasons for these developments? A related aspect is the degree of discrimination against immigrants as well as the degree and the consequences of geographical and/or occupational segregation, i.e. the clustering of immigrants or specific immigrant groups in certain geographical areas or occupational groups.
3. Which factors determine the economic impact of immigration on the population indigenous to the destination country, i.e. does immigration reduce the wages or employment prospects of e.g. low-skilled natives or resident migrants of preceding entry cohorts, and if so, what are the mechanisms at work? A related aspect are the determinants of the perception of as well as the attitudes towards immigrants by the natives in the destination country.

3.2 Evidence for immigration to Germany

The decision to migrate

Evidence for the determinants of immigration to Germany is quite scarce, and if available, only at the aggregate level. Vogler and Rotte (2000) follow the traditional literature on explaining aggregate migration flows (see, e.g. Harris and Todaro (1970) for a seminal study) by differential developments of economic activity (per capita), unemployment rates and other socio-demographic factors, such as geographic distance. Pinning down any stable relationship between the economic factors and immigration activities has been notoriously difficult throughout this literature. This has made the creation of a satisfactory connection between the in parts overwhelmingly sophisticated economic theory of the migration decision (see e.g. Stark (1991) or Berninghaus and Seifert-Vogt (1991)) and the – at best – scarce evidence for the validity of its predictions a very frustrating endeavour. Vogler and Rotte (2000) escape from this dilemma – which also plagues their study – by altering their focus in an innovative way: their analysis explicitly addresses the issue whether political oppression in the country of origin fosters the decision of potential emigrants, with particular emphasis on the role that the current state of economic development plays for this process.

With the aim of predicting future immigration activity in the case of the enlargement of the EU to the East, Fertig (1999) uses an empirical specification derived from a stripped-down theoretical model of the migration decision. He concludes that economic differences exert only a moderate influence on actual migration activity. Finally Fertig and Schmidt (2000) take a completely different approach at modelling aggregate immigration activity, also with the principal aim of forecasting net immigration into the future. In this study, the crucial role of demographics for migration activity is placed in the focus of the discussion. It has been demonstrated in numerous empirical analyses of migration activity – historical as well as recent – that migrants tend to move from origin to destination at young prime age. Figure 2 exemplifies this phenomenon for the German case. Thus, the relative prevalence of this age group in the population at the origin is necessarily a major determinant of the actual migration potential and, in consequence, activity from this source. On the basis of these considerations, Fertig and Schmidt (2000) conclude that even if EU enlargement were to lift all legal obstacles for East-West migration, the ensuing migration flows would likely be only of moderate magnitude.

At the present time, there is no study of international migration to Germany at the individual level. The primary reason for this gap is the missing data base, as any serious empirical study would require microdata at both origin and destination.

Performance and discrimination

Skills play a dominant role for immigrant performance, whether acquired in formal curriculae as secondary or post-secondary schooling and vocational training, or informally as experience in the labour market, or as manifestation of intrinsic personal traits such as cognitive ability or motivation. The modern literature on immigrant performance dates back to Chiswick (1978) who regressed labour earnings, the natural measure of labour market performance – at least in the US context – on years of formal education, immigrant status, and a polynomial on duration of residence in a cross-sectional census extract comprising native and migrant workers.

His results demonstrate clearly that for the US, *ceteris paribus*, a comparison of native with immigrant workers reveals earnings differences that vary systematically with duration of residence in the country. While the most recent immigrant workers typically experience a substantial wage disadvantage, this gap is smaller for earlier immigrant cohorts. Chiswick (1978) even found immigrants with a long duration of residence in the US to display an earnings advantage. While this latter result is less robust, an earnings gap that decreases in the duration of residence has been a stable empirical phenomenon in all subsequent cross-sectional studies for the US. The really challenging issue, though, is the interpretation of this pattern. Building on human capital theory, Chiswick (1978) provided a very convincing structural interpretation: in the absence of any noticeable form of discrimination – an absence that seems to be a natural presumption in the context of the American "melting pot" (but see below) – wages directly reflect individual productivity.

Immigrants acquire productive capacity in their origin country, but only part of this human capital can be transferred to the labour market at the destination. Consequently, the young adults arriving at their new home possess a lower earnings capacity, and – since their labour supply is typically inelastic – relatively low wage earnings. Over their time of residence, they tend to acquire the lacking human capital, such as the language spoken at the destination – their low initial earnings capacity implies that the opportunity cost of their investment are

relatively low, making substantial human capital acquisition likely. In addition, Chiswick (1978) attributed the observed overtaking of experienced migrants' over natives' wages to a positive selection in terms of unobserved co-variates.

In stark contrast to this positive assessment of immigrant performance, Borjas (1985 and 1987) emphasizes the necessity to account for cohort effects when trying to measure the dynamics of immigrant wage earnings. Specifically, his empirical work demonstrates that earlier cohorts of immigrants to the US display a better economic performance – compared to contemporaneous native workers – throughout their residence than more recent cohorts. In fact, Borjas (1985) attributes most of the cross-sectional earnings profile in duration of residence to such cohort effects (for a different view see LaLonde and Topel (1992)).

Specifically, most recent cohorts apparently perform very poorly when compared to earlier cohorts at their time of immigration. In his 1987 paper, Borjas motivates this development on the basis of the prototypical Roy model of selection applied to the migration context. Most of the decline in immigrant quality is attributed to the changing country-of-origin mix which has shifted more and more to Latin America and Asia, and away from the traditional countries of origin in Europe. While the importance of the origin composition of immigration flows seems to be undisputed, the literature remains controversial as to the precise interpretation of the negative changes in unobserved residual terms as declining immigrant "quality", or, for instance, as a reflection of a changing distribution of wages – with declining real wages for unskilled workers in the US providing an important background phenomenon (for a more recent contribution see Yuengert (1994)).

Both the rather different history of immigration to Germany and the certainly distinct nature of US and German labour markets suggest that a simple translation of US results to the German context is impossible. Several empirical analyses address the issue of wage performance of the guest workers of the 1960s and 1970s in the German labour market of the 1980s and early 1990s, all using, in principle, the same source of microdata, the German Socio-Economic Panel (GSOEP) (see, in particular, Dustmann (1993) and Schmidt(1997)). On balance, these papers demonstrate that in the German labour market formal skills play a decisive role for immigrant wage earnings – for instance, Schmidt (1997) concludes that those immigrants who received their schooling and post-secondary education in Germany achieve earnings parity with native workers, while the typical first-generation migrant from the "guest worker" countries lags some 20 percent behind the average native worker in terms of wages.

Moreover, any evidence regarding the assimilation hypothesis derived from the US literature – migrants starting out with a considerable disadvantage but catching up quickly – is extremely fragile. Dustmann (1993) demonstrates that the distinction of permanent and temporary migrants might be important for the question of earnings dynamics, while Schmidt (1997) pursues a non-parametric specification of duration-of-residence effects that reveals no systematic pattern.

Using the ALLBUS (see below) as an alternative data source Schmidt (1997) compares migrants from the "guest worker" countries with ethnic German immigrants – concluding that the latter group of immigrants is typically better educated and economically well integrated. Finally, Dustmann and Schmidt (2000) is the only paper to address the wage performance of female immigrants. To date, almost the complete migration literature and certainly all studies of the German case have concentrated on the analysis of the economic performance of first-generation male immigrants. In their paper Dustmann and Schmidt (2000) place considerable emphasis on the treatment of labour supply issues that plague all analyses of female wage

earnings. They conclude that for the relative wages of female immigrants not only their own formal education, but also their family circumstances – most notably the return plans of their family – play an important role.

All these analyses, for Germany as well as in the international context, rest their interpretation on a crucial identification assumption which is typically never discussed. Wage differences can only be used as a perfect measure of disparities in economic productivity, if the labour market functions without any trace of discrimination and any legal barriers to wage parity, of course. While raising this idea in the context of the US labour market might not stand any chance, and any advance to put only the slightest dent into the American melting-pot myth will probably face fiercest opposition, challenging the fundamental identification assumption of no immigrant discrimination seems less daring in the European context.

On the other hand, interpreting any unexplained wage differential as a reflection of discrimination would require an equally strong and hardly more plausible implicit identification assumption – the absence of migrant-native differences in productive capacity once formal characteristics are controlled for. Yet, the two identification assumptions discussed here allow the interpretation of reduced-form wage dynamics in terms of structural ideas, assimilation or discrimination, although all the evidence merely pertains to unexplained migrant-native wage differentials. Borjas' cohort argument is an additional variant of the same problem: what is the valid identification assumption? That is, these assumptions must remain untestable, and their validity has to be judged on the basis of economic reasoning. While this issue threatens to remain unsettled, it seems safe to argue that an analysis of relative immigrant earnings which exclusively concentrates on discrimination proceeds on very thin ice. Nevertheless, the consideration of rising discrimination might be an interesting addition to the Chiswick-Borjas debate on cohort effects and declining immigrant "quality".

The economic impact of immigration

While relative individual economic performance is a matter of direct comparison of an appropriate outcome measure between the individuals of interest – migrants – and a comparison group – natives, the economic impact of immigration unfolds in an indirect fashion via market reactions, and is therefore much more complex as an object of investigation. Conceptually, additional immigration shifts the relevant labour supply curve outward – with the first problem for any empirical strategy arising as to the question what exactly is "relevant", the local labour market, the skill group etc.? The consequences, in terms of employment and wages for this relevant group, as well as for all other groups of labour – with unskilled native workers being the most prominent case in the public debate – are first of all a matter of the relative individual elasticities of demand and supply and of the set of elasticities of complementarity with all other production factors.

Yet, the additional labour supply is only part of the story, since product demand, and thus labour demand (on all other sub-markets) tend to be affected positively. On balance, it might not be the case at all that immigration harms any group of native workers via the crowding out that the constant output reasoning typically applied seems to suggest. In fact, the matter is entirely empirical. Nevertheless, even at the theoretical level many facets relevant for the real world might complicate the analysis, for instance the necessity to account for an increasing variety of products via immigration, or the consequences of institutionalized wage rigidities (see Schmidt et al. (1994)).

The empirical challenge is to isolate immigration induced shifts in labour supply which can be treated as if they were set in an ideal experiment, in other words as exogenous. Several strategies can be found in the literature regarding the definition of the appropriate sub-market, ranging from time series on aggregate labour markets, over cross-sections of regional labour markets to longitudinal analysis across region and time. The latter "area approach" is certainly the most prominent strategy. Studies also vary in their strategy at pinning down the numerical impact of additional immigration. Reduced-form studies regress outcomes directly on relative shares of immigrant labour, while structural-form approaches first estimate the relevant elasticities of complementarity before assessing the impact of additional immigration in an out-of-sample prediction.

All these analyses face the common problem of non-experimental research: the extent of additional immigration does not vary randomly across time and space, as in a laboratory experiment, but is rather the outcome of systematic forces. Specifically, more attractive destinations will typically generate a larger influx of immigrants. Comparing the relevant economic outcome measures, native employment rates say, across regions will typically confuse the impact of immigration with the underlying reason making the area particularly attractive. Moreover, the indigenous population may be quite mobile, too. Thus, a lacking impact of immigration could be due to compensatory moves of indigenous workers (Filer (1992)).

The literature has proceeded in different directions to address this endogeneity problem. Altonji and Card (1991) and LaLonde and Topel (1991 and 1997), for instance, pursue the idea of instrumental variable estimation. Using previous immigrant density as their instrumental variable, these estimates invoke the identification assumption that this variable affects immigration but not its impact on regional labour markets. A related idea has been developed by Card (1990) for the so-called Mariel boatlift, an idea also applied by Hunt (1992) to the Algeria-France migration of the early 1960s. These studies exploit historically unique events in order to create a "natural experiment". Typically, these studies tend to conclude that the crowding out effects of additional immigration on most native workers are of minor importance. If at all, it is the direct competitors – in terms of formal and informal skills – which are affected most.

For Germany, several empirical studies exist which proceed along similar lines. Pischke and Velling (1997) follow closely the approach by Altonji and Card (1991) using regional data for Germany, with particular emphasis on demonstrating the fragility of instrumental variable estimates to the underlying identification assumptions. Haisken-DeNew (1996) and DeNew and Zimmermann (1994) use individual-level data from the GSOEP, replacing the emphasis on regional labour markets by an analysis of separate industries. Since this approach is necessarily threatened by severe problems of endogeneity, the idea of instrumental variables is applied as well. In the light of the data material finding a convincing instrument remains a complex task, though. On balance, these studies tend to display quantitatively minor effects of additional immigration on the economic outcomes of the indigenous population, but considerable controversy remains as to their precise magnitude. Bauer (1998), estimates the relevant elasticities of complementarity in a production-function approach using individual-level data, basically confirming those studies which deny a relevant impact of immigration.

Recently, attitudes towards minorities have become an issue of concern in the economic literature (see e.g. Dustmann and Preston (2000)). A brief overview on empirical studies concerning the perception of and the attitudes towards immigrants for the German case is provided in section 4.2.

4. The welfare dependence of immigrants – facts and perceptions

4.1 The dependence of immigrants on public transfer payments – what do we know

One of the most contentious issues in the context of immigration and immigration policy regards the welfare state. Indeed, Borjas (1999) places the debate on immigration welfare dependence on equal footing with the "classical" topics of immigrants' labour market performance and their labour market impact. The concern over this problem in principle reflects legitimate reservations about the fiscal and political viability of a welfare state potentially acting as a magnet to migrants, yet being underwritten by a native electorate. Even though the US welfare system can hardly be compared in terms of its generosity to the German social safety net, the well documented fact regarding the US (see e.g. Blau (1984), Borjas and Trejo (1991) and (1993), Borjas and Hilton (1996)) that immigrant households have become important clients of the existing welfare programmes led to provisions in the most recent 1996 welfare reform which were directed at curbing immigrants' access to the system. Neither the empirical results regarding the trends in immigrant welfare nor the institutional arrangements shaping the environment for immigrants' welfare use are easily translated from the US, Canada (see e.g. Baker and Benjamin (1995)) or the UK (see e.g. Blundell et al. (1988)) to the German context. Most of all, the historical developments governing size and composition of immigrant influx to Germany were quite distinct. Consequently, the issue is entirely empirical.

Unfortunately, the empirical literature for Germany is rather scarce, with Riphahn (1998) being one exception. The author, using data from the GSOEP, reports distinct patterns of welfare dependence for foreigners and natives. The estimated differences in the dependence on social assistance payments between foreigners and natives suggest a statistically significant and substantially lower risk of foreigners to depend on these benefits. However, the differences between the foreigner groups were not statistically significant. Moreover, due to the limited number of observations on second-generation migrants in the GSOEP, Riphahn (1998) could not distinguish between the first and the second generation. The Mikrozensus provides us with the possibility to provide such a separate analysis.

The German Mikrozensus is an annual 1% random sample survey of the population residing in Germany conducted by the Federal Statistical Office (Statistisches Bundesamt). The information collected includes standard demographic and labour market variables as well as information on household and individual income and income sources. The public use file of the Mikrozensus is a 70% random sample of the original data set containing more than 500,000 observations. Compared to other microdata sets like the GSOEP the Mikrozensus thus has the advantage of a large number of highly reliable observations which allow e.g. the identification of a substantial number of second-generation immigrants. On the other hand, the Mikrozensus is only a cross-section with income categories and no information on "weaker" characteristics, like language ability or attitudes.

Similarly to the case of the US, it is certainly important to distinguish between the welfare dependence of immigrants to Germany in comparison with those of a typical native household and in comparison with a hypothetical native household with the characteristics of a typical immigrant household. Since the most important socio-economic characteristics are available in our data, we will estimate a model aiming at the explanation of the determining factors of social assistance dependence. The focus of this analysis is on the risk of being dependent on such public transfer payments for non-citizens. Before we proceed with the estimated model,

we briefly summarize the German social assistance system and discuss some of the methodological issues in modelling the dependence on welfare payments.

Social assistance is an integral part of the German income support system which is, in principle, based on residency in Germany and not on citizenship. However, since 1994 there have been some exceptions for asylum-seekers. The intention of social assistance is to guarantee eligible individuals a minimum income sufficient for living purposes. Social assistance is strictly means-tested and serves as a substitute for other benefit schemes, like unemployment benefits, if the eligibility for those has expired. Financial benefits under the heading of social assistance comprise lump-sum payments for which under regular circumstances no repayment requirement is entailed when the financial situation of the supported individual improves again.

In the received international literature on modelling the dependence on welfare payments, the problem of possible non-take-up behaviour of eligible individuals is heavily discussed. In our case this problem may be important since the residency regulation reform in 1991 provided authorities with the possibility to expel foreigners without a permanent residence permit, if they claim social assistance (cf. Riphahn (1998)). This sample selection problem may lead to a bias in the estimated coefficients. However, since there is no information available on the legal status of foreigners in the Mikrozensus we are forced to continue under the proviso that this selection problem is negligible.

In our own analysis we assume that the probability to observe an economically active individual (aged 15 to 65 years) in the state of receiving social assistance payments is determined by the following groups of factors: (i) the household structure, such as living in a single household, the number of children etc.; (ii) individual characteristics, like age, sex, education etc.; (iii) the level of information on eligibility criteria, the amount and duration of benefits etc., for which (following Riphahn (1998)) we introduce two indicator variables: living in a small city and living in a big city; (iv) foreigner-specific characteristics, like being a first- or second-generation migrant, the duration of residence in Germany etc. Moreover, one would presume that the duration of past dependence on social assistance payments may also have an effect on the probability to observe someone in this state since an individual may be caught in what is sometimes called the "welfare trap". Unfortunately, the Mikrozensus provides no information on the duration an individual has been receiving social assistance.

We estimate a discrete choice model, specifically a binomial probit model, to explain the probability of observing an individual in a certain state by the set of socio-economic variables described above. The dependent variable takes the value of one if an individual reported social assistance as the primary source of income in the 1995 sample of the Mikrozensus, and zero otherwise. All explanatory variables are defined in Table A.1 in the Appendix. The focus of our analysis lies on the foreigner-specific variables which comprise dummy variables for different first- and second-generation foreigner groups, information on the duration of residence in Germany for the first generation and interaction variables comprising individual characteristics like age and education for the first and the second generation, respectively. The share of individuals depending on social assistance in our sample is 8.1% for foreigners whereas only 1.4% of German citizens reported social assistance as primary source of income.

Table 5 reports some descriptive statistics for the variables in the sample. With our analysis we address the counterfactual question if the risk of non-citizens to depend on public transfer payments is higher than that of comparable natives conditional on observable characteristics,

such as education or age. Since the composition of the migrant population with respect to these attributes is largely a result of German immigration recruitment policy of the 1960s and early 1970s and its aftermath, a comparison that did not condition in these factors would lack respect for the role of history in shaping current circumstances. By contrast, our approach is designed to reveal whether migrants are different from native Germans in terms of intrinsic, unobservable characteristics, as much of the public debate seems to suggest. Specifically, in our analysis we invoke the identification assumptions that the functional relationship between the risk of dependence and the determining factors is represented by a normal distribution function and that a valid comparison group for foreigners are natives with the same set of socio-economic characteristics.

Estimation results

Table 6 reports the estimated marginal effects of each explanatory variable and its associated t-values for our preferred specification. The marginal effects are the changes of the probability of an individual to be observed in state 1, i.e. receiving social assistance, associated with a unit change in the respective regressors, holding all other regressors constant. These marginal effects are the effect of a unit-change in each variable, one at a time, evaluated at the sample means of all variables. To derive a marginal effect for categorical variables, we consider instead of a change at the sample mean a discrete change from 0 to 1. The preferred specification is the result of a sequence of tests involving linear restrictions on the parameters of the categorical variables, most notably regarding the distinction of variables' effects for first- and second-generation migrants. The null hypotheses that these parameters are equal is rejected at a 1% significance level for all variables, except for the distinction of "first-generation high education" and "second-generation high education" which are combined into the variable "foreigner high education". The same result holds for the variables "first-generation not employed" and "second-generation not employed" which are comprised in the variable "foreigner not employed". Homogeneity restrictions for natives, first-generation and second-generation foreigners are rejected at a 1% significance level (see "Diagnostics" in Table 6).

Most of the estimated marginal effects are statistically significant at a 1% significance level (the critical value is 2.576). Household and individual characteristics paint a clear and credible picture about the correlates of welfare dependence. While married individuals are substantially less likely than single adults to be on welfare, single adults with children are somewhat more likely to be on the welfare rolls. The likelihood also rises unambiguously with the number of children, irrespective of marital status – the cost of raising children has rightfully been a contentious issue in the population economics literature and the public debate throughout the last decades. Interestingly, East Germans are slightly less likely than West Germans to be on welfare, which is presumably a reflection of the different mix of income support programmes (early retirement schemes) available in this part of the country.

Regarding personal traits, an inversely u-shaped age profile indicates that welfare dependence is somewhat less prevalent in older age groups. For instance, a one-year increase in age at the sample mean of approximately 42 years implies a decline in the dependence risk of 0.01%. By contrast, for a 30-year-old the corresponding marginal effect is a positive 0.06%. The coefficient for the female dummy demonstrates the slightly higher likelihood of receiving welfare for women. Education is apparently an important correlate of welfare dependence, as particularly low-educated individuals and those without formal training are found on the welfare rolls.

Finally, inhabitants of big cities are more likely to receive welfare, a phenomenon that we attribute in our table to the availability of information on income support schemes and the lower opportunity cost of receiving welfare in big cities. Yet, the full spectrum of underlying reasons for this pattern necessarily remains unexplored.

Our specification also comprises a series of interactions of the substantive variables such as age or education with indicators of first- and second-generation foreigner status, respectively (apart from the two entries "high education" and "not employed", see above). That is, all these marginal effects arise in addition to the effect already displayed in the main section of the table. Thus, for instance, while high education and being not employed both display significant effects on the likelihood of receiving welfare, their differential effects for immigrants are negligible – in these respects migrants' and native Germans' reactions are identical.

Regarding the migrants of the first generation, in a remarkably stable pattern the results demonstrate a slightly lower welfare dependence than for native Germans. Remarkable are also the distinct age patterns, indicating that welfare dependence is particularly unlikely for young adults among the first-generation immigrants. Compared to a 30-year-old native, the marginal effect of growing older on the dependence risk more than doubles for first-generation migrants of the same age. The associated marginal effect is 0.14%. The employment situation apparently also exerts a differential impact on immigrants of the first-generation, as the long-term jobless are disproportionately more likely to be on welfare than long-term jobless natives.

For the US a rising duration of residence is apparently a strong correlate of welfare dependence. Quite in contrast, welfare dependence declines significantly as immigrants' duration of residence in Germany proceeds, albeit with declining annual effects. This pattern is certainly to a considerable degree the reflection of institutional regulations, since receiving a work permit at the time of the survey has typically been a matter of years for refugees and asylum-seekers.

For second-generation immigrants residing in Germany, we generally observe a pattern of welfare dependence which is very close to that observed among native Germans. The marginal effects of the citizenship indicators demonstrate that, on average, they are relatively unlikely to be on welfare, although the differences to natives are small, if significant at all. The age profile of second-generation migrants resembles that of natives, albeit with a somewhat more pronounced curvature. Among second-generation migrants residing in Germany, it is particularly problematic to command only low human capital endowments, while long-term joblessness has apparently not such a detrimental effect.

On balance, first- and second-generation immigrants display distinct patterns of dependence compared to natives but also compared to each other. The estimated marginal effects of the group indicators for the first generation suggest small but statistically significant lower probabilities to be observed as receiving social assistance. For example, being a first-generation Turkish immigrant reduces this probability by 0.82 percentage points, all other factors being equal. The comparable effects for the second generation are even smaller but for foreigners with Turkish, other guest worker country and other EU country citizenship they are statistically significantly negative.

To conclude, given the substantially lower education of foreigners as the major reason for their higher average (unconditional) rate of receiving welfare, their risk of being dependent on social assistance payments is conditional on observables by no means higher than that of comparable natives. If this pattern which our estimates reveal for existing migrants to Germany hold true for all future immigration, the message for immigration policy is clear and unmistakable: pursuing a deliberate and systematic immigration policy which balances human rights and the country's human capital requirements is the best option to assure that future immigrants will not become clients of the welfare system in any disproportionate fashion.

4.2 The dependence of immigrants on public transfer payments – what do people think

Often it is the case that a clear presentation of the stylized facts or of a convincing body of evidence is not able to prevent the public debate from going astray. The age-old fear that immigrants take jobs away from native workers is a case in point. Despite overwhelming evidence that the negative partial equilibrium effects on the most-affected groups of native workers are – at worst – minor and that they are probably overcompensated by the positive indirect effects, the argument of "native jobs first" is raised again and again by anti-immigrationists in all countries. Unfortunately, since this argument appeals to the strong underlying fear for one's own economic existence, and since it is easy to mask xenophobic attitudes behind such a seemingly well-justified concern, anti-immigrationists are often able to collect support for their – unjustified – claims.

Here, in the case of immigrant welfare dependence, defining an appropriate position is even more difficult, since there is an additional subtlety to consider. On average, it is true that immigrants to Germany are substantially more likely to be on welfare rolls. Yet, as the preceding discussion has clearly demonstrated, this is a matter of key socio-economic characteristics, rather than a consequence of underlying unobservable traits. To the contrary, holding observables constant, immigrants are less likely to be on welfare. Thus, existing patterns are largely a result of past immigration policy, and future problems could be prevented by following a deliberate, and more skill-oriented immigration policy.

It seems safe to argue that the typical member of the indigenous German population is far removed from being aware of these subtleties. Thus, it would be extremely important to ascertain what exactly are the perceptions of native Germans regarding this important aspect of immigration and of immigration policy. Thus, after gauging possible gaps between facts and perceptions, and the correlates of such gaps, one could engage into considerations how to systematically remove such disparities. The assessment of perceptions is the topic of this subsection.

The empirical literature on the perception of immigrants and foreigners as well as the natives' attitudes towards them is quite scarce for Germany. Exceptions are Gang and Rivera-Batiz (1994) using the Eurobarometer survey and Bauer et al. (2000) performing a cross-country comparison with the 1995 sample of the ISSP survey, which for the case of Germany was conducted as an Appendix to the ALLBUS (Allgemeine Bevölkerungsumfrage der Sozialwissenschaften). The latter paper focuses on the link between immigration policy and the perception of migrants. This paper, by contrast, contributes to the received literature by using the detailed information available in the ALLBUS to quantify the explanatory power of different individual variables for the perception of foreigners in Germany.

The ALLBUS is a publicly available opinion survey based on a representative sample of residents in Germany which is conducted biannually with varying focuses on different topics. The sample is drawn out of all individuals living in private households who, for the 1996 sample, were born prior to 1 January, 1978. This sample, conducted between March and June 1996, contains questions on the perception of and attitudes towards immigrants and foreigners as well as standard socio-economic characteristics of the respondents. The majority of the respondents are German natives but there is also a representative share of foreigners in the sample.

Attitudes of native respondents

Overall, the respondents perceive immigrants – foreigners as well as ethnic Germans – and non-citizens living in Germany with a considerable degree of scepticism. Unfortunately, the questions on what is called "foreigner" in the ALLBUS do not distinguish between foreign-born and German-born non-citizens, preventing us from extending the analysis to differences in the perception of first- and second-generation immigrants. However, some of the questions differentiate among immigrant groups, like Turks, Italians, ethnic Germans, and asylum-seekers. The upper panel of Table 7 reports the distribution of agreement of native respondents in East and West Germany with three claims related to the impact of foreigners on the German housing and labour market, as well as on the propensity to commit crimes. Originally, there were seven categories of possible agreement/disagreement with these claims on an ordered scale reaching from (1) "I do not agree at all" to (7) "I agree completely". These seven possibilities were condensed into three categories: (1) and (2) into "no agreement", (6) and (7) into "agreement" and the other three original categories into "medium".

Table 7 reveals that approximately 32% (28%), 20% (43%), and 26% (38%) in West (East) Germany agreed with the respective claim, whereas around 23% (28%), 34% (18%), and 32% (20%) did not. Natives in the western part of the country seem to be more concerned with the housing market impact of immigration than East Germans are, whereas the latter are more concerned with the labour market impact. Presumably as a consequence of this perception, the majority of respondents claimed that immigration should be limited and a substantial fraction even opted for a complete immigration stop. Table 8 reports the respective shares of answers. Somewhat surprising is the high share of respondents in Eastern Germany opting for an immigration stop of workers from EU-countries which is considerably larger than that concerning asylum-seekers. One might speculate that this is due to the formulation "workers" in the question. Unfortunately, there is no control question with a more "innocuous" formulation.

The distribution of agreement with the claim "Foreigners should be sent back if unemployment is high" (Table 7) suggests that labour market worries might play a substantial role in explaining this distribution which are again more pronounced in East Germany. Moreover, the facts that around 30% of respondents in both parts of the country agreed with the claim that foreigners should be prohibited from political activity in Germany, that a substantial share would not agree with a full legal equivalency of different immigrant groups with native Germans, and that more than 43% of the native respondents claimed it would be important that German citizenship is connected to being of German descent (not reported in the tables), suggest that a substantial fraction of the German population is perceiving immigrants mainly as guests who are presumed to live in Germany only for a temporary period. On balance, immigrants from Italy who have on average a longer duration of residency in Germany and ethnic German migrants are perceived much more positively than

Turks and especially asylum-seekers. This pattern is reflected in the distribution of answers on the questions in the last two panels in Table 7.

From the perspective of our analysis in the preceding sub-section, the distribution of agreement with the claim "Foreigners are a burden for the social security system in Germany" is of special interest. The distribution of agreement in the original seven categories, reported in Table 9, is quite uniform with a considerable share of respondents agreeing with this claim. For an analysis of the determining factors of the propensity to opt for different degrees of agreement we dropped the observations on respondents who refused to answer and condensed the remaining information into the three categories as explained above. This procedure provides us with an ordinal variable containing three categories of agreement which we use as the dependent variable in an ordered probit model in the next sub-section.

4.3 Possible explanations for the divergence between facts and perceptions

The ordered probit model is a widely used model in a discrete choice framework with ordinal dependent variables. In such models it is assumed that respondents display a certain intensity of opinion which is an unobservable latent variable for the analyst, but can be explained by a set of measurable factors and an unobservable error term. Moreover, it is assumed that this unobservable intensity of opinion is reflected by the observable answers of the respondents, i.e. respondents choose the category which represents most closely their true opinion on the question. In the example at hand we have three categories and assume that the error term is normally distributed. The resulting ordered probit model can be estimated by Maximum Likelihood. The estimated coefficients for the explanatory variables are quite difficult to interpret directly since they are not equal to the marginal effects of the respective variable. However, these marginal effects, i.e. the change in the probability to choose a certain answer in response to a unit change in the regressors can be calculated from the coefficients and interpreted quite straightforwardly for the two extreme categories, albeit not for the middle category (cf. e.g. Greene (1997)).

Table A.2 in the Appendix explains the set of explanatory variables which contains socio-economic individual characteristics (like age, sex, education etc.), three self-classified attitude variables not related to foreigners, information on the respondents' partner and a measure of possible contacts to foreigners. Concerning the latter variable, more than half of the respondents in the 1996 sample of the ALLBUS report contact(s) to foreigners in either family, neighbourhood, among friends or at work, but the intensity of these contacts remains unclear. Therefore, we decided to use a measure of exposure to foreigners, i.e. the actual share of foreigners living in the region (Landkreis) of the respondent to have an indicator for possible contacts to foreigners and, therefore, on the possible information of the respondent concerning foreigners. Table 10 reports some descriptive statistics of the variables in the sample.

Estimation results

The estimated coefficients, associated t-values and marginal effects of our preferred specification are reported in Table 11. This specification is the result of several tests on equality restrictions on the parameters of the different categorized explanatory variables. The majority of the estimated coefficients is statistically significant at a 5% significance level. The observable tendency of agreement displays a u-shaped profile in age, due to the

disproportionate share of young respondents displaying agreement. German citizens tend to agree much more emphatically with the proposed statement, as do women (a marginal increase of some 20 and 5 percentage points, respectively). Education is apparently a very important determinant of respondents' attitude to the issue, as it is particularly the low-educated who agree with the proposed – and as we have seen completely unreflected – statement.

The estimated marginal effects suggest that residing in Eastern Germany increases the probability of agreeing with the claim by nearly 10 percentage points. Somewhat surprisingly, after controlling for other co-variates, the labour market variables "currently unemployed" and "fears loss of employment" have no statistically significant effect on the probability to opt for a certain opinion category. This result also holds if both variables are examined separately for East and West Germany. It has been argued above that voicing fears of job loss might be a vehicle for many to mask underlying, rather xenophobic motives for an anti-immigration position. Our results seem to corroborate this argument. Moreover, classifying oneself as having a right-wing attitude increases this probability by approximately 5 percentage points, whereas the opposite attitude reduces it by around 10 percentage points.

It is to be expected that the contact with immigrants reduces xenophobic misperceptions. Having a partner with a foreign citizenship at birth reduces the probability of agreement by around 10 percentage points. Living in a region with a low foreigner share increases the probability of agreement by more than 5 percentage points, whereas living in a region with a high foreigner share has no statistically significant impact on the chosen answer category. Sensitivity tests concerning the division of regions with a low foreigner share do not display any substantial impact on the estimation results. However, the latter variable has to be interpreted with caution, since it may be endogenous if foreigners decide to live in regions where natives have a more positive perception of them. Usually, the residential choice of individuals is determined by a complex set of factors, including family relations, friends, labour market opportunities and local amenities. It is possible that for foreigners the perception by natives may contribute to the local amenities of candidate locations of residence, but it seems to be only one element out of a set of several factors. Therefore, we would expect that the endogeneity of this variable is not severe.

5. Conclusions

This paper provided a snapshot portrait of the immigrant population currently residing in Germany, with a special emphasis on the distinction of first- and second-generation migrants. To this end we provided a detailed characterization of both immigrant generations by demographic and socio-economic characteristics. The paper also gives an in-depth review of the received economic literature, conceptualizing these analyses along the three principal avenues of migration research. The manuscript thus contributes to our understanding of the current state of knowledge regarding the immigrant population of Germany. Most importantly, it has become transparent that there are considerable differences between both immigrants and natives as well as among the different immigrant generations themselves. Nevertheless, this review also demonstrated that at the current juncture a substantial number of relevant research questions remains unresolved.

The paper proceeds to offer its own substantive contribution to this research by addressing one of the most contentious issues in the current debate, the welfare dependence of migrants. We contrasted the findings on the determining factors of the moderate risk of migrants to

depend on public assistance payments with the perception of immigrants by native Germans using two complementary data sets. Furthermore, we derived some evidence on important correlates of the deviations between facts and perceptions and discussed which explanatory factors might be responsible for this phenomenon.

The implications of our analyses are twofold. First, our results suggest that for the case of Germany we are still in need of generating more empirical evidence on some of the most important questions of migration research. Researchers will hardly be able to complete this task without access to additional, individual-based data material. In the light of this topic's importance for the future of our society, it is hoped that any initiative to collect such data will be funded generously, and that policy-makers and administrators alike will support such an endeavour.

Furthermore, the empirical evidence on the divergence of the perception of immigrants by natives from what we really know suggests that comprehensive education programmes and initiatives to ascertain that this evidence becomes more transparent to the general public may provide the basis for a more realistic perception of what is a large, albeit heterogeneous population group in Germany. But the success of such activities is far from being guaranteed. To analyze whether and to what extent education is really able to resolve misperceptions and to reduce xenophobic attitudes will be one of the key challenges of this line of research. A comprehensive scientific evaluation of this question as well as the effectiveness of other integration programmes is one of the signposts guiding our future directions of research.

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Appendix

Table 1: The distribution of immigrants and natives by federal state and citizenship

Distribution of immigrants and natives in Mikrozensus 1995	First generation	Second generation	Natives
By federal state (<i>Bundesland</i>):			
West Germany			
Baden-Württemberg	22.40%	23.51%	11.99%
NRW	21.29%	22.89%	20.69%
Bayern	18.24%	14.39%	15.14%
Hessen	10.51%	9.83%	7.11%
Niedersachsen	7.09%	9.02%	9.22%
Berlin	6.59%	6.19%	4.17%
Rheinland-Pfalz	5.01%	4.33%	5.06%
Hamburg	3.29%	4.66%	2.08%
Bremen	1.25%	1.99%	0.81%
Schleswig-Holstein	1.95%	1.07%	3.56%
Saarland	1.15%	1.53%	1.36%
East Germany			
Sachsen	0.53%	0.20%	6.09%
Thüringen	0.18%	0.20%	3.38%
Brandenburg	0.22%	0.07%	3.38%
Sachsen-Anhalt	0.22%	0.03%	3.62%
Mecklenburg-Vorpommern	0.10%	0.10%	2.37%
By citizenship of:			
Turkey	28.56%	31.20%	-
Former Yugoslavia	19.25%	15.21%	-
Other guest worker countries	19.16%	21.49%	-
EU without all guest worker countries	10.39%	14.33%	-
CIS and CEEC	7.62%	4.85%	-
India, Pakistan and Middle East	3.77%	3.03%	-
East Asia	3.60%	2.44%	-
African countries	2.67%	1.76%	-
USA and rest of America	2.58%	2.18%	-
Rest of Western Europe	1.11%	1.82%	-
Others/no citizenship	1.28%	1.69%	-
Notes: Data source is the German <i>Mikrozensus</i> of 1995. CEEC stands for Central and Eastern European States, CIS for Community of Independent States.			

Table 2: The education of immigrants and natives

Education levels	First generation	Second generation	Native Germans
Highest schooling degree:			
Other	21.22%	22.10%	5.73%
Elementary schooling	49.00%	47.04%	49.80%
Advanced schooling	12.71%	16.87%	27.20%
Higher schooling	17.06%	13.99%	17.27%
Formal training level:			
Other	8.26%	16.95%	5.54%
None	45.68%	35.31%	19.22%
(Technical) university degree	8.42%	5.76%	10.87%
Vocational training	34.65%	39.30%	55.48%
Advanced vocational training	2.99%	2.68%	8.88%
Notes: Data source is the German <i>Mikrozensus</i> of 1995. The highest schooling degree is reported for all individuals older than 15 years. The highest formal training level is reported for all individuals older than 18 years.			

Table 3: Sectoral distribution of immigrants and natives

	First generation	Second generation	Natives
Unemployment rate	11.09%	7.65%	6.09%
Size of labour force	19,566	4,613	329,112
Share of population in Germany	4.38%	1.89%	93.73%
Share of labour force in selected sectors:			
Manufacturing	30.18%	21.24%	23.37%
Construction sector	8.17%	5.79%	8.38%
Food and beverages	7.16%	4.96%	2.22%
Banking and insurance	0.91%	1.34%	3.18%
Total:	46.42%	33.34%	37.15%
Share of all employed in selected sectors:			
Manufacturing	33.94%	23.00%	24.89%
Construction sector	9.19%	6.27%	8.92%
Food and beverages	8.05%	5.38%	2.36%
Banking and insurance	1.03%	1.46%	3.38%
Total:	52.21%	36.10%	39.56%
Notes: Data source is the German <i>Mikrozensus</i> of 1995. The labour force comprises all individuals aged 15 to 65 years.			

Table 4: Primary sources of income for living

Primary income source	First generation	Second generation	Native Germans
Work income	64.84%	62.42%	55.89%
Unemployment benefit and assistance payments	7.05%	5.31%	4.11%
Pensions	7.41%	7.13%	28.56%
Support by parents or spouse	7.31%	9.93%	6.84%
Other (non-work) income	0.38%	0.42%	0.43%
Social assistance programme	11.36%	12.8%	1.76%
Other benefits (student grants etc.)	1.66%	1.99%	2.40%
Notes: Data source is the German <i>Mikrozensus</i> of 1995. Reported figures apply to <i>all</i> age groups.			

Table 5: Summary statistics – Mikrozensus 1995

	Mean	Standard error
Dependence on social assistance	0.018	0.134
Household characteristics:		
Married	0.680	0.466
Single with child(ren)	0.068	0.253
Number of children	0.496	0.850
Residing in East Germany	0.182	0.386
Individual characteristics:		
Age	42.531	12.741
Female	0.503	0.500
High education	0.172	0.377
Low education	0.538	0.499
(Technical) university degree	0.115	0.320
No formal training	0.229	0.420
Part-time work	0.107	0.310
Temporary work contract	0.049	0.216
Employed in public sector	0.199	0.400
Minor employment	0.028	0.165
Not employed	0.072	0.259
Not employed for more than six months	0.060	0.237
Information level indicators:		
Inhabitant of a small city (less than 20,000)	0.421	0.494
Inhabitant of a big city (more than 100,000)	0.298	0.458
First-generation characteristics:		
Turkish nationality	0.019	0.135
Yugoslavian nationality	0.011	0.103
Other guest worker country nationality	0.011	0.102
Other EU-country nationality	0.005	0.070
CIS or CEEC nationality	0.005	0.068
Other nationality	0.009	0.093
Age	2.245	9.476
High education	0.009	0.094
Low education	0.042	0.202
Not employed	0.007	0.083
Not employed for more than six months	0.005	0.073

Table 5 continued: summary statistics – Mikrozensus 1995

High education in origin country	0.005	0.070
Low education in origin country	0.036	0.186
Duration of residence in Germany	0.892	4.360
	Mean	Standard error
Second-generation characteristics:		
Turkish nationality	0.003	0.056
Yugoslavian nationality	0.001	0.038
Other guest worker country nationality	0.002	0.047
Other EU-country nationality	0.001	0.037
CIS or CEEC nationality	0.001	0.022
Other nationality	0.001	0.037
Age	0.331	3.525
High education	0.001	0.035
Low education	0.007	0.085
Not employed	0.001	0.033
Not employed for more than six months	0.001	0.026
Notes: Means and standard errors are for the complete sample. Number of observations: 305,962. See Table A.1 and the text for a description of the variables.		

Table 6: Estimation results of probit model – Mikrozensus 1995

	Marginal effect	t-value
Household characteristics:		
Married	-0.1081	-36.37
Single with child(ren)	0.0102	25.25
Number of children	0.0026	27.65
Residing in East Germany	-0.0033	-14.21
Individual characteristics:		
Age and age squared	-0.0001	-10.45
Female	0.0008	4.72
High education	-0.0018	-4.73
Low education	0.0026	10.72
(Technical) university degree	0.0012	2.23
No formal training	0.0114	38.18
Part-time work	-0.0038	-13.50
Temporary work contract	-0.0041	-13.79
Employed in public sector	-0.0026	-11.14
Minor employment	0.0049	6.03
Not employed	0.0161	24.34
Not employed for more than six months	0.0060	11.91
Information level indicators:		
Inhabitant of a small city (less than 20,000)	-0.0013	-6.40
Inhabitant of a big city (more than 100,000)	0.0018	8.04
<i>Foreigner characteristics:</i>		
High education	0.0003	0.32
Not employed	-0.0005	-0.81
First-generation characteristics:		
Turkish nationality	-0.0082	-19.04
Yugoslavian nationality	-0.0060	-18.18
Other guest worker country nationality	-0.0062	-19.55
Other EU-country nationality	-0.0049	-19.43
CIS or CEEC nationality	-0.0048	-18.29
Other nationality	-0.0056	-18.34
Age and age squared	-0.0004	-3.28
Low education	0.0005	0.42
Not employed for more than six months	0.0019	2.13
Low education in origin country	-0.0023	-3.23
Duration of residence in Germany and duration of stay in Germany squared	-0.0016	-17.77

Table 6 continued: estimation results of probit model – Mikrozensus 1995

	Marginal effect	t-value
Second-generation characteristics:		
Turkish nationality	-0.0040	-2.75
Yugoslavian nationality	-0.0018	-0.49
Other guest worker country nationality	-0.0040	-3.62
Other EU-country nationality	-0.0040	-3.51
CIS or CEEC nationality	-0.0019	-0.49
Other nationality	0.0024	0.40
Age and age squared	0.0005	1.91
Low education	0.0152	4.33
Not employed for more than six months	-0.0034	-4.26
Diagnostics:		
Homogeneity of first-generation foreigner groups	256.98 (15.09)	
Homogeneity of sec.-generation foreigner groups	234.57 (15.09)	
Homogeneity of first- and second-generation	298.98 (16.81)	
Homogeneity of natives and first-generation	678.49 (16.81)	
Homogeneity of natives and second-generation	241.61 (16.81)	
Notes: number of observations 305,962. Numbers in parentheses are the critical values of the $\chi^2(5)$ and $\chi^2(6)$ at the 1% confidence level.		

Table 7: Attitudes towards foreigners – ALLBUS 1996

Claim or question	No agreement		Medium		Agreement	
	West	East	West	East	West	East
Foreigners are a burden for the housing market.	23.04%	27.97%	44.84%	43.78%	32.12%	28.25%
Foreigners take jobs away.	34.34%	18.28%	45.67%	38.55%	19.99%	43.17%
Foreigners commit more crimes.	31.70%	19.71%	42.32%	42.60%	25.89%	37.69%
Foreigners should be sent back if unemployment is high.	42.04%	26.18%	40.52%	42.75%	17.43%	31.07%
Foreigners should be prohibited from political activity in Germany.	35.61%	33.30%	36.48%	37.11%	27.90%	29.58%
Full legal equivalency to native Germans for:						
Italians	16.14%	17.83%	44.03%	48.33%	39.83%	33.85%
Ethnic Germans	14.43%	16.21%	41.40%	47.19%	44.17%	36.59%
Asylum-seekers	52.40%	42.66%	36.85%	42.93%	10.75%	14.40%
Turks	31.10%	29.56%	46.01%	46.24%	22.89%	24.21%
Would you appreciate living in the neighbourhood of ... ?	Not appreciate		Medium		Appreciate	
Italians	2.38%	7.15%	61.44%	74.75%	36.18%	18.10%
Ethnic Germans	7.12%	9.33%	68.44%	74.37%	24.44%	16.30%
Asylum-seekers	31.69%	31.16%	58.93%	63.68%	9.37%	5.16%
Turks	17.15%	27.26%	68.00%	65.67%	14.86%	7.07%
Would you appreciate it if a ... marries a member of your family ?	Not appreciate		Medium		Appreciate	
Italian	7.89%	17.98%	67.37%	71.21%	24.74%	10.81%
Ethnic German	12.72%	18.26%	69.79%	73.02%	17.49%	8.72%
Asylum-seeker	45.59%	42.91%	47.70%	53.45%	6.71%	3.64%
Turks	37.56%	42.09%	53.31%	54.09%	9.14%	3.82%

Notes: All figures are the respective shares of total valid answers of German citizens, i.e. without respondents who did not answer. The share of valid answers varies between 95.1% and 99.9%.

Table 8: Attitudes towards immigrants – ALLBUS 1996

Immigration of different groups	Unlimited access		Limited access		No access	
	West	East	West	East	West	East
Ethnic German migrants	14.69%	13.33%	73.73%	68.93%	11.58%	17.74%
Asylum-seekers	12.68%	11.55%	65.74%	67.47%	21.58%	20.98%
Workers from EU countries	32.98%	11.11%	54.95%	50.98%	12.07%	37.91%
Workers from non-EU countries	8.34%	4.27%	59.26%	46.25%	32.40%	49.48%

Notes: All figures are the respective shares of total valid answers. The share of valid answers varies between 95% and 99.9%.

Table 9: Distribution of agreement – ALLBUS 1996

Foreigners are a burden for the Social security system	All respondents	Native respondents only
No agreement at all	13.43%	12.14%
Disagreement	11.75%	11.41%
Mild disagreement	12.35%	12.17%
Indifference	20.78%	20.65%
Mild agreement	14.23%	14.90%
Agreement	11.55%	12.10%
Full agreement	15.92%	16.64%
Notes: All figures are unweighted shares of total valid answers. The share of valid answers is 99.5%.		

Table 10: Summary statistics – ALLBUS 1996

Variable	Mean	Standard error
Dependent variable (coded: 0;1;2)	1.023	0.725
Individual characteristics:		
Age	46.070	16.765
German citizen	0.940	0.238
Residing in East Germany	0.317	0.465
Female	0.506	0.500
Living in a single household	0.160	0.367
High degree of schooling	0.217	0.413
Middle degree of schooling	0.296	0.456
Currently unemployed	0.029	0.169
Employed in public sector	0.123	0.328
Currently in school	0.007	0.083
Self-classified variables:		
Right-wing	0.093	0.291
Left-wing	0.171	0.377
Fears loss of employment	0.113	0.317
Partner-specific variables:		
Partner is German citizen	0.597	0.491
Partner has been non-citizen at birth	0.019	0.136
Proximity measure:		
Low share of foreigners	0.617	0.486
High share of foreigners	0.043	0.203
Notes: number of observations is 3499. All figures are unweighted sample means and standard errors, respectively.		

Table 11: Estimation results of ordered probit model – ALLBUS 1996

Statement: "Foreigners are a burden for the social security system."	Coefficient	t-value	Marginal effects	
			Pr(Y=1) No agreement	Pr(Y=3) agreement
Individual characteristics:				
Age × 100	-0.078	-2.14	0.020	-0.030
Age squared × 100	0.007	4.49	-	-
German citizen	0.645	7.29	-0.198	0.208
Residing in East Germany	0.303	5.91	-0.093	0.098
Female	0.160	4.11	-0.049	0.052
Living in a single household	0.034	0.50	-0.010	0.011
High degree of schooling	-0.439	-8.03	0.135	-0.142
Middle degree of schooling	-0.187	-3.94	0.057	-0.060
Currently unemployed	-0.024	-0.22	0.007	-0.008
Employed in public sector	-0.200	-3.26	0.061	-0.065
Currently in school	-0.323	-0.90	0.100	-0.104
Self-classified variables:				
Right-wing	0.153	2.36	-0.047	0.049
Left-wing	-0.304	-5.99	0.093	-0.098
Fears loss of employment	0.097	1.55	-0.030	0.031
Partner-specific variables:				
Partner is German citizen	0.013	0.25	-0.004	0.004
Partner has been non-citizen at birth	-0.320	-2.10	0.100	-0.103
Proximity measure:				
Low share of foreigners	0.159	3.25	-0.049	0.051
High share of foreigners	-0.058	-0.54	0.018	0.019

Notes: number of observations is 3499. The estimation equation included a constant. Marginal effects for the middle category $Pr(Y=2)$ are not reported. For definition of the variables see Table A.2.

Table A.1: Variable description – Mikrozensus 1995

Variable name	Description
Dependent variable	1 if individual reports social assistance payments as main source of income for living; 0 otherwise
Household characteristics:	
Married	1 if individual is married; 0 otherwise
Single with child(ren)	1 if household head is single with one or more children; 0 otherwise
Number of children	Absolute number of children in household
Residing in East Germany	1 if household resides in East Germany; 0 otherwise
Individual characteristics:	
Age	Age of the individual in years (15 – 65 years)
Female	1 if the individual is female; 0 otherwise
High education	1 if the individual has a high schooling degree (Hochschul- or Fachhochschulreife); 0 otherwise
Low education	1 if the individual has no or a low (Hauptschule) schooling degree; 0 otherwise
(Technical) university degree	1 if the individual has a (technical) university degree; 0 otherwise
No formal training	1 if the individual has no formal training; 0 otherwise
Part-time work	Equals 1 if the individual works part-time; 0 otherwise
Temporary work contract	1 if the individual has a temporary work contract; 0 otherwise
Employed in public sector	1 if the individual is employed in the public sector; 0 otherwise
Minor employment	Equals 1 if the individual is employed with not more than 630 German Marks monthly earnings; 0 otherwise
Not employed	Equals 1 if the individual is not employed; 0 otherwise
Not employed for more than six months	1 if the individual has been not employed for more than six months; 0 otherwise
Information level indicators:	
Inhabitant of a small city	1 if the individual lives in a city with less than 20,000 inhabitants; 0 otherwise
Inhabitant of a big city	1 if the individual lives in a city with more than 100,000; 0 otherwise

Table A.1 continued: variable description – Mikrozensus 1995

Variable name	Description
First-generation and second-generation characteristics:	All migrant characteristics are divided into first- and second-generation groups if not mentioned otherwise.
Turkish nationality	1 if the individual owns the citizenship of Turkey; 0 otherwise
Yugoslavian nationality	1 if the individual owns the citizenship of former Yugoslavia; 0 otherwise
Other (European) guest worker country nationality	1 if the individual owns the citizenship of Greece, Italy, Portugal or Spain; 0 otherwise
Other EU country nationality	1 if the individual owns the citizenship of any other EU country; 0 otherwise
CIS or CEEC nationality	1 if the individual owns the citizenship of a GUS or CEEC country; 0 otherwise
Other nationality	1 if the individual owns the citizenship of any other country; 0 otherwise
Age	Interaction term between foreign nationality and age
High education	Interaction term between foreign nationality and high education
Low education	Interaction term between foreign nationality and low education
Not employed	Interaction term between foreign nationality and not employed
Not employed for more than six months	Interaction term between foreign nationality and not employed for more than six months
High education in origin country	1 if a first-generation migrant was older than 25 years at immigration and has a high schooling degree
Low education in origin country	1 if a first-generation migrant was older than 14 years at immigration and has a low schooling degree
Duration of stay in Germany	Duration of stay in Germany in years for first-generation migrants
Notes: data source is the 1995 sample of the Mikrozensus. See also text for a description of the variables.	

Table A.2: Variable description – ALLBUS 1996

Variable name	Description
Dependent variable	Degree of agreement on the claim „Foreigners are a burden for the social security system“. Coded 0: no agreement, 1: medium, 2: agreement
Individual characteristics:	
Age	Age of the respondent in years
German citizen	1 if the respondent has a German citizenship; 0 otherwise
Residing in East Germany	1 if the respondents lives in Eastern Germany; 0 otherwise
Female	1 if the respondent is female; 0 otherwise
Living in a single household	1 if the respondents lives in a single household; 0 otherwise
High degree of schooling	1 if the respondents holds a high schooling degree (Hochschul- or Fachhochschulreife); 0 otherwise
Medium degree of schooling	1 if the respondents holds a medium schooling degree (Mittlere Reife); 0 otherwise
Currently unemployed	1 if the respondents was unemployed at the time of the interview; 0 otherwise
Employed in public sector	1 if the respondents was employed in the public sector at the time of the interview; 0 otherwise
Currently in school	1 if the respondents was in school at the time of the interview; 0 otherwise
Self-classified variables:	
Right-wing	1 if the respondent classified himself or herself as having a right wing attitude; 0 otherwise
Left-wing	1 if the respondent classified himself or herself as having a left wing attitude; 0 otherwise
Fears loss of employment	1 if the respondent reported to be afraid of loosing his job; 0 otherwise
Partner-specific variables:	
Partner is German citizen	1 if the partner of the respondent holds the German citizenship; 0 otherwise
Partner has been non-citizen at birth	1 if the partner of the respondent has had another citizenship at birth; 0 otherwise
Proximity measure:	
Low share of foreigners	1 if the actual share of foreigners residing in the region (Landkreis) of the respondent was lower than 8%; 0 otherwise.
High share of foreigners	1 if the actual share of foreigners residing in the region (Landkreis) of the respondent was equal or higher than 16%; 0 otherwise.
Notes: originally, there were seven possible categories for the self-classified variables "Right-wing" and "Left-wing". These two variables combine the two extreme categories at each end of the scale.	

Figure 1: The age distribution of immigrants and natives - Mikrozensus 1995

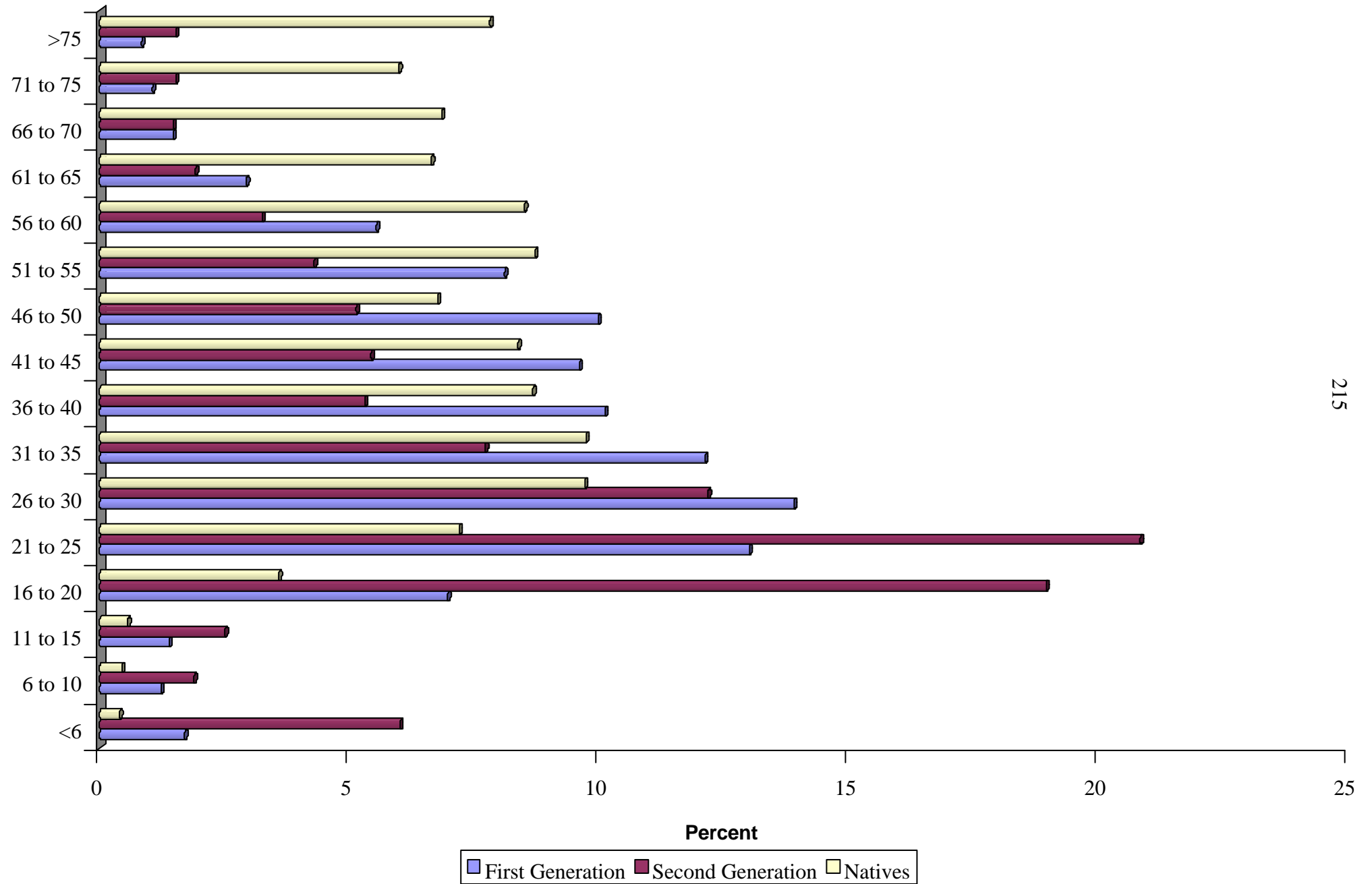


Figure 2: Age at immigration to Germany - Mikrozensus 1995

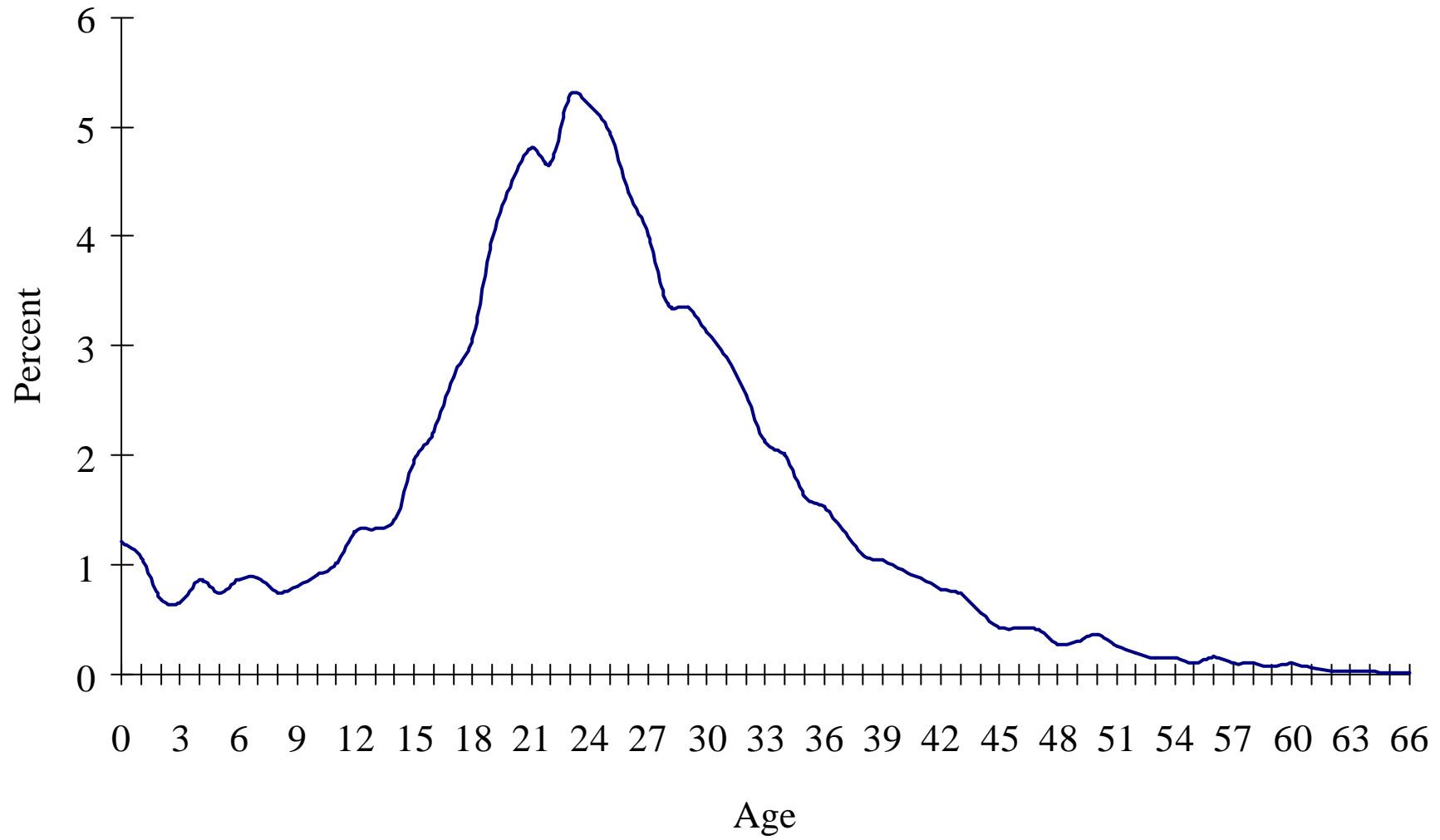


Figure 3: Year of immigration of 1995 stock of first-generation immigrants - Mikrozensus 1995

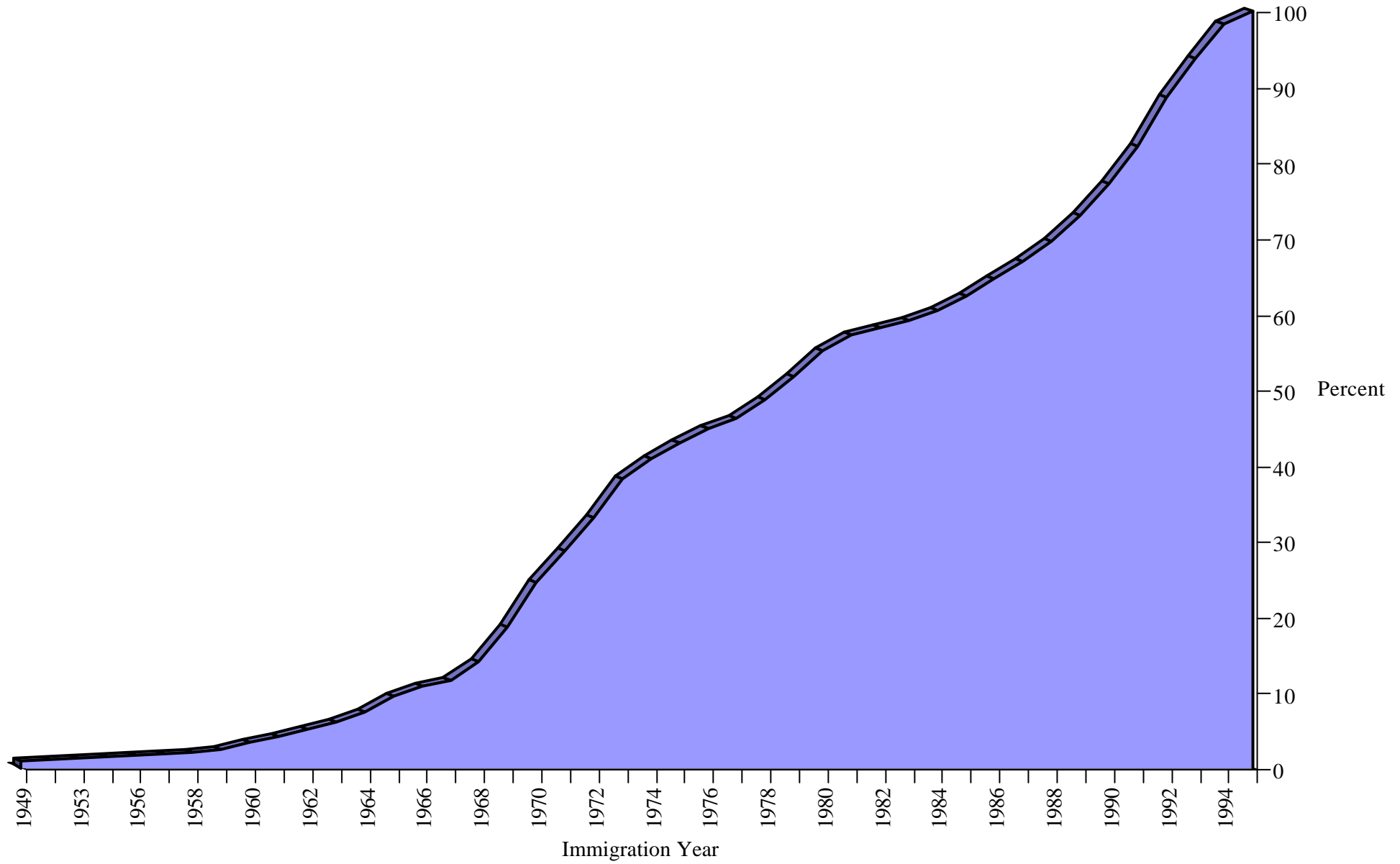
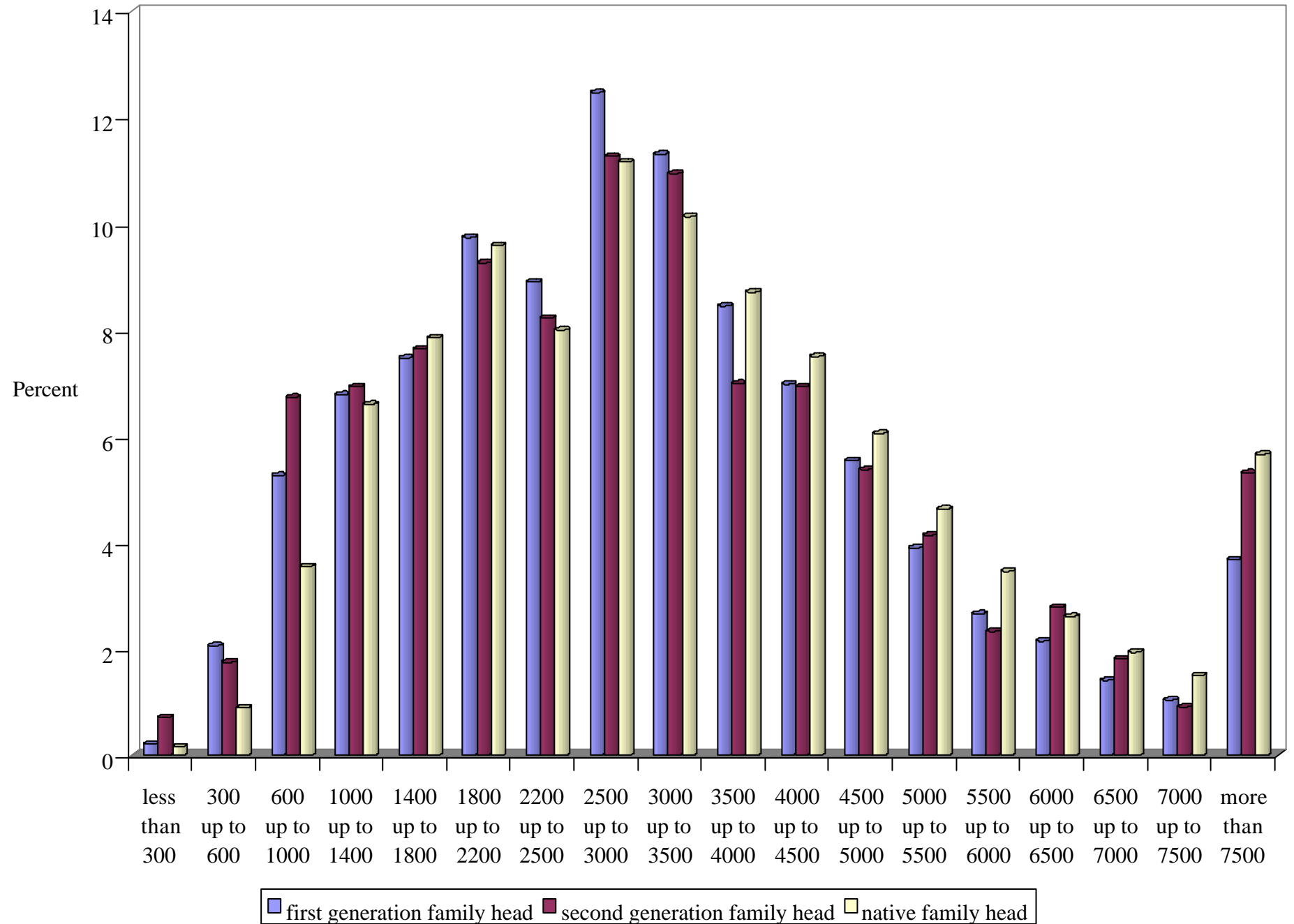


Figure 4: Household income - immigrants vs. natives (Mikrozensus 1995)



International Migration and Migration Policy in Denmark

Peder J. Pedersen/Nina Smith

Abstract

The chapter gives an introduction to the persistent problems regarding labour market integration of non-western immigrants and refugees in Denmark. The chapter describes changes in the flow of immigrants to Denmark and the derived changes in the composition of the stock of immigrants and descendants on national origin. Next, the chapter describes Danish immigration policy from the guest worker stop in the 1970s and until the recent situation. The shift in the composition of immigrants has contributed to a problematic situation regarding labour market integration, characterized by low participation and high unemployment among non-OECD immigrants. We emphasize problems on the demand side of the labour market, i.e. a high minimum wage and discrimination to some extent, and on the supply side due to weak or counterproductive financial incentives.

1. Introduction

As in many other OECD countries, migration and migration policy have become major issues on the political agenda in Denmark during the latest decade. One explanation of this is the increasing flow of immigrants and refugees from less developed countries, which have turned out to be difficult to integrate into the labour market. Partly as a consequence of this, the recent development has resulted in an increasing pressure on the welfare system, which is predominantly financed by general tax revenues in Denmark.

The flow of immigrants entering Denmark since the mid-1980s seem to have much larger problems of integration compared to earlier cohorts of immigrants. At the same time, the problems related to an aging population are on the agenda in Denmark as in many other OECD countries. Within the next decades, large cohorts of elderly will go into retirement and small young cohorts will enter the labour market. This development has created increased focus on the means by which the future labour force may be increased. Here, immigration seems to present an obvious contribution. However, whether international migration is a solution or not to the aging population problem is highly dependent on the success of the labour market integration of immigrants and on the actual immigration policy.

Until now, the policies regarding labour market integration do not seem to have been very successful. In a recent study, the OECD (2000) found that Denmark was among the least successful OECD countries with respect to integration of immigrants in the labour market at least when the relative unemployment rate of immigrants is used as a measure. However, this situation may be changing now partly because the long cyclical upturn in the Danish economy has reduced the unemployment rates significantly also for immigrants, and partly because the Danish policies towards integration of immigrants have changed considerably since 1998.

In this chapter, trends in the Danish international migration flows and in migration policy are outlined in Section 2. In Section 3, the composition of the actual stock of Danish 1st and 2nd generation immigrants is described, and in Section 4 the integration of immigrants in the Danish labour market is analysed. The impact of immigrants on the Danish economy is discussed briefly

in Section 5, and based on these analyses the perspectives for the future Danish migration policy is discussed in Section 6, while Section 7 concludes the chapter.

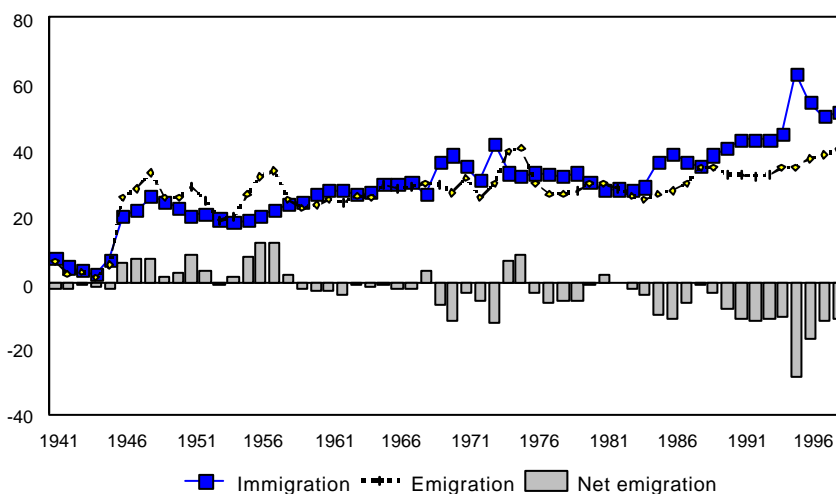
2. Trends of international migration in Denmark

The post-war history of migration in Denmark falls into a number of phases each with specific characteristics. The early post-war period was characterized by net emigration of Danish citizens, mainly to Australia and Canada. The background was a fairly high level of unemployment until the late 1950s compared with the full employment experience of most other Western European countries, cf. Pedersen (1996a). In the next phase, from the late 1950s to the first round of oil price shocks in 1974, the Danish labour market was characterized by full employment, close to a situation of excess demand for labour. The net migration of Danish citizens was at a low level but there were a considerable number of guest worker immigrants, mainly from Yugoslavia and Turkey. The end of full employment in 1974 was accompanied by a stop for guest worker immigration, see Section 3.

From the mid-1970s to the mid-1980s immigration was at a low level, dominated by family reunions among guest workers, mainly of Turkish origin. In the second half of the 1980s immigration increased again. Family reunions were still part of the picture, but at the same time the number of refugees increased strongly, coming mainly from Poland, Iran, Iraq, Lebanon and Sri Lanka. The final phase in the 1990s has been dominated by a new wave of refugees, this time mainly coming from former Yugoslavia and from Somalia.

Figure 1 summarizes the long run trends in the migration flows during the last nearly 60 years. The figure includes all movements independent of the citizenship of the migrants. Both immigration and emigration flows show an increasing trend during the period. In 1999, immigration was at a level of about 50,000, emigration stood at 41,000, thus implying a net immigration of 9,000 persons. Since the Danish population amounted to 5.3 millions in 1999, these migration flows correspond to 0.94%, 0.78%, and 0.17% of the population, respectively.

Figure 1: Migration flows, Denmark 1941–1998

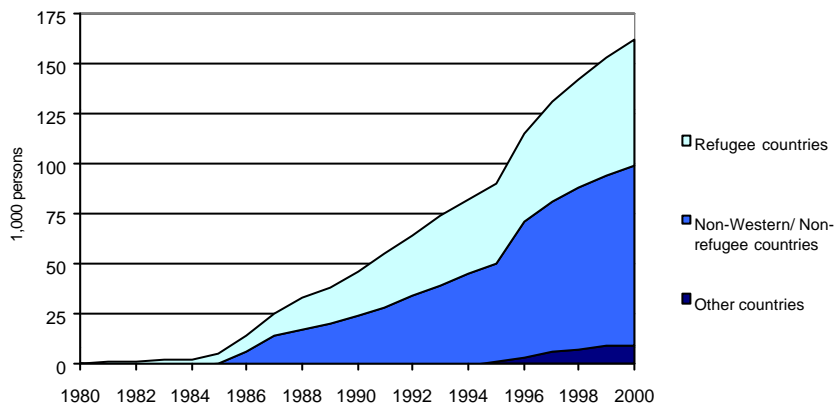


Source: Pedersen (1999).

In 1980, there were about 135,000 first generation immigrants in Denmark out of a population of about 5 million. This figure increased rapidly after the mid-1980s and in 2000 there were 297,000 immigrants in Denmark, corresponding to 5.6% of the Danish population. The number of 2nd generation immigrants has also increased steadily, from 18,000 in 1980 to 81,000 in 2000, corresponding to 1.5% of the population.¹

The cumulated growth in the stock of immigrants after 1980 is shown in Figure 2. During the latest two decades, the net migration from refugee countries and other non-western countries has completely dominated the migration to Denmark. The relative importance of immigration from 'other countries' (the other Nordic countries, EU and other OECD countries) has decreased strongly since the stock of immigrants from these countries has been almost constant during the last 20 years.²

Figure 2: Cumulated growth in the number of refugees, non-refugee immigrants from non-western countries and immigrants from western countries, 1980 – 2000



Source: Danish Employers Confederation (2001).

The composition of immigrants regarding country of origin and regarding the legal basis for residence in Denmark has changed considerably during the last decades as indicated in Figure 2. For more details, Table 1 shows the composition of the stock of immigrants in Denmark by country of origin in the years 1984 and 2000. It is evident from Table 1 that the relative importance of immigrants from other EU countries and North America has decreased substantially, whereas the relative number of immigrants from "refugee-countries" like Iran, Iraq, Sri Lanka, and individuals with no citizenship from Palestine has increased in both absolute and relative terms.

¹ We use the definition of a (first generation) immigrant given by Statistics Denmark which is: An individual who is born in a country other than Denmark, and whose parents have foreign citizenship or are born abroad is a first generation immigrant, see Statistics Denmark (1998) and Section 2. This definition includes immigrants who get Danish citizenship.

² It is not possible in the Danish registers to get information on the reason for immigration, i.e. to separate refugees from non-refugees. As a substitute for direct information, we categorize an immigrant as a refugee, if he or she comes from a country which at the year of immigration is characterized by having large refugee populations. Non-western/non-refugee countries in Figure 2 are defined as the residual, i.e. non-refugee countries outside the Nordic countries, EU, and the EEA area.

Table1: Origin country for Danish immigrants

	1984	2000
	----- percent -----	
Nordic Countries	16.3	11.6
EU 12-Countries ¹	24.3	16.4
Turkey	13.7	9.8
Other European Countries (incl. Ex-Yugoslavia)	12.8	19.5
Africa	6.0	9.0
North America	4.2	2.4
South & Latin America	2.8	2.0
Sri Lanka, Iran, Iraq	0.9	10.2
Vietnam	2.8	2.8
Pakistan	7.3	3.3
Other	8.8	13.0
Total	100	100
First Generation Immigrants as a Percent of Population	2.7	5.6
Immigrants with Foreign Citizenship as a Percent of Population	2.0	4.9

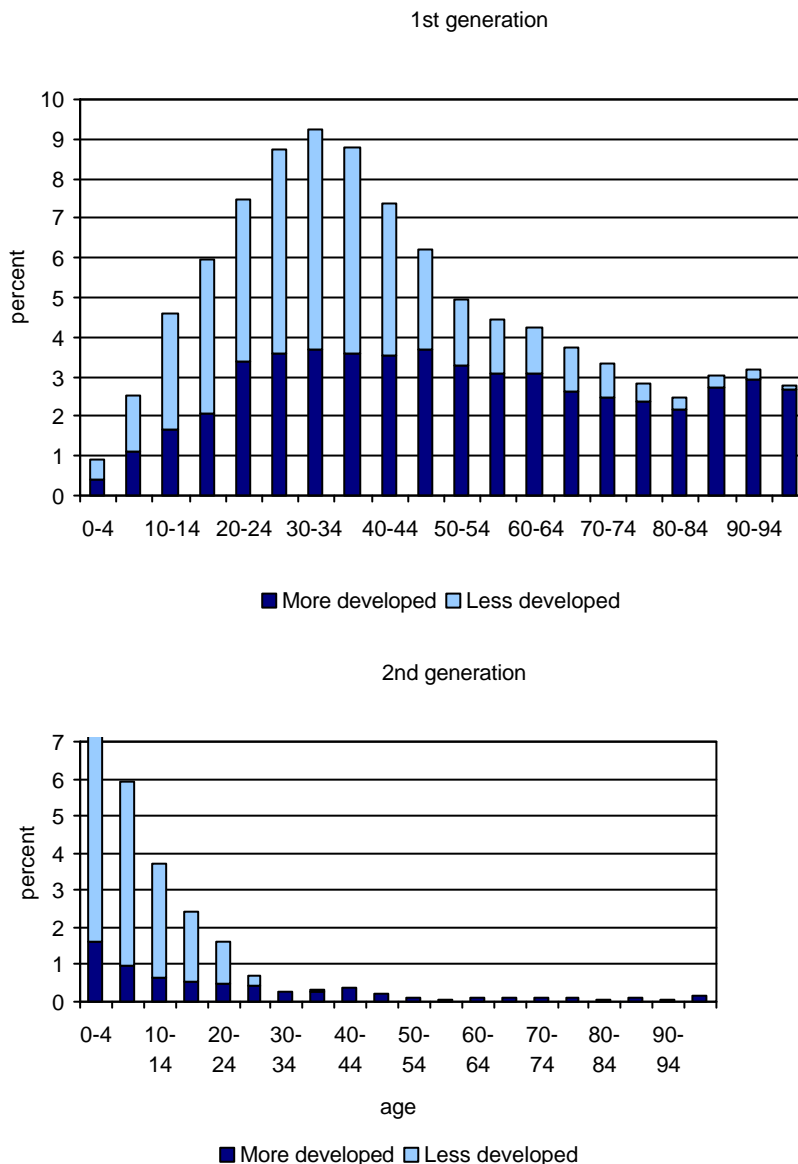
1) 'EU12-Countries' is defined as the 12 EU countries before 1997.

Source: Statistics Denmark (1998) and www.statistikbanken.dk (Statistics Denmark).

Figure 3 shows the age distribution of 1st and 2nd generation immigrants, distributed on region of origin, represented by the categories 'more' or 'less' developed countries.³ As it is the case for most other countries, the immigrant group is typically fairly young. For Danish first generation immigrants, the median age interval is 30-34 years. The relatively low average age of first generation immigrants also reflects the increased immigration during the latest decade. For second generation immigrants the age distribution is much more skewed. Looking at the origin region, there is a clear tendency that the proportion in each age group from less developed countries is larger, the younger the age group. Thus, during the next decades the relative number of 2nd generation immigrants from non-western countries will increase substantially and the labour market integration of this group will be of key importance for the Danish economy.

³ The definitions of 'less' and 'more developed' countries are based on the UN definitions. 'More developed' countries are USA, Canada, Japan, Australia, New Zealand, and Europe (excl. Turkey, Cyprus, and some former Soviet republics). Other countries are denoted 'less developed' countries.

Figure 3: The number of 1st and 2nd generation immigrants as a proportion of the total population in different age groups in 2000



Source: www.statistikbanken.dk (Statistics Denmark).

Regarding the question of integration in the labour market, one of the problems to be discussed in Section 4 is the fairly low educational level of some of the major immigrant groups, see Larsen (2000) and Mørkeberg (2000). Some 15-17% of the immigrants from Turkey, Somalia and Pakistan, who were more than 13 years of age at the time of entry, had never been at school before they came to Denmark. Among the immigrants from Libanon, Pakistan, Somalia, and Turkey, only 26%, 32%, 33% and 19%, respectively, had completed an education before they emigrated from their home country. However, when measured by the proportion entering with a completed education, some immigrant groups – for instance those coming from Iran, Poland and Ex-Yugoslavia are as well educated or even better than the average Dane. Nevertheless, as will be discussed below, even highly educated immigrants seem to have large problems getting a firm attachment to the Danish labour market.

3. Danish migration policy

It is probably fair to say that there has not been a consistent long-run migration policy in Denmark until now. The area has, as in many other countries, been politically controversial, regarding immigration from non-OECD countries. This is not the case for migration to and from the other Nordic and EU countries, which is dominated by mobility to jobs or to education, see Pedersen (1996a,b) and Schröder (1996). Since 1954 Danish citizens have had free access to the labour markets in the other Nordic countries and since Denmark became member of the European Economic Community in 1972, there has also been free access to the labour markets in the other member countries of the European Union. In that sense, Danish citizens had – until the entry by Finland and Sweden to the European Union – the broadest access to the labour markets in the rest of Europe.⁴

The entry of guest workers back in the 1960s and early 1970s was economically motivated. Until the late 1960s immigrants who were able to provide for themselves had free entry into Denmark. The Danish unemployment rate was low and guest workers were typically employed in unskilled jobs in the low end of the wage distribution. But between 1969 and 1973 the immigration rules were tightened up, and in 1973, this immigration came to an end with a legal change, the so-called guest worker stop. Guest workers who had entered the country before the stop were allowed to stay. Many of them remained in Denmark and after 1974 they had the option of family reunion that came to act as a new source of immigration.

In the years after the guest worker stop, immigration from outside the OECD area was regulated by a mix of national legislation and obligations due to ratification of international refugee conventions. In 1983, the legal rights of refugee immigrants were improved (for instance the concept of 'de facto' refugees was accepted as a way to get a permanent residence permit). But after 1983, when the refugee migration flows started to increase substantially, all changes of legislation have been biased towards a tightening up of rules and regulations. For instance, since 1992, it has been a condition for tied movers (family unification) for non-refugee immigrants that the family in Denmark is able to support the eventual new immigrant.

The regulation of immigration in Denmark in 2001 is based on the following main principles:

- Citizens from other Nordic countries have free access to Denmark and need not apply for a residence permit.
- Citizens from the EU/EEA, a number of other OECD countries and the Baltic countries have the right to stay for 3 months without applying for a visa. If they are job seekers they may stay up to 6 months without a visa. Most individuals from these countries have the opportunity to get a residence permit. This is the case for employed persons, students or other groups who are expected to be self-supporting, and for close family members to the groups mentioned above.
- Citizens from other countries may only get temporary or permanent residence permit based on either being a refugee or an asylum-seeker or because of family reunion, formerly having Danish citizenship, or special temporary residence permits for students and short-term employed.

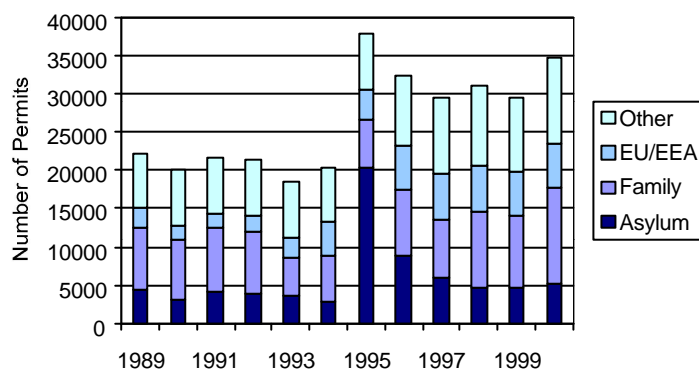
⁴ A survey of the fairly low level of mobility between Denmark and the other EU and Nordic countries can be found in Pedersen (1993).

As in many other countries, it is the latter group, which has attracted the main attention in discussions and reforms of immigration policy. For this group, there have been a number of changes during the 1990s, virtually all having the aim of restricting the immigration flow from these countries. For asylum seekers, there are basically two ways of getting a residence permit: Either by applying to a Danish embassy abroad or by travelling to Denmark and applying for asylum after arrival (the group of so-called spontaneous asylum seekers). Until 1995, the number of asylum applications at Danish embassies abroad was large, and the probability of getting asylum this way was fairly low. However, in 1995, Denmark amended to the Aliens Act, which restricted asylum application from countries that Denmark considers as safe.

The number of spontaneous asylum seekers has been rather stable during the 1990s, fluctuating in the interval 5-6.000.⁵ Asylum seekers who are granted a residence permit as refugees may either be convention refugees, de facto refugees or refugees who are granted a permit due to humanitarian reasons. In order to get a permanent residence permit, it is now a condition that the immigrants has passed an 'introduction programme' of up to 3 years duration which is described below.

Thus, an immigrant in this group is not able to get a permanent residence permit until he/she has stayed 3 years in Denmark. In total, the number of individuals who were granted a residence permit based on an asylum application was close to 5,000 in 2000, see Figure 4.⁶

Figure 4: Annual granted residence permits by category, 1989-2000



Source: Statistics Denmark (2000).

The main focus in Danish immigration policy during the latest years has been on family unification immigrants, the tied movers. One reason has been that residence permits due to family unification constitute the largest category of residence permits, see Figure 4. Another reason is that asylum seekers and refugees are regulated by international conventions while there

⁵ One exception was 1992-93 when the number of spontaneous applications increased to about 14,000 because of the war in Ex-Yugoslavia. The number of applications coming from embassies abroad went down from 13,000 in 1990 to 500 in 1999, see Statistics Denmark (2000).

⁶ It is important to note that the Danish statistics concerning granted residence permits (Figure 4) and the immigration statistics (see for instance Figure 1) are not directly comparable. First, there is a time lag of up to one year between being registered as a person with residence permit and being registered as an immigrant. Secondly, immigrants from other Nordic countries do not need a residence permit. Third, some immigrants get more than one residence permit because it may be attractive for family re-united individuals to get a asylum permit.

is a set of national laws and regulations regarding family unification. Unification is an option for close family members (a spouse or cohabitant, children aged less than 18, and parents aged more than 60 years).⁷ The conditions for family unification with an immigrant in Denmark are that the immigrant has been granted a permanent residence permit, that he/she is able to provide for the family member, and that he/she lives in an apartment or house of a 'reasonable' size. (For refugees or Danish citizens there is no income support condition or conditions on size of apartment). Further, it is a condition that the immigrants already living in Denmark have passed the 3 years' introduction programme' for immigrants, see below. The family member who applies for family unionisation and a permanent residence permit will normally not get it until he/she has been through the 3 year programme. Thus, it is not possible any longer to get a permanent residence permit until the immigrant has stayed at least 3 years in Denmark.

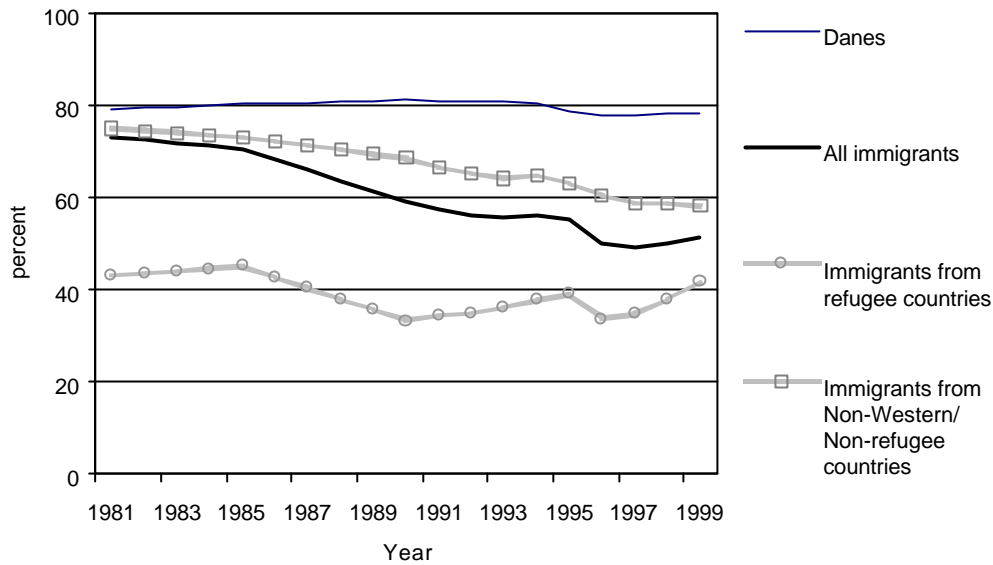
Recently, Denmark has ratified the Dublin Convention according to which asylum seekers can only apply in one EU country, and where the member countries have the right to return an asylum seeker to the EU country from which she or he has entered the country in question. Since Denmark is a member of EU, Danish immigration policy is in principle affected by changes in the migration policy of the European Union with respect to rights to asylum, immigration and border control. However, since Denmark has made reservations concerning this issue (in an Annex to the Treaty of Amsterdam), Denmark will be able to decide case by case whether or not to adopt new changes of the migration policy, see OECD (2000).

4. Integration of immigrants in the labour market

As discussed in Section 2, the composition of Danish immigrants has changed substantially during the latest decades – as it is the case in many other European countries – with an increasing fraction of the immigrants coming from countries with a relatively low educational level. Another characteristic of the countries from which an increasing fraction of Danish immigrants originate, is a low labour market participation for women, see DEC (2001). The overall labour force participation rate of the Danish born population has varied around 80% since 1980, while the average labour force participation rate of all first generation immigrants from refugee countries and other non-western countries has been steadily decreasing until recently as shown in Figure 5. For immigrants from western countries, on the other hand, the participation and unemployment rates are very close to the Danish level.

⁷ Re-unification with parents is now only an option for refugees and individuals with a Danish or Nordic citizenship.

Figure 5: Labour force participation rate, immigrants and Danes



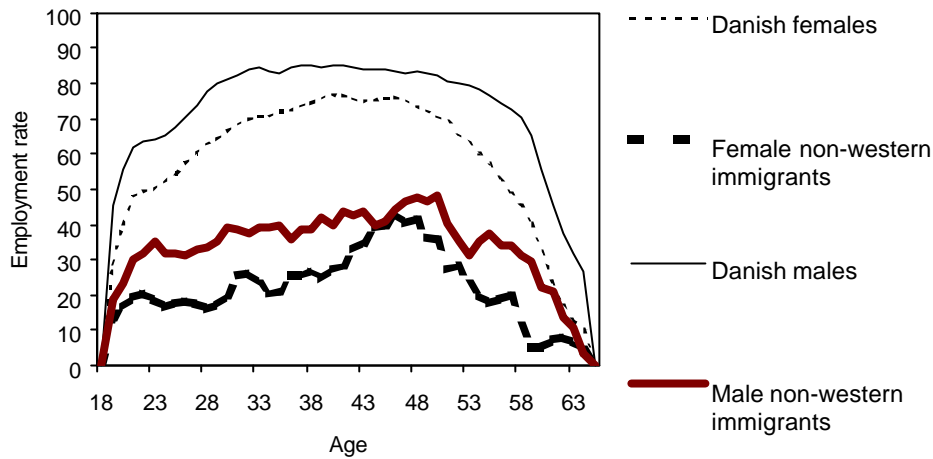
Source: Danish Employers Confederation (2001).

In 1980, the average participation rate of Danish immigrants from the non-refugee and non-western countries was about 70%, but since then it has decreased to about 50%. Refugees tend to have lower participation rates (about 40%) than immigrants from non-western countries, according to Figure 5, but for the latter group the participation rate has been steadily decreasing. The low participation rate for refugees partly reflects that these groups have on average spent fairly few years in Denmark and partly a low participation rate for women from these countries. For the non-refugee group of non-western immigrants, the main explanation is a higher propensity to retire early or a higher dependency on other public income support schemes, see below. It should be noted also that an increasing share of the persons in this group consists of tied movers in contrast to the original round of immigrants who arrived to a job.

Figure 5 relates to participation. However, it may often be more relevant to look at employment frequencies among immigrant groups. In Figure 6 we look at age conditioned employment rates for the year 1997. The groups included in the figure are non-western immigrants and Danes, both women and men. For clarity in the figure, we exclude OECD immigrants for whom information can be found in Wadensjö (2000)⁸. The immigrant employment rates are about 30 percentage points lower in the core age groups. Furthermore, the participation profile for immigrant women is practically flat until about 40, i.e. for the fertile years, in contrast to Danish women who have an increasing profile until the age of 40.

⁸ The graphs for OECD immigrants are fairly close to the graphs for Danes in Figure 6.

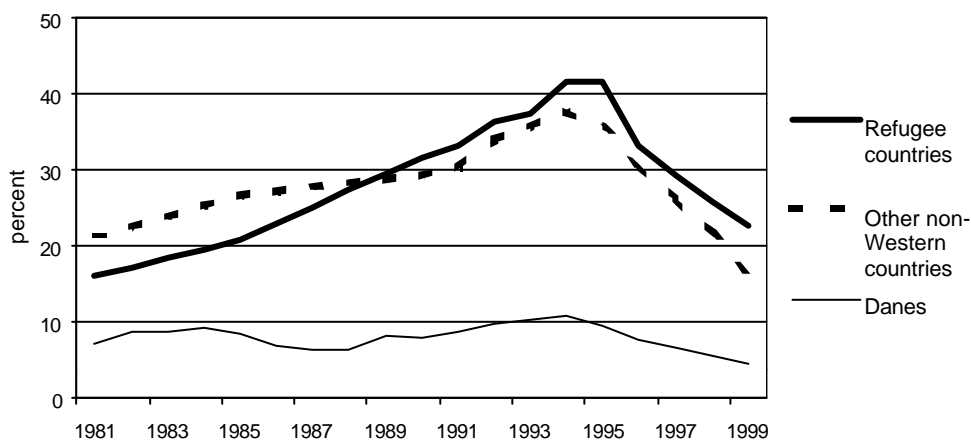
Figur 6: Age conditioned employment rates, 1997, non-western immigrants and Danes



Source: Wadensjö, E. (2000).

The increasing proportion of Danish immigrants in public income support schemes partly reflects the very large difficulties that immigrants from refugee countries and other non-western countries have faced in the Danish labour market. Since the late 1970s and until recently, the average unemployment rate in Denmark has been as high as in many other European countries, even for Danish born workers. But immigrants from refugee countries and non-western countries have faced unemployment rates which for a large part of the period has been about 3 times higher than for Danish born workers, see Figure 7. This is a much larger ratio than in other OECD countries, see OECD (1999, 2000).

Figure 7: Unemployment rate, 1981-1999



Source: Danish Employers Confederation (2001).

The unemployment rate may even understate the employment problems of Danish immigrants as the participation rate is decreasing and lower among immigrants, cf. Figure 5. A large proportion of the immigrants receives other public income support schemes than unemployment benefits or social welfare payments for unemployed individuals. Beside these schemes, there exist a number of temporary or permanent income support schemes for individuals in the age groups 18-66

years (until recently the official retirement age in Denmark was 67). First, as in other countries, there exists a social pension programme⁹. Secondly, there exist different early retirement schemes, which are not health related, a number of temporary leave schemes, sickness benefits, and permanent social welfare. Third, a number of immigrants are employed in different labour market programmes and these individuals are not counted as being unemployed.

Table 2 shows the distribution of 18-66 years old immigrants from western and non-western countries on different types of public income support schemes. The figures in the table relate to the dominant type of income support during the year in case a person has received more than one type of public income support. First, compared to many other countries, there is a relative large proportion of the Danish population who has been provided for by public income support during part of the year. This is the case for 36% of Danish born individuals, while 32% of immigrants from western countries, and 64% of immigrants from non-western countries were supported by a public income support scheme, at least for part of the year. Second, immigrants from western countries are very much like Danish born individuals with respect to dependency of public income support. Third, from Table 2 it is clear that the unemployment figures for immigrants and non-immigrants show only a minor part of the problem concerning the integration of non-western immigrants in the Danish labour market and thereby their ability to provide for themselves. Only about 12% of the immigrants from non-western countries had received unemployment benefits (as their major public income support) during the year while the same figure for Danes was 10%.¹⁰ The major difference lies in the dependency on social welfare. Close to one fourth of all immigrants from non-western countries received social welfare benefits for part of the year, while for the other groups it was only 3-4%. Non-western immigrants are also to a much larger degree than Danes or western immigrants on social pension or participate in a labour market programme activity (job offer scheme etc.).

⁹ Originally, this was a disability and survivor pension, but it can be granted now both on medical and on social criteria.

¹⁰ This may seem inconsistent with the OECD(1999, 2000) figures on the ratio between immigrants' and natives' unemployment rates which for Denmark exceeded 3 in 1997. However, the OECD figures concern the average unemployment rates during the year, while the figures in Table 2 relates to the proportion of the population who received unemployment benefits as their major public income support. Further, since a very large group of unemployed immigrants receive social welfare, the figures in Table 2 cannot be interpreted as a measure of the unemployment rate.

Table 2: Distribution of first generation immigrants and Danish born individuals who have received public income support during the year 1998

	Non-Western Immigrants ----- % -----	Western immigrants	Danish Born
UI-benefits	12.2	9.4	9.8
Sickness and maternity benefits	5.2	7.4	10.2
Social welfare	23.3	3.6	2.6
Active labour market policy etc.	10.7	3.3	3.2
Leave scheme	2.0	2.1	2.2
Social pension and other early retirement	10.8	6.1	8.1
Not on public income support	35.8	68.2	64.1
Total	100.0	100.0	100.0
Average amount of money received in temporary schemes (excl. social pension)	DKK 77,047 EURO10,342	DKK 54,091 EURO 7,261	DKK 48,080 EURO 6,454

Note: If a person has received more than one type of public income support the person is categorized according to the dominant type of support.

Source: Pedersen (2000c).

In order to get a full picture of the dependency of public income support, it is also necessary to know the average duration of a 'dependency spell', i.e. how long are Danes or immigrants on social welfare, UI-benefits etc. during a year or during a longer period? It is not possible to get exact figures for this issue, but the latter part of Table 2 shows the average amount of public income support received in 1998 in the temporary schemes, i.e. excluding permanent social pension. On average, immigrants from non-western countries receive a considerably higher amount of money compared to immigrants from western countries and Danish born persons. These figures clearly indicate that the duration on public income support is longer for non-western immigrants than for the other two groups.

Table 3 gives an indication of the difference in dependency spell durations.¹¹ Data refer to 1997 and the table shows the crude characteristics of the distribution of durations. The durations are censored at the beginning and at the end of the year so the contents of the table is a mixture of censored and completed spell durations. Although the evidence presented in Table 3 is incomplete it is obvious that average duration is significantly longer for the group of non-western immigrants.

¹¹ The term spell is used somewhat loosely as the duration measured in Table 3 can be the composite of more than one spell during the year in question.

Table 3: Duration of time receiving temporary public income support, 1997, percent

Duration	Non-Western immigrants	Western immigrants	Danes
1 – 3 months	24	43	43
4 – 6 months	20	21	16
7 – 9 months	22	16	12
10 – 12 months	33	20	30
Total	100	100	100

Source: Ministry of the Interior, (2000, Table 6.8, p. 91).

As evident from the discussion above, the ambition of getting immigrants to be quickly integrated in the labour market and to become mainly self-supporting has not been fulfilled. Part of the explanation is that the major wave of immigration of refugees occurred in a period of high unemployment, see Husted et al. (2001) who show that the unemployment rate at the year of migration has long run effects on the employment chances of male immigrants. Another important barrier that many immigrants face is the relative shortage of jobs for unskilled workers. Compared to other OECD countries, the Danish wage dispersion has been fairly low during the latest decades, see OECD (1996). The unemployment for low skilled workers, also Danish born unskilled workers, has been considerably higher than for skilled workers since the mid-1970s, see for instance Economic Council (1994). For immigrants who often have very weak language skills, low schooling and educational level from their origin country and who lack cultural and social skills in a new environment, the high minimum wage may work as a very effective barrier against integration. This hypothesis is indirectly confirmed by the fact that the sector which has attracted the majority of immigrants during the latest decade has been private services (see DEC (2001)) which is the sector with the lowest average wage rate, see Economic Council (1994). Beside these barriers, there may also exist discrimination by employers or potential colleagues, see Schultz-Nielsen (2000b) which gives some support to the hypothesis of a discriminatory behaviour of Danish employers. Thus, on the demand side, the lack of job opportunities for Danish immigrants may reflect a mix of lack of necessary qualifications given the Danish wage structure and discriminatory behaviour.

However, another important explanation of the high unemployment rates and the high degree of dependency of public income support may be reactions on the supply side due to the existence of large disincentives to work for many immigrants. Weak or even negative financial incentives for low skilled workers are also a major problem for Danes, see Pedersen and Smith (2001). However, for major groups of immigrants the disincentive effects are even larger. Despite the relatively high effective minimum wages in Denmark, the relatively generous income support schemes for low income groups imply that about 20% of male employed immigrants have potential unemployment benefit compensation rates, which exceed 100%, i.e. they lose financially – at least in the short run – by having a job. For female immigrants, 25% of the employed have compensation rates exceeding 100%, see Schulz-Nielsen (2000a).¹² These negative incentives to work may contribute to explaining the high unemployment rates and the long-run dependency of public income support.

¹² These figures, which include tax payments and potential reductions in means-tested income transfers and fixed costs of work, actually tend to understate the problem since the analysis is based on employed individuals. For unemployed individuals, it should be expected that the incentive problems were even larger. For native born Danes the same figures for males and females are about 6 and 16%, respectively.

Despite these problems, studies on the assimilation of immigrants show that over time immigrants tend to become better integrated in the labour market. In Husted et al. (2001) it is found that over time, there is a clear assimilation process going on. During the first 10 years of residence in Denmark the chance of getting a job is steadily increasing when holding a number of other background characteristics constant. Refugees start at a much lower level than other immigrants with respect to the probability of getting a job, but the speed of the assimilation process is then much faster for refugees than for other immigrants. According to this study, Danish immigrants do not assimilate completely but after 10 years of residence in Denmark the estimated difference between a Dane and an immigrant with the same characteristics, except for immigrant status, is rather small. With respect to earnings capacity, the assimilation process is however much weaker. This result undoubtedly reflects the compressed Danish wage structure which does not give much room for an earnings assimilation process. The integration and assimilation process relates to the increased chances of getting a job, and not as much to earnings increases and earnings mobility over time.

5. Macroeconomic impact of immigration

In principle, the macroeconomic impacts from immigration could be changes in

- the level and structure of wages,
- the functional distribution of income,
- the size of the labour force and of total employment,
- the growth rate of the economy,
- the public sector budget position.

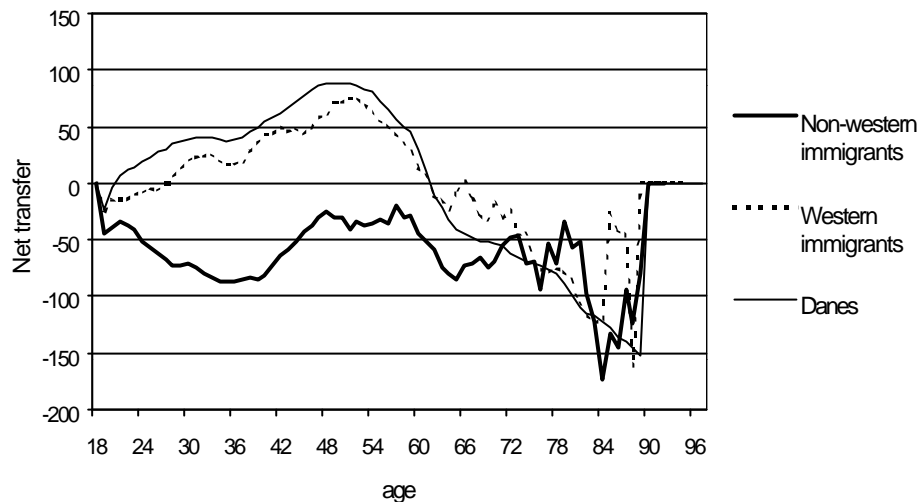
Regarding the impact on wages, the labour market integration of non-western immigrants has – as described above – until now been imperfect. Immigrants' employment has mainly been restricted to the low skilled part of the labour market. The prior expectation from an increase in supply concentrated to the low skilled end of the market is a widening of the wage dispersion. This, however, does not seem to have happened so far in Denmark – which is more or less the other side of the coin of imperfect integration. An obvious important factor in this area is the very high organization of the labour market making a high minimum wage effectively binding.

The Ministry of Economic Affairs (1997) has made a numerical analysis of the economic surplus from non-western immigration and reached a very low estimate using an upper end estimate of the wage reaction to immigration. No attempts have been made to estimate the impact from non-western immigration on the functional distribution of income. All indicators point however to very marginal and uncertain effects in this area.

A major point in the discussion of potential macroeconomic impacts from non-western immigration concerns the effect on the future labour force and aggregate employment. The native labour force will fall within the next decades due to the demographic shift and in principle immigration might be a solution to these ageing population problems. However, without more success with respect to the integration of immigrants, non-western immigration will reinforce instead of reduce the problems related to demography. As described above, neither the participation nor the unemployment rate among the participants has, until now, been a success story regarding non-western immigrants. As a consequence, non-western immigration has so far implied net expenditures for the public sector. The Ministry of Economic Affairs (1997, ch. 6) presents a static analysis of the average net position relative to the public sector for three groups,

i.e. non-western immigrants, other immigrants, and the rest of the population. The calculated average net contribution to the public sector budget in 1995 for an OECD immigrant is DKK –15.000 while it is DKK –82.000 for a non-western immigrant or refugee. Even for the group with more than 10 years of residence the average net contribution was negative with DKK 48.000. With slightly more recent data, Wadensjö (2000) presents age conditioned net contributions from the same three groups, shown below in Figure 8.

Figure 8: Net transfer to public sector, 1997



Source: Wadensjö, E. (2000).

For non-western immigrants, the net contribution is negative throughout, even in the age group 45 –55 years where the net contribution peaks for Danes and western immigrants. Wadensjö presents a number of sensitivity analyses showing that the pervasive results with negative net contributions reflects the low level of employment, i.e. labour market integration is not surprisingly the key factor also relative to the public sector finances.

6. Integration policy and the Danish welfare state: a rational policy?

Despite the large problems of integrating non-western immigrants into the Danish labour market, there has not been much focus on this issue until recently. Until 1999, there were no initiatives towards non-refugee immigrants. In principle, new non-refugee immigrants were supposed to be self-supporting or supported by their family, since this was a condition for getting a permanent residence permit. In practice, as is evident from the above analysis of immigrants' dependency on public income support, this ambition was not fulfilled, either because the rules were not really enforced or because over time it turned out to be very difficult to administer these rules of self-support.

The main principle in Danish social policy is that eligibility for benefits is universal, based on the individual needs with very limited support responsibilities for other family members.¹³

¹³ See for instance Ploug and Kvist (1994) for a survey of cash benefits in Denmark and in 6 other European countries.

Housing benefits and social welfare benefits are not based on individual income but are means-tested against household income. Social welfare benefits are means-tested against the income of both spouses, but only if they are legally married. Most of the income support schemes which were discussed in Section 4 and the old age pension scheme for individuals aged more than 65 are tax financed and universal. This means that all citizens who are residents in Denmark have the right to get the social benefits if they fulfil the specific eligibility criteria. For non-refugee immigrants there exist some limitations on the access to some income support schemes in the sense that the amount that the immigrants can get is proportional to the number of years of residence in Denmark.¹⁴ However, individuals who have not stayed in Denmark the sufficient number of years in order to get the full benefits may get supplementary income from the social welfare scheme, and as a consequence these restrictions are not very effective. Further, it should be noted that eligibility and the maximum duration of these benefits are not based on the previous number of years of employment or previous tax payments. It is only the number of years of residence in Denmark that matters.

For refugees the rules are more favourable in the sense that there are no self-provision conditions for tied movers, and there are no limitations in social pensions related to number of years of residence in Denmark, i.e. refugees have the same rights as Danish citizens to these programmes.

In 1998, the Parliament enacted a new legal base concerning immigrants and refugees. In this new law, labour market integration is the main explicit objective. This is to be realized by a combined effort concerning language courses, education, labour market programmes and by creating a higher priority regarding these programmes in the local communities through a change in administrative responsibility towards the municipalities, away from the state and county administrations. Until 1999, there was an integration programme of on average 18 months which was only available for refugees. According to the new integration law, this programme is extended up to a 3 years programme, which is offered to all refugees and their families. Since 1999, new non-refugee immigrants have also been offered the language course and related introduction courses, but not the labour market training programme since non-refugee immigrants are supposed to be self-supporting.

It remains to be seen if this policy change becomes successful. The background in a cyclical upswing beginning in 1994 creates a better environment than back in the 1987-93 period when fairly great numbers of immigrants and refugees arrived during a deep and long recession. Further, the future integration process may be facilitated because of the demographic changes which within a few years will imply a reduced labour force with large cohorts of old workers entering retirement to be substituted by the small young cohorts which enter the future labour market. On the other hand, the structural problems of the Danish labour market existing both on the supply side and the demand side is a major barrier for the success of the new and more focussed Danish integration policy.

¹⁴ This is the case for social pension, old age pension (available from the age of 65 after year 2000, and before 2000 from the age 67) and for the early retirement schemes Post Employment Wage (efterløn) and Transitional Retirement Benefits (overgangsydelse). The two latter schemes have been changed recently, the scheme Transitional Retirement Benefits is now suspended, and the Post Employment Wage scheme has been partly transformed into a scheme with more individual contributions and less tax financing.

7. Concluding remarks

The challenges to the Danish integration policy discussed in the present chapter may increase in the future. As discussed above, the composition of the Danish immigrant flows has been changing, as it is the case for many other European countries. An increasing number of immigrants come from countries which are very far from Denmark, both geographically and with respect to culture, language etc. The pressure on the Danish and European borders from immigrants, refugees as well as non-refugees seems to increase steadily in these years. This is a well-known challenge for many European welfare states. However, the challenges may be even larger for countries where programmes are built on the social policy principles which are dominating the Danish welfare state: Social benefits and services, which are universal and available for all residents in Denmark, are mainly tax financed and not based on previous individual contributions, and which in most cases are based on the individual principle, with fairly limited obligations falling on other family members.

Presently, Denmark ranks among the OECD countries with the highest tax pressure (Sweden and Denmark have been ranking one and two for many years). The discussion in Section 5 on the net contribution of Danish immigrants to the financing of the public sector clearly indicates that unless the future integration policy comes out with much more success than in the past, immigration will not be a solution, but a burden on top of the ageing population problems. The high Danish tax pressure, combined with the compressed wage structure and the fairly generous and universal social benefit schemes may induce severe selectivity problems for the Danish economy with respect to the composition of future migration flows, as discussed by Borjas (1999) for the US economy. According to the Borjas model, Denmark tends – given these structural characteristics – to attract less qualified immigrants from the poor countries while the more qualified immigrants (and Danes) may prefer other countries with a lower tax pressure and less generous social welfare schemes. However, these problems can hardly be handled by migration policy initiatives. Instead, a solution to, or reduction of, these problems is a major challenge to the main structure of the Danish welfare state. The logical dilemma in the situation ahead can be phrased as a paradox, i.e. the challenge is to avoid a situation where the only remedy to save the welfare state is to dismantle it. To be more specific, it seems necessary to analyse which of the welfare state elements should be considered expendable and which should not, in order to get more success with the integration policy, and thereby create the long run foundation for saving the central elements of the welfare state.

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Sweden's Recent Experience of International Migration –

Issues and Studies

Björn Gustafsson

1. Introduction

This paper is an outcome of research financially supported by the Swedish Council of Social Research (SFR, nowadays FAS). I wish to thank Jinghai Zheng for preparing the tables and figures in Section 4. When preparing the paper I benefited from Bengtsson and Lundh (1998).

International immigration and its consequences were important social issues when Sweden entered the 1900s. As in several other European countries, population pressure in a predominantly agrarian economy led to many natives emigrating, primarily to the United States. The emigration streams dried up during the period between the two World Wars and later reversed themselves as many foreigners moved to Sweden. When Sweden entered the new millennium the foreign-born population numbered slightly more than one million persons. This corresponds to 11 percent of the total population, higher than that observed in many other industrialised countries.

Most immigrants to Sweden who arrived during the 50s and the 60s entered as work migrants or as their relatives. Most often they had not travelled very far. However, since the mid-70s refugees and their relatives came to make up a larger proportion of the new arrivals, many originating from countries outside Europe. During this period when country of origin changed, the labour market situation of foreign-born people deteriorated. This development continued when at the beginning of the 90s the Swedish economy went into its deepest recession for many decades. Since some time joblessness among many groups of immigrants has been extensive and the social situation of immigrants has become a critical issue in Sweden.

In this paper we will describe the flows of immigrants to Sweden and the composition of the immigrant population at the end of the 90s. We will also describe the changed labour market situation of various groups as well as research on the issues. The emphasis will be on the recent experience and on economic research. Such research has come to concentrate on questions of the labour market situation among immigrants and the literature has grown rapidly.

2. Immigration and immigration policy

At the beginning of the century and up to World War II, very few immigrants lived in Sweden but since then many waves of immigrants have reached the country. While the proportion of foreign-born in the population amounted to 1.8 percent in 1950, ten years later it had grown to 4.0 percent and the foreign-born numbered 300 000 persons. There was also a rapid expansion during the 60s and the foreign-born population numbered slightly more than half a million in 1970. The expansion continued to mean that the fraction of the population in Sweden being foreign-born increased from 6.7 in 1970 to 7.5 percent in 1980, then further to 9.2 percent in 1990 and finally reached 11.0 percent in 1998. The proportion of foreign-born residents in Sweden is considerably higher than in the other Nordic countries.

The main goal of Swedish policy is integration on equal terms. Once a foreigner has entered Sweden, he or she has basically the same rights and freedom as natives, except for the right to vote in parliamentary elections. After a few years of residency in Sweden a foreigner can apply for naturalisation. Many have done so, and roughly half of the foreign-born population have become Swedish citizens.

As many foreign-born have become parents, there is also a large second generation of immigrants. At the end of the 90s most second-generation immigrants were still children or young adults. If second generation is defined as persons born in Sweden having at least one foreign-born parent, this group had grown to be almost as large as the first generation.¹

As a consequence of the large recent immigration flows of young adults, the foreign-born population of Sweden is considerably younger than the population of native-born. Although foreign-born people reside in all parts of Sweden, the foreign-born population is more concentrated in the largest cities than natives.

Turning to country of origin among immigrants to Sweden, it should be noted that many early arrivals came from other Nordic countries. Much of the intra-Nordic migration is temporary and job-motivated. While a residence permit is required for aliens to settle in Sweden, this does not apply for citizens of the other Nordic countries (Denmark, Finland, Iceland and Norway). Since 1954 citizens of those countries can settle and work anywhere in the Nordic Common Labour Market.²

Earlier work-immigrants to Sweden came from a wide-ranging number of countries. For example there was active recruitment of workers from countries in the south of Europe. During most of the 50s, the entire 60s and the beginning of the 70s it was relatively easy for a non-Nordic citizen to receive a permit to stay in Sweden for labour market reasons. However, the first oil crisis was followed by changes in the immigration legislation meaning that from the beginning of the 70s to the mid-90s very few non-Nordic immigrants to Sweden have entered the country with work immigrant status.³

However, Sweden joined the European Union in the beginning of the 90s and the EES-agreement which came into effect in January 1994 meant increased possibilities for citizens in other EU-countries to enter Sweden. Up to now not many persons have done so but the potential is great as a future enlargement of the EU will most probably lead to more immigrants arriving on a temporary or permanent basis. This is because the gap in wages between being employed in (for example) Poland respectively Sweden is not very different to the gap in wages between Mexico and the United States which has led to a large flow of migrants entering the US.

Several waves of refugees have entered Sweden. The most intensive period was from the mid-80s to the mid-90s when a large number of persons sought asylum in Sweden and

¹ Unpublished tables from Statistics Sweden show that in 1996 there were 822 762 persons belonging to the second generation as defined above while there were 954 235 foreign-born persons (the first generation). Eighty-nine percent of the second-generation immigrants were Swedish citizens.

² For this arrangements and its consequences see Fischer and Straubhaar (1996).

³ Out of 641 359 residence permits issued (to non-Nordic citizens) during the period 1980 to 1999, only 7 300 (corresponding to 1 percent) were given for labour market reasons. This is less than was given for the status of guest students (23 022) and even for adoption (15 529).

subsequently many asylum-seekers and their relatives received the right to enter.⁴ During those years Sweden ranked very high in comparison with other Western European and North American countries regarding the number of asylum-seekers measured in relation to the total population.

Introducing refugees into Swedish society has turned into a task for the public sector. On arrival, an asylum-seeker and his or her family are typically placed at a centre run by a public authority. If a residence permit is granted the foreigner has access to various training programmes including courses in the Swedish language. After a period of months or sometimes years the family moves to another location where the local government has the responsibility of providing housing and training for the foreigner.

Table 1: The number of foreign-born from the larger sender countries as of December 31, 1999 and distribution according to year of immigration

Country	Number of persons	Year of immigration. Percentage distribution ¹		
		- 1969	1970-1989	1990- 1999
Finland	196 998	56.9	38.2	4.9
Yugoslavia	70 428	20.0	27.3	52.7
Bosnia-Herzegovina	50 722	0.3	0.7	99.0
Iran	50 525	0.3	62.3	37.4
Iraq	43 106	0.1	16.2	83.7
Norway	41 819	40.1	45.0	14.9
Poland	39 926	9.7	54.7	35.6
Denmark	37 938	43.3	45.8	10.9
Germany	37 392	59.8	20.4	19.8
Turkey	31 409	4.5	64.3	31.2
Chile	26 611	2.6	79.6	17.8
Lebanon	20 008	0.8	53.0	46.2
Hungary	14 256	43.2	43.4	13.4
U S A	14 096	14.5	34.9	50.6
Great Britain	13 971	12.2	45.3	42.5
Syria	13 624	0.3	45.6	54.1
Somalia	12 692	0.0	5.2	94.8
Ethiopia	12 135	1.2	51.7	47.1
Rumania	11 592	4.2	52.7	43.1
Greece	10 936	27.7	54.0	18.3
India	10 842	3.3	70.7	26.0
Vietnam	10 520	0.0	48.2	51.8

⁴ According to statistics from the Swedish migration board 222 762 persons received permission during the period 1980 - 1994 to enter Sweden as Convention refugees, war refugees, de facto refugees, in need of protection and refugees on humanitarian grounds. This means an average of 15 000 persons each year. In addition about the same number (247 699 or on average 17 000 persons each year) received permits as relatives. The number of permits issued under the various status of refugees for the period 1995 to 1999 was 33 840 persons, which means slightly less than 7 000 persons per year. While the number of permits for refugees thus decreased during the second part of the 90s, this does not apply to the number of permits issued to relatives as for the period 1995 to 1999, 100 787 permits were granted, which means about 20 000 permits a year.

Estonia	10 358	58.2	7.2	34.6
All other Countries	185 756			
Total	981 633	23.0	38.7	38.3
Source: Statistics Sweden (2000) Befolkningsstatistik 1999, Del 3.				

¹Among immigrants with years of immigration known. This information refers to latest year of immigration.

Table 1 lists countries from which there were at least 10 000 immigrants in Sweden as of December 1999. Those 23 countries of origin make up more than 80 percent of the foreign-born persons living in Sweden. The table also shows how the different groups are distributed by year of immigration.

One finds that a large spatial variation is visible in the distribution of country of origin as there are countries located on all the larger continents. Starting with Asia one finds Iran, Iraq, Turkey and Syria all located in the Middle East as well as India and Vietnam. Africa is represented by Somalia and Ethiopia. Chile and the U.S.A. are the larger countries of origin located on the American continents. With the exception of people belonging to the last group mentioned, most such immigrants are visibly different from the native population. Few persons belonging to such groups have resided in Sweden for at least three decades.

The remaining 12 large sender countries are all located on the European continent. From the Balkans there are people originating from the territory which once was named or still is the Yugoslav republic, from the new state of Bosnia-Herzegovina, from Romania as well as from Greece. Poland and Hungary represent Eastern and Central Europe, the Baltic countries are represented by Estonia. The other three large Nordic countries together with Germany and Great Britain represent Western Europe.

Many people who immigrated from European countries are not visibly different from the native population. Some European immigrants have lived in Sweden for many years. As can be seen in Table 1, the majority of people originating from Finland, Germany and Estonia have been living in Sweden for more than three decades.

3. Studies on international mobility

We now turn to research on what determines international mobility of people to and from Sweden. This question can be addressed on different levels. On the macro level there is the issue of what determines the size of a migration flow during a particular year. Aggregated time series information was used to investigate if the labour market situation in Sweden (and in some cases also in the country of origin) affected the magnitude of migration flows.⁵ These studies all span periods when labour migration was important, thus it is hardly surprising that they often show that the labour market situation in Sweden affects the number of immigrants received during a particular year. When the unemployment rate in Sweden was low many immigrants came, fewer arrived when the unemployment rate was high.

5 Examples of time series studies are Ohlsson (1975) who studied immigration to the city of Malmö for the period 1947 - 1967, Wadensjö (1972) who investigated immigration from some countries and areas with a focus on the period 1956 - 1967, Nyberg (1980) who analysed immigration to Sweden from Finland 1962 - 1976, Ekberg (1985) who studied the total immigration to Stockholm for the years 1963 to 1982 and Pedersen (1996) who studied net migration between the four large Nordic countries during the 70s and 80s.

Given that migration between the Nordic countries is unregulated and has been of considerable magnitude it is natural that these flows have attracted research efforts.⁶ Results from those studies indicate that the Nordic countries function as an integrated labour market. The size of migration flows into a country increase with average income and decrease with the level of unemployment in the destination. People with a long education have a larger propensity to migrate than those with a short education.

Less has been written on what determines the size of the migration flows to Sweden from countries other than the Nordic countries. Obviously the process affecting such flows should be more complicated to model than inter-Nordic migration as more actors than the potential migrants are involved in the decisions which affect the flows. One additional factor is that people can enter as relatives to those who have earlier been granted a permit. From this it follows that there is a tendency for a migration stream from a particular country to continue once it has started. Political decision-making affects migration flows by formulating criteria in the law which stipulate on what grounds a person can be admitted.⁷

Far from all persons who immigrate to a host country remain at the destination for the rest of their lives. Available data show that return migration from Sweden has been substantial. Data also show that some of the return migrants actually enter Sweden for a second time, meaning that repeated immigration exists. If return migration is selective it can have consequences when analysing the situation of immigrants in the host country. This is the case if the people who are observed as immigrants belong to a selected group of those who originally immigrated. There is a risk that making inferences from people who remain at the place of destination leads to misleading conclusions on how immigrants on average are performing in the labour market of the host country. For example, if most of the unsuccessful immigrants have left the host country the analyst will observe mainly the successful.⁸

4. A description of the changing labour market performance among immigrants to Sweden during the period 1978 - 97

In this section we provide some basic facts on the changed labour market situation of immigrants to Sweden. It will serve as a background for the survey of research presented in the next section. Using the Swedish Income Panel (SWIP) average earnings are reported for foreign-born men and women in work active ages using average earnings of native-born as

⁶ For example Lundborg (1991) who used a combined cross-section and time series data for the years 1965 to 1985 and Schröder (1996) and Roed (1996) who worked with microdata for Denmark, Norway and Sweden.

⁷ However, there have been other channels of political influence. During periods when many refugees were waiting for decisions on their applications, the Swedish government admitted all applicants who had waited a certain period of time. This was done in order to shorten waiting times for future applicants. It should also be mentioned that the law is implemented by bureaucrats and their decisions can be appealed. Furthermore, the government's decisions are taken in an environment where migration streams are affected by migration policies implemented by governments in other countries.

⁸ An early study of return migration from Sweden is Kirwan & Harrigan (1986) who analysed return migration to Finland based on tables published by Statistics Sweden. Klinthäll (1999) investigated male return migration to Germany, Greece, Italy and the United States for the period 1968 to 1993 using micro data. Out of all immigrants of economically active ages, not less than fifty percent returned within ten years. All streams display selective return migration, but the pattern differs across the countries. Another recent study is Edin et al. (2000c) who analysed a broader number of countries of origin and concluded that those who leave are the least economically successful.

reference. Earnings data comes from tax files and is defined as the sum of wages, salaries and self-employment income. This data makes it possible to describe the situation during not less than the twenty years from 1978 to 1997.

Many factors affect the size of a person's earnings during a particular year. First there is the issue of one being employed or not. In the case of the latter, one is either unemployed or not in the labour force which means the person is not searching for a job. People in work active ages who are outside the labour force can be maintained because they live in households with other members earning an income, or they can receive early retirement payment. Unemployed persons can live on unemployment compensation or on social assistance. Among employed persons annual earnings differ as employment can be more or less stable during a year, as well as the number of hours the person works each day can vary. Further, the hourly wage varies due to a number of factors such as occupation, education and age as well as location.

It is of course difficult to know the role of each of the above factors for differences across immigrants and foreigners in observed annual earnings. Differences can be caused by supply factors as well as demand factors. However, as the distribution of hourly wages is more narrow in Sweden than in many other countries, it follows that differences in employment and hours of work should be of central importance. If a considerable percentage of the persons in a specific category are not employed during a year, this has to show up in low average annual earnings computed for the category.

Figure 1: Average earnings 1978-1997 for native and foreign-born males and females aged 16-64

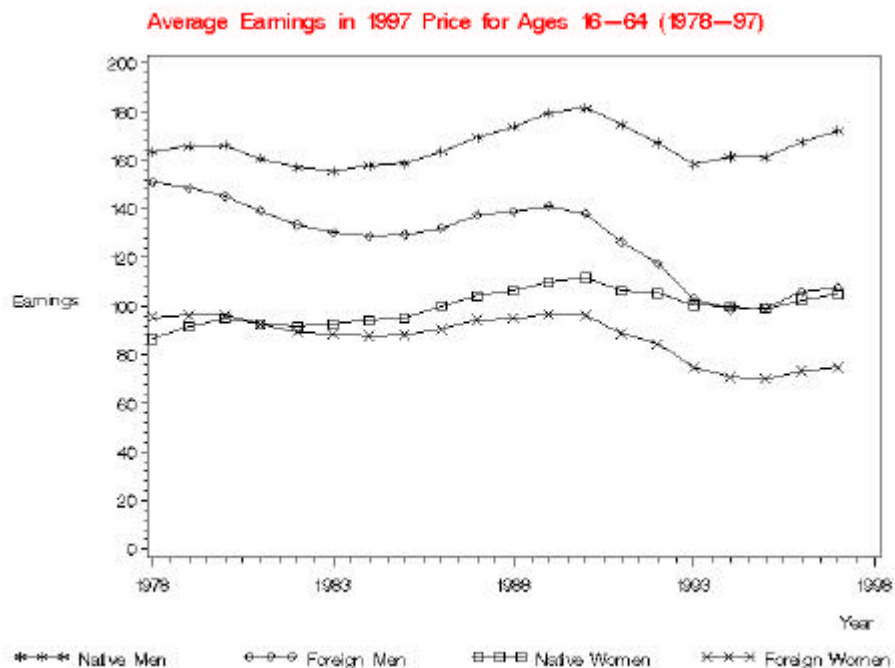
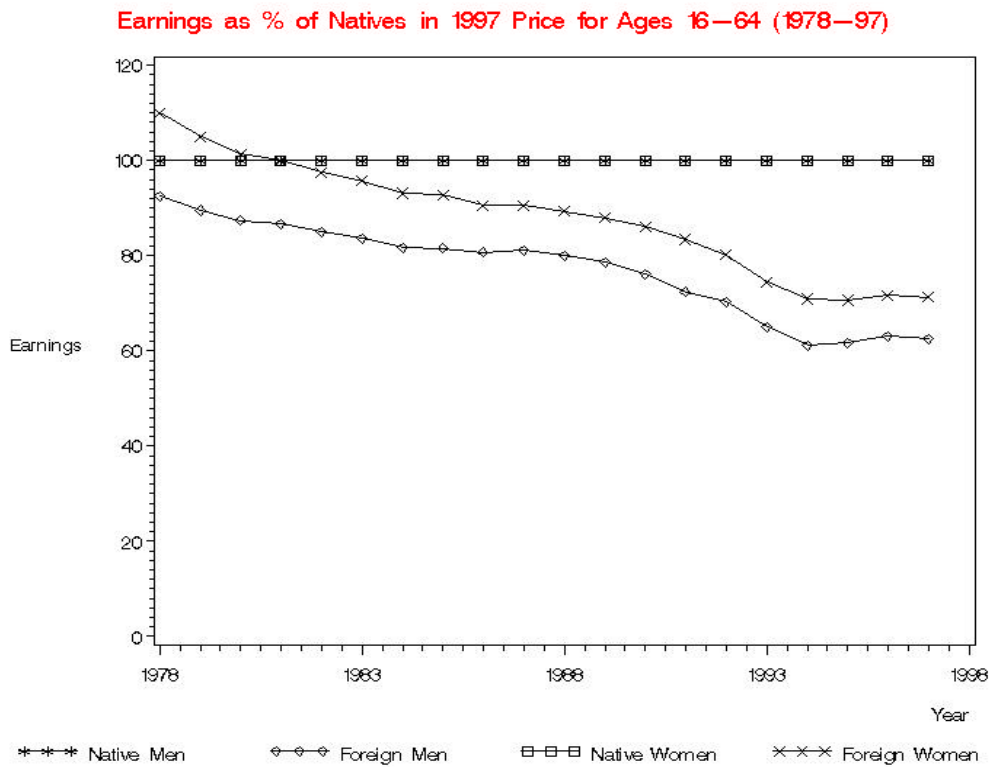


Figure 1 shows annual earnings in constant prices for the four categories foreign-born males, foreign-born females, native males and native females all being 16 - 64 years of age. First we look at earnings of the native men which is found to follow the business cycle. We can observe a fall in real earnings from 1978 to 1983 of about 5 percent, which was followed by eight years of increases. However, from 1990 to 1993 male average earnings fell by as much as 13 percent which is much more rapid than during the downturn in the beginning of the

period. After 1993 there is a new recovery and average earnings of native males are 9 percent higher in 1997 than in 1993. This means that at the end of the period average earnings of males are back at about the same level as in the beginning of the period under study.

Figure 2: Average earnings of foreign-born males and females as proportion of native counterparts



Turning to earnings of foreign-born males we find that at the beginning of the period they are 7 percent lower than for native men. As shown in Figure 2, this relation deteriorated almost continuously until it reached the bottom 1994 where it then stabilised at a level almost 40 percent lower than for natives. In 1998 earnings of foreign-born men were 29 percent less than at the beginning of the period.

Turning to earnings of female natives, not surprisingly they are much lower than for native males, which is due to lower participation rates as well as fewer average hours of work. In 1978 average female earnings made up not more than 53 percent of average male earnings. However, female participation rates increased until the beginning of the 90s and as a consequence, earnings of female natives increased to 61 percent of average earnings of male natives at the end of the period under study. This means that female earnings grew by 21 percent over the period, although for this series the business cycle is still clearly visible.

At the beginning of the period foreign-born women earned 10 percent more than native women. However, as for foreign-born males, their earnings deteriorated in relation to earnings of natives for a long period up to 1995 when they became about 30 percent lower than for natives. The development has led to real average earnings of immigrant women being 22 percent lower at the end of the period compared to the beginning.

The information in Figures 1 and 2 thus clearly shows that earnings of foreign-born deteriorated in relation to that of natives of the same gender up until the mid-90s. There is no sign that the recent recovery of the economy improved the situation of foreign-born in relation to natives, but also no sign of a continued deterioration. We continue the analysis by breaking down the information by largest countries of origin and concentrate on people 30 - 55 years of age. This means we are looking at the core group of the labour force; very few are still in education waiting to enter the labour force, and few have exited the labour force voluntarily.

Table 2: Relative earnings of foreign-born aged 30 - 55 in 1978, 1987 and 1997 for selected countries of origin

Males

Country of origin	Number of persons			Average earnings in relation to earnings of native-born males aged 30 - 55.		
	1978	1987	1997	1978	1987	1997
Germany	10 600	10 420	9 250	1.06	1.02	0.89
Norway	7 530	7 370	6 400	0.98	0.93	0.77
Denmark	12 320	11 060	9 590	0.92	0.88	0.74
Hungary	5 060	5 230	4 840	0.88	0.85	0.72
Poland	3 700	5 670	5 300	0.72	0.72	0.72
Finland	72 620	62 820	53 160	0.85	0.80	0.70
Yugoslavia	15 510	14 750	13 390	0.86	0.69	0.49
Iran	1 280	3 990	5 370	0.34	0.29	0.43
Greece	7 120	5 770	4 430	0.73	0.55	0.37
Turkey	3 410	4 240	4 240	0.71	0.51	0.33
Bosnia – Herzegovina	-	-	6 000	-	-	0.13

Females

Country of origin	Number of persons			Average earnings in relation to earnings of native-born females aged 30 - 55.		
	1978	1987	1997	1978	1987	1997
Finland	81 710	75 890	70 368	1.07	0.97	0.84
Poland	6 720	10 650	11 120	0.92	0.84	0.84
Norway	10 020	10 380	9 570	0.88	0.87	0.81
Hungary	2 890	3 480	3 380	1.11	0.98	0.79
Denmark	9 350	8 860	8 130	0.89	0.92	0.77
Germany	10 230	10 480	9 830	1.02	0.95	0.72
Chile	1 380	3 040	3 690	0.65	0.68	0.68
Yugoslavia	12 810	12 430	12 170	1.26	0.85	0.48
Iran	330	2 270	3 730	-	0.23	0.43
Turkey	2 210	3 040	3 260	0.81	0.44	0.26
Bosnia- Herzegovina	-	-	6 430	-	-	0.03

Source: The Swedish Income Panel.

Table 2 shows earnings of foreign-born males respectively females of various origins as fractions of the corresponding earnings for natives. The table lists the 11 countries of origin from which most males respectively females came in 1997. Information is provided for the years 1978, 1987 and 1997 and several comments can be made. Looking at the situation in 1997 it can be noted that there is not one single example of foreign-born people on average earning more or as much as natives of the same gender. Thus for all groups there is an earnings gap to natives which was not the case earlier. However, this earnings gap differs greatly across origins. Actually, for several groups of foreign origin the earnings gap to natives is smaller than the gap to some other groups of foreign origin. The table also shows that the decrease in relative earnings took place in most, but not all groups of origin.

5. Studying differences between natives and immigrants in the labour market

Many authors have analysed the reasons why earnings, or other measures of labour market success, differ between immigrants and natives by relating an outcome variable to various personal characteristics. Generally those studies have concentrated on the first generation of immigrants and have contrasted foreign-born and natives. Some have used large data sets covering persons from many countries. Such analyses make it possible to investigate if observed differences are due to characteristics such as age and education. These kinds of studies can also show the role of years since immigration and country of origin.⁹

Let us look somewhat more closely on some studies. Repeated cross-section studies are found in Scott (1999) and Bevelander (1999, 2000), the former focusing on earnings, the latter on employment. Both authors analysed data from the 1970 and 1990 censuses for natives and immigrants from 16 selected countries of origin. Often their results show effects of country of origin in models also containing variables measuring age, education and location. Comparing results for 1970 and 1990, substantial differences are reported, which show foreign origin much more negatively affected by the economic situation at the later point of study. The new analysis of Bevelander and Skyt Nielsen (2001) focusing on Nordic and Yugoslav immigrant males found that the major part of the decrease in employment probabilities of immigrants relative to natives over time is explained by changed coefficients, rather than observed characteristics.

Analysing data from 1978 to 1980, Grossman (1984) notes that immigrant women at that time were working longer hours than natives. Turning to occupation, foreign-born women were primarily in manufacturing and service, and under-represented in professional, administrative and clerical occupations. The author estimated multinomial logit models using explanatory variables such as the education of the person, education of her mother, and self-reported language abilities. The analysis shows that measured characteristics account for very little of the difference in occupational distribution between natives and immigrants. The results of this study thus indicate that although immigrant women at the end of the 70s were not at an earnings disadvantage, their characteristics were less rewarded than the characteristics of natives.

⁹ One recent example is Hammarstedt (1998) who used data for 1990. His results showed earnings to be positively relative to years since immigration in most analyses and that people who had resided less than two decades had lower earnings than their native counterparts.

One possible reason why immigrants earn less than natives is that their education is less useful than education obtained in the host country. This seems to be not the only reason, however, as shown in Wadensjö (1992), a study that analysed cross-section data on earnings in 1989 for people with a degree from a Swedish university. The results showed that with few exceptions foreign origin led to lower earnings.

One important factor in the description of immigrants in the Swedish labour market is a higher unemployment rate.¹⁰ One important reason is obviously that immigrants are more likely to become unemployed than natives. In addition spells of unemployment are longer.¹¹ However, available evidence suggests that if persons are employed and working full-time, earnings of immigrants are similar to earnings of natives.¹²

From the research on differences between natives and immigrants in the Swedish labour market one can conclude that differences in personal characteristics are not sufficient to explain why immigrants were doing substantially more poorly than natives during the 90s. Difficulties in finding employment is clearly a big part of the explanation: discrimination in procuring an employment seems to be a more severe problem than the determination of earnings for those who are employed.¹³

This description puts the hiring behaviour of firms and the public sector in focus. A natural question is why did Swedish firms not employ immigrants during the 80s and 90s as opposed to the 50s and 60s? Efforts to answer this are found in several recent publications (Bevelander, Carlsson and Rojas, 1997, Broomé et al. 1996, Broomé and Bäcklund 1998). A central ingredient seems to be organisational change, broadly defined. Let us summarise the suggested scenario.

Taking a longer perspective one can remember that during the end of the 1800s and the early decades of the 1900s, economic growth was fuelled by people moving from the agricultural sector to the industrial sector where many tasks became standardised. Language skills and social competence were not essential in jobs such as those done on an assembly line

¹⁰ Take the second half of 1997 as an example (Arbetsmarknadsverket 1998). Then 6.4 percent of all natives were unemployed, which can be compared to 13.4 percent of naturalised persons and as much as 24.7 percent of foreign citizens, the latter group containing many newly-arrived immigrants.

¹¹ Factors affecting the duration of unemployment spells among natives and foreigners have been analysed by Hansen (2000) who estimated hazard models from event data gathered for the period 1991 to 1996. The results showed that a substantial fraction of the observed difference in unemployment spell length between natives and immigrants can be attributed to differences in observed characteristics, especially accumulated human capital and labour market attachment. This points in the direction of foreign background being of lesser importance regarding attitudes to work, search behaviour and search activities. Such an interpretation is supported by results from a survey asking questions to immigrants and natives about such phenomena (Arai et al. 1999).

¹² For example, data from the Household Income Survey at Statistics Sweden pooled for 1993 and 1994 shows almost identical mean values for foreign-born and natives (Gustafsson, 1997). An analysis of hourly wages by estimating wage functions using data for 1968, 1974 and 1981 was done by Bantekas (1992). The estimated wage differential due to status as foreign-born was generally quite small in magnitude, but nevertheless often statistically significantly different from zero. The conclusions of Le Grand and Szulkin (1999) based on data from the 90s were similar.

¹³ Interestingly enough, this picture is consistent with self-reported discrimination experiences of immigrants. For example, in a sample of adult immigrants who arrived during the 80s and were interviewed in 1996, the majority of persons from Iran indicated that they had been treated less favourably than natives by potential employers when seeking a job. However, when asked how they were treated on the job by employers and co-workers, the majority indicated that they were treated equally (Socialstyrelsen 1998).

producing cars. For some time however, the service economy has increased while the industrial sector has decreased. Jobs have become less specialised and workers need to have many skills. He or she needs to be able to use computers, to master the Swedish language (as well as the English language to some extent), and must have the social competence valued in the host country. As one may suppose that foreign workers do not possess these qualities to the same extent as natives they come last in the job queue. This is the story often found in the mass media where an immigrant testifies that he or she has not been called to personal interviews even when submitting a large number of applications to potential employers.

This line of reasoning suggests that one should expect discrimination in hiring decisions to be linked to characteristics which can function as markers of language abilities and social competence in the host country. Visible traits such as colour of skin and name are alternative characteristics.

However, changes in demand for labour in Sweden might be only one factor in the explanation of why immigrants perform more poorly in the 90s. There is also the factor of the interplay between remuneration in the Swedish labour market with relatively generous transfer programmes. The distribution of income in Sweden is (or at least has been) fairly equal. There are also relatively generous transfer programmes for recent immigrants. These characteristics are to a large extent the outcome of trade union action and seen by many in the electorate as positive. As a consequence there are few low-paid jobs. Few low-skilled jobs are thought to promote investments in productive and human capital and thus foster economic growth.

However, as a side-effect new immigrants to Sweden are often unemployed and many are enrolled in publicly financed integration projects. In a country with larger inequality in earnings, the immigrant's counterpart would instead find a low-paid job and then as time elapsed, hopefully move up the job ladder. If this description is correct, difficulties for recent refugees in finding jobs in the Swedish labour market is an unintended outcome. To alleviate it, Swedish society has to give up ambitions of equality in earnings or put massive resources into, for example, integration programmes.

There is also the issue of admission policy. The Swedish policy during the 80s and 90s was not economically motivated. On this point it is interesting to compare countries which have pursued different admission policies. Take Sweden and Switzerland as examples. The latter is characterised by a labour market dominated by a "guest worker" migration policy. It means that employment is fundamental to acquisition of residential status and to secure admission. Migration to Switzerland is only possible when a foreigner secures a particular job in a given firm, in a specific sector of activity and in an exactly defined area. Thus one would expect migrant performance in Sweden and Switzerland to be rather different. This is also what Blos et al. (1997) report when examining employment rates for persons in work active ages as observed in 1991. Newly-arrived immigrants to Switzerland had employment rates rather similar to the native population, while in Sweden they were lower, which is in line with the situation described above.

6. Assimilation of work migrants and refugees into the labour market

We now turn to studies which have focused on the issue of how earnings of immigrants develop in the host country as time of residence increases. For obvious reasons, earnings of immigrants are low when the immigrants arrive, however often earnings increase with time in

the new country for several reasons. A longer period in the new country means the chances of finding a job which matches the capabilities of the worker increase. The ability to master the language at the destination often increases with time in the new country as well as the mastery of other skills which are specific to the country of destination.

This issue of earnings assimilation of immigrants into the labour market of the host country has been addressed many times in the international literature. An early, often quoted study is Chiswick (1978) on male immigrants to the United States. The results indicate a rapid process of assimilation. This study was based on cross-section data and came to be questioned by Borjas (1987). Results from work of the latter based on synthetic cohorts for the United States indicate a considerably smaller pace of assimilation.

Panel data has great potential to produce credible results on how immigrants assimilate into the labour market of the host country. While it is difficult to design and collect income panels for immigrants in most countries, Sweden is an exception due to the existence of tax-records. Several authors have used this possibility and we will survey their work.

Ekberg (see for example Ekberg 1990, 1991 and 1994) was able to identify immigrants living in Sweden in 1970 and follow them in subsequent censuses together with native twins who were identified by certain variables. The results showed relatively small differentials in social mobility between immigrants and natives. However, a disproportionately high proportion of the immigrants had left the labour force. Differences between countries of origin were reported. Immigrants from Yugoslavia and to some extent from Finland were found to have had less success compared to natives.

Aguilar and Gustafsson (1991) studied the assimilation of persons who immigrated in 1969, respectively 1974. The results showed differences in the assimilation process across the two cohorts. Only the first reached parity with their reference persons. The results also showed that after some years, earnings of immigrants deteriorated by age more rapidly than for natives. A possible reason for this is that hours of work decreased more rapidly among immigrants than among natives.

The recent studies of Scott (1999) and Bevelander (2000) have concentrated on the very first stage of the assimilation process. These authors analysed large panels for the years 1970 to the first part of the 1990s using event history methods. The results showed country of origin having effect as well when variables measuring education, civil status and location were included in the estimated model.

Given the large number of refugees and their relatives who arrived in Sweden during the 80s and 90s it is natural that several studies have focused on such persons. For example, relatively large samples of persons aged 20 - 44 who immigrated during the 80s and originated from Chile, Iran, Poland and Turkey were surveyed in 1996 (Socialstyrelsen 1999, 2000). Several results show refugees to be disadvantaged compared to natives having the same age.¹⁴

Rooth (1999) followed up the partially overlapping category "all refugees and relatives of working age" who received a permanent visa during the years 1987 to 1991 using information

¹⁴ For example, while 12 percent of male natives were classified as income poor, the corresponding proportion was 22 percent among men originating from Poland, 46 percent among men from Turkey and as much as 63 percent among men from Iran. Figures for females were similar. An analysis of the risk of being poor in 1996 indicates that in addition to factors such as education and family-type, work histories since the time of immigration had strong predicative value (Socialstyrelsen 1999, p 144 - 148).

from various registers up to December 1995. Investment in Swedish formal primary and secondary education was found to be substantial. The determinants of Swedish formal education are investigated using different count data model specifications. Results show education investments to be negatively affected by age and positively by level of foreign education. However, it seems that educational investments in the country of origin as well as in Sweden did not result in better labour market positions in 1995. This study also shows the importance of how the time since migration was allocated between not being employed respectively employed on the labour market situation in 1995.

Results of these new studies suggest that characteristics in the local labour market are important for how well refugees assimilate in the host country. The single largest flow of refugees to reach Sweden during later decades, refugees and relatives from Bosnia-Herzegovina who arrived during 1993 and 1994 were followed up by Ekberg & Ohlson (2000). It was found that the labour market situation of this group differed depending on where in Sweden the persons resided.¹⁵ Edin et al. (2000a) argue that the settlement policy implemented in 1985 and in force for about a decade can be regarded as a natural experiment possible to evaluate. People identified as refugees arriving 1981 to 1983, who could more freely settle in municipalities where jobs were more plentiful, were identified as controls. The results suggest that eight years after arrival, earnings were 25 percent lower because of the new policy and idleness had increased by about six percent. The same authors in the companion paper Edin et al. (2000b) provide estimates of the causal effect of living in an enclave on economic outcomes for immigrants. The results show that an increase in ethnic concentration gives rise to an improvement in labour market outcome.

Taken together, the results of how recent refugees have fared in the Swedish labour market raise serious doubts about the effectiveness of the policy pursued. There seems to be no basis for deeming the educational programmes nor the settlement policy a success. Social engineering seems to have serious limits when it comes to integrating refugees into the Swedish labour market.

7. The new generation

How is the second generation of immigrants faring in the Swedish labour market? With a growing population of first-generation immigrants the question is becoming more and more relevant. Available studies are recent. When interpreting them it should be remembered that most second-generation persons who reached working age during the 90s have parents who originated from Nordic and other European countries. Results for these second-generation immigrants will not necessarily be the model for descendants of immigrants from, for example, the Middle East who arrived during the 80s and 90s when they enter the Swedish labour market.

Ekberg (1997) is probably the first study of the labour market outcome for second-generation immigrants to Sweden. His study used the Labour Force Survey 1994 and found that second-generation immigrants born before 1970 were well-integrated into the Swedish labour market. However, for younger second-generation immigrants the situation was more complex.

¹⁵ There were municipalities in which as few as 10 percent of male immigrants aged 20 - 59 were working in 1997, and the employment rate in Sweden's three largest cities was not much higher. However, there were also examples of municipalities where the rate was about 80 percent.

Vilhelmsson (2000) based his analysis on the Swedish School-leaver Survey of young individuals who graduated from compulsory school in 1988 and were followed up to 1995 when most were 23 years of age. This means that the study covers persons born later than those studied by Ekberg (1997). Young people with foreign backgrounds were found to have lower employment rates and higher unemployment rates than young individuals with an entirely Swedish background.¹⁶

While most studies of immigrants have centred on those who move as adults or their children, Österberg (2000) analysed the labour market situation for persons over age 25 who immigrated as children or as youths. Her design included natives and the second generation of immigrants as reference-groups and used data in which parental characteristics such as earnings recorded during a previous period and education were recorded. While the second generation of immigrants earned less (averaged for the years 1993 to 1997) than those entirely without a foreign background this difference was smaller than the difference in earnings to young immigrants. Analysing education levels by estimating ordered probit models showed that the low educational levels of adult children were mainly due to a low socio-economic position of the parents. On the other hand strong negative externalities of foreign background were found in the earnings determination.¹⁷

Though admittedly not large, the new research on the second generation of immigrants to Sweden suggests mechanisms which prevent the first generation of immigrants to Sweden from being employed are also at play for the second generation who have grown up during latter years. Foreign background seems often to be a hindrance when finding employment as an adult. On the other hand, foreign background, net of social background seems not a forceful obstacle for educational success.

8. Use of welfare state transfers and the contribution to the public sector

Since many immigrants to Sweden in the 90s have little or no earnings, they depend on transfers from the public sector. Many transfer systems exist, but here we will concentrate on social assistance and early retirement which have been subject to study. It is the task of future research to study for example unemployment compensation among immigrants. We will also survey studies that have investigated how immigrants affect the public sector budget.

Social assistance is a means-tested transfer programme and all people who reside in Sweden are eligible if they cannot make ends meet in any other way. This means that as soon as a foreigner has received the right to reside in Sweden he or she can apply. Expenditures for this system expanded rapidly from 1983 to 1995 and so did the number of recipients. While few foreigners received social assistance at the end of the 60s, since then the number has increased rapidly. Furthermore, since the end of the 60s foreign households have been over-represented among households receiving social assistance. For example in 1978 households with a foreign

¹⁶ For example, while 82 percent of those with an entirely Swedish background were in the labour force, the corresponding proportion was found to be only 63 percent among those with both parents from outside Europe. A multinomial logit of mutually exclusive labour market outcomes was estimated and the results showed that much of the effect from ethnic background could not be explained by variables such as education of the individual and education of the parent.

¹⁷ In another analysis the same author investigated intergenerational earnings mobility for the three groups natives, second-generation immigrants and those who immigrated at a young age. The results indicate that individuals with immigrant parents have more difficulties in intergenerationally moving up the earnings distribution and are more likely to move down compared to natives.

citizen as head received about one quarter of all payments of social assistance (Gustafsson, 1986). Since then the proportion has continued to increase and in 1999 foreign households received 44 percent of all sums paid as social assistance.

Franzén (1997) estimated rates of social assistance receipt among foreign-born persons. Take persons aged 18 to 30 as an example. The results show that while 7.8 percent of natives received social assistance (yearly averages for the period 1983 to 1992), the corresponding percentage was 23.8 for foreign-born. A large variation across country of origin was found. For example, while not more than 10 percent of Nordic immigrants received social assistance, this was the case for 43 percent of persons originating from the Middle East. The analysis also showed rates of social assistance receipt to decline with years since immigration. Two recent studies (Hansen & Löfgren 1999 and Franzén 2000) investigate social assistance receipt among foreign-born and natives by estimating multivariate models. Both studies show a strong negative relation between years since immigration and receipt of social assistance. However, this process varies by origin.¹⁸

Turning to pension payments among people in work active ages, we find they are strongly positively related to how long a person has resided in Sweden.¹⁹ The rate of early retirement varies by country of origin.²⁰ The relation between immigration status, health and occupation on the one hand, and early retirement status on the other is not so simple. One part of the picture is that immigrants have poorer health than natives (Sundquist 1995, Sundquist & Johansson 1997) and are on sick-leave more frequently than natives (Soydan, 1995, Riksförsäkringsverket, 1996). One reason for this is that immigrants have poorer working conditions than natives (Kindlund, 1995, Leiniö, 1995). Then there is also the interaction at the social insurance office between the insured person and the administrator (Jonsson (1997).

The view which emerges on immigrants' receipt of welfare state transfers is a picture where receipt of various payments is clearly linked to different phases of the immigration process. Social assistance is common among new arrivals from countries sending refugees. After a longer period in Sweden, the immigrant assimilates out of the social assistance system. There are signs indicating that unemployment compensation comes in somewhat later in the immigration phase, which is then succeeded by early retirement.

Finally we turn to how immigrants affect the public sector budget in Sweden. Most studies asked how immigrants as a group affect the public sector budget by making accounts in which

¹⁸ Not only rates of social assistance receipt are higher for immigrants than for natives in Sweden; spells of receipt are longer as well. For example, Gustafsson & Voges (1998) compares the first spell of social assistance receipt in the Swedish city of Göteborg and the German city of Bremen. One half of foreign households in the Swedish city received social assistance for 6 months which is as long as for foreigners and natives in the German city. However, half of native households in Göteborg received social assistance for only 3 months.

¹⁹ Again using data from the Household Income Survey pooled for 1993 and 1994 as the example, one can observe that while 15 percent of native females aged 20 - 64 received pensions, this was the case for only 1 percent of those who had resided in Sweden not more than five years. However, the rate was as high as 30 percent for foreign-born females who arrived more than two decades earlier (Gustafsson, 1997).

²⁰ An early study showing this is Reinas (1987) who analysed those who began early retirement during 1981 and 1982 by matching information from the 1980 census to a register of new pensions. The results showed a higher rate of early retirement among foreign-born with particularly high rates among people originating from Greece and Yugoslavia. However, for some countries of origin, the difference compared to natives was small. A similar approach was applied by Stattin (1998) who found that the risk of early retirement in 1988 respectively 1993 was higher for different categories of foreign-born compared to natives. Effects of foreign origin remained after controlling for variables such as age, civil status, occupation and sector.

most budget-items were allocated to immigrants and natives respectively. The first such study was Wadensjö (1973) and it found that immigrants were net contributors to the public sector. A main reason for the positive effect on natives was the difference in age profile between immigrants and natives. Immigrants were at that time, and are still, over-represented among people in work active ages where most of the income taxes are paid. On the other hand they were and are still under-represented among the elderly who receive pensions and are large users of medical services and institutional care.

Making calculations similar to Wadensjö (1973) for 1970 and 1976, Ekberg (1983) showed that the net contributions had decreased over time. A third study is Gustafsson (1990) which used data for 1978 to 1985; the results indicated that the immigrant population was rather neutral to the public sector budget. Although these three studies differ in details it is reasonable to read differences in results as mainly being caused by the different years they refer to. As the situation of immigrants in the Swedish labour market has deteriorated, immigrants pay less taxes than previously, but instead receive more transfer payments. Thus one should expect to find negative effects on the public sector budget in accounts made for the 90s. This is precisely what is reported by Ekberg & Andersson (1995) for 1991 and predicted for 1994 and 1995, see also Ekberg (1999).

The recent study by Gustafsson & Österberg (2001) carries the analysis further in several directions using data for 1983 to 1992. First they report a time series illustrating the process that the net contributions of foreign-born have turned from positive to negative during the period studied. Second, a clear relation between years since immigration and contributions to the public sector among people in work active ages is shown. The results show that refugees initially put a larger burden on the public sector budget than other immigrants and that such differences decline with years since immigration until they finally disappear. Third, the analysis shows that net contributions to the public sector vary by several characteristics of the immigrant. Male immigrants are more positive for the public sector budget than female immigrants, and net contributions differ greatly by educational attainment of the immigrant. Immigrants from countries in which GDP per capita is low are less positive to the public sector budget than those who come from countries where GDP is high.

9. Concluding comments

Studying immigrants in the Swedish labour market, their receipt of transfer payments, effects on the public sector budget as well as the factors affecting migration flows have turned into a lively field of research. There is a great demand for such knowledge outside the academic community. Empirical researchers in this field have been able to work successfully because of relevant microdata being more readily available than in most other countries and because of the rapid development of econometric technique.

The problem studied has changed character since World War II. Most foreigners who arrived to Sweden during the 50s and 60 came as labour migrants (many having a job upon arrival), or as relatives to such migrants. This has changed and most people who arrived to Sweden during the 80s and 90s were refugees or relatives to refugees. While there are some grounds in deeming the earlier waves of immigration a success, this is not the case for later flows. In the 90s, a general perception has spread among the public as well as among policymakers that there is a vast immigrant problem.

The immigrant problem as it is manifested in the beginning of the 21st century originates from the fact that foreign-born in work active ages are on average not employed to the same extent as natives. There are also similar problems for members of the second generation, many of whom are growing up in segregated residential areas.

For immigrants, the difficulties of finding jobs means a lower living standard than natives. A higher proportion of recent immigrants than natives are poor and many depend on social assistance. Rates of early retirement are high among immigrants who have resided in Sweden for more than two decades. There are thus grounds for immigrants to be dissatisfied with the situation. Natives are just as dissatisfied. Nowadays, relatively large expenditures for transfers to immigrants and relatively small payments of income taxes make the average immigrant a burden to the public sector, thus costly for the native population. This is a marked change from the situation some decades ago.

An important lesson from the research summarised above is that although there are substantial differences between immigrants and natives in Sweden, there are also greater differences between immigrants from different countries. People who originate from the other Nordic countries or from several countries in Europe perform relatively well in the Swedish labour market. Many such immigrants are well-integrated into Swedish society, they have resided in Sweden for many years and they are not visibly different from natives. Many such immigrants came for labour market reasons, and realistically many return to their countries of origin in the future.

The opposite case is made up of people who recently arrived as refugees or as relatives of refugees from countries in the Middle East, Bosnia-Herzegovina and from countries in the north-east of Africa. Most of these immigrants are visibly different from the native population and many have had difficulties finding a job in Sweden. Returning to the country of origin is not a realistic option for many of those immigrants. It is among such immigrants that dependence on governmental programmes is high, and much of the present immigration debate concerns such immigrants. There is a consensus that the present situation is not acceptable. The issue is in which directions changes can and should be made. Let us identify some areas for policy and comment on options that appear in the policy debate.

One policy area is clearly the admission policy. Under which circumstances should a person be granted residency is the fundamental question for immigration policy in all countries. First of all, it should be restated that when it comes to granting admission to Sweden there is clear discrimination between accepting citizens from the European Union and Norway, and accepting all other citizens. It is the admission policy for the latter that is less difficult to change. This making of policy is made in the environment of the European Union and the governments of the member states.

Low employment rates among recent immigrants can of course be avoided if Sweden only admits people who already have jobs. In Section 5 above we discussed the fact that this is also most likely the reason why recent immigrants to Switzerland have not had the same employment problems as their counterparts in Sweden. However, as a solution to the labour market problem for immigrants to Sweden, not admitting any refugees at all will not help those who already are admitted. Further, such a move is hardly backed by leading policymakers and most probably not by a majority of the electorate. There is a general belief that Sweden is rich enough to house people escaping from political oppression. The motivation for this part of the immigration policy thus has striking similarities with the motivation for development aid.

However, a general commitment to a humanitarian immigration policy does not prevent policymakers from becoming more aware of its costs. It is probably true to say that such an increased awareness was an important reason for the criteria guiding admission becoming somewhat less generous during the 90s. As a consequence, fewer refugees received residency permits. There is also an increased awareness that refugee status could be granted temporarily.

A second area important for the labour market outcome of immigrants, although often not discussed as an area for policy, is collective bargaining and other factors affecting wage structure and the relatively generous transfer systems. The latter makes it possible for recent immigrants to live at an income level lower than for natives, but nevertheless for some persons higher than in the country of origin. Permitting a separate labour market for immigrants in which their earnings are lower than for natives, or depriving immigrants of entitlements to transfer could theoretically be ways to lessen the problem of low employment among immigrants. However, such changes are most likely not supported by the Swedish population or by policymakers. The prevailing view among probably most Swedes is that immigrants should not be treated as second class citizens, they should have the same rights as natives and live under conditions similar to natives.

The low employability of many immigrants at the wages prevailing in Sweden can nevertheless help to throw light on a phenomenon which many residents are fully aware of and often directly benefit from. Many immigrants, particularly people born outside Europe, are self-employed and thus not paid according to pay-scales decided in collective agreements. The self-employed immigrants are often found in the service sector or in retail, typically in small restaurants and shops. Many work long hours which makes it possible to survive on a net profit which is meagre compared to the hours of work spent in the activity. Leaving aside pricing in the labour market, there are several ways by which the mismatch between employers and employees can be lessened by policy measures. There are supply measures as well as measures affecting labour demand and we will consider them starting with the supply.

Beginning with the formal qualifications of immigrants it can be noted that there is not much of an average gap in educational attainment between foreign-born and natives in Sweden. Increased formal education can thus hardly be a universal measure for increasing employment rates for immigrants to Sweden but it can definitely play a role for some groups. Take immigrant women from Turkey who arrived during the 80s as an example. Most of them had an education shorter than what was compulsory for natives who entered the labour force during the same period. It is thus difficult not to see an improved formal education as a necessary requirement for those women to increase their employment in Sweden.

Level of education is only one aspect of immigrants' qualifications. Education can have limited transferability from abroad to Sweden. There is also the issue of language proficiency. There seems to be a general perception among policymakers that immigrants to Sweden are best taught the ability to speak, read and write the Swedish language in classrooms financed by public funds. Knowledge of institutions, laws and customs guiding life in Sweden can also be taught in such ways. Nonetheless, there is also a general perception that although considerable amounts of resources have been put into such programmes, they have not always been successful. Alternatives are to learn specific Swedish skills at a work-place and there are also public programmes aiming to ease this. Most probably the debate on how resources for increasing adult immigrant skills be best used will continue in the future.

Among many observers, the demand side is given a prominent role in explaining the poor labour market performance of many recent immigrants to Sweden. How can it be possible to successfully prevent employers from discriminating against immigrants when immigrants apply for a job? Some argue that the law should be changed and enforcement be made stronger. There have also been voices asking for positive discrimination of immigrants. The argument against such proposals is that that it would be difficult to forcefully implement such legislation. Further, to positively discriminate immigrants might actually backfire on popular opinion, increasing hostility against immigrants and should therefore best be avoided.

To conclude, it seems safe to assume that a number of suggestions aimed at improving the labour market situation of immigrants in Sweden will be heard in the future. The problem is severe. One single measure will not solve it; several measures in combination will be necessary.

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III. Impact of Migration in Traditional Emigration Countries

Italy is No Longer a Country of Emigration: Foreigners in Italy, How Many, Where They Come From and What They Do *

Salvatore Strozza/Alessandra Venturini

1. Introduction

Italy is well known as a country of emigrants; in fact, Italians have emigrated both to other parts of Europe and the Americas since the early nineteenth century. Then they went to Australia and later to all the other parts of the world. The major flow of emigrants from Italy was at the beginning of the 20th century, but it never stopped and after the 2nd World War it was mainly directed to the European countries. As was often said, "need" forced whole families to risk everything and go to distant countries in search of a "fortune". During the 1970s emigration from Italy gradually declined and the net migration rate changed from negative to positive, highlighting the fact that the number of people returning to Italy was larger than those leaving the country.

Supply and demand factors brought Italian emigration to an end. Increased domestic per capita income made emigrating less and less remunerative and domestic economic growth, above all in the north-west triggered high internal migration and the recession which set in after the petrol increases of 1973 reduced industrial growth and consequently the demand for additional labour throughout Europe.

At the end of the 1970s, Italy ceased to be a country of emigration, but did not remotely imagine that it was to become a country of immigration. However, the conditions to become a receiving country for emigrants were already in place. In fact, per capita income had grown appreciably, wages were now only slightly lower than in France, and as the north European countries assumed a less welcoming attitude towards foreigners looking for work, Italy became an attractive second best solution. Thus, without having chosen it and almost without realising it, at the end of the 1970s and the beginning of the 1980s, Italy became a country for immigrants from neighbouring Mediterranean countries, more distant African countries, from the Philippines, and Latin America. In the 1990s, the fall of the Berlin Wall and the dismantling of the communist regimes helped to make Italy attractive for immigrants from Eastern European countries, especially the Balkans and more recently Romania.

Italy and the other south European countries, which have also become immigration countries, were taken by surprise and their laws and receptive structures were inadequate.

As can be seen in section 3, there have been numerous changes to the laws which have often been accompanied by legislation whose aim was to solve irregular situations created by clandestine entry into the country before the norm was passed. Clandestine entry is favoured by the difficulty of policing an extensive sea border, but above all is encouraged by the existence of an informal economy which serves as a powerful magnet attracting people to both Italy and the other south European countries. The debate over whether immigration is

* We would like to thank Cinzia Conti for her invaluable help in preparing this paper and Tom Clarkson for his editorial assistance.

positive or negative has centred on policies governing entry into the country, especially after the numerous and spectacular landings of clandestine immigrants, frequently along the Puglia coast. These events encouraged the belief that the huge demand to immigrate was too big to be controlled simply with rigid rules. Individual cases raised a lot of human sympathy but the whole complex phenomenon raised big fears about the actual numbers of foreigners involved. Section 2 tries to quantify the number of regular and irregular foreigners, while section 4 identifies the main countries of origin and the foreigners' main characteristics.

Attitudes towards immigration have divided the political and party debate, with the "League" (led by Sen. Bossi) assuming a strong anti-immigration stance and taking part in protests which have been defined in some cases as racist. Support for the protests, on the one hand, came from the fear that foreigners would take the natives' jobs in the labour market (see sections 6 and 7) and more generally, from a demand of the economy for foreign labour and native citizens new to a multiethnic way of life.

It is important to remember that in little more than 15 years, the number of non-EU immigrants in Italy rose to 1,300,000. They came from countries with which Italy had no political, economic or privileged cultural links and the rapid growth created difficulties in handling their arrival and this increased support for the "League". However, a large part of the uneasiness due to irregular immigration has been reduced; on the one hand, by the regularisations and, on the other hand, by the agreements made regarding readmission with the most important countries of origin, which undertook to help control irregular emigration and facilitate deportation in exchange for a guaranteed annual quota of new residence permits. Law 40, 1998 meant that an ex-post management of immigrant entry into the country was changed to ex-ante programmed entry with eventual revisions to adjust inflow to the demand in the labour market¹.

Politicians have now turned their attention from immigrants entering the country, which has now been defined clearly and is working efficiently, to the problem of immigrants' integration, in as much as that the phenomenon has reached a mature stage with about 40% of the new flows made up of people joining their family.

The following sections will consider the issue presented above more deeply.

2. The growth of foreigners in the country

An analysis of the evolution of the number and the characteristics of the foreigners in the country can be done using the Ministry of the Interior data regarding stock and residence permits issued. The data was revised recently so as to exclude duplication and expired permits².

Between the end of 1981 and the beginning of 1991, the number of holders of residence permits increased from little more than 300,000 to almost 600,000. During the last decade the foreign population holding residence permits in Italy has more than doubled (a total increase of just under 700,000) passing from less than 600,000 at the beginning of 1991 to nearly

¹ See Zincone G. regarding the First Report on the Integration of Immigrants.

² Aggregate estimates proposed by Natale and Strozza were used for the 1980s, while revised Ministry of the Interior records published by the National Institute for Statistics (ISTAT, 1998, 1999, 2000a, 2000b, 2000c and 2001) were used for the 1990s.

1,350,000 people at the beginning of 2000 (see Table 1). Bearing in mind the fact that foreigners under the age of 18 are not usually issued with a residence permit because they are living with their parents, at the moment (the end of 2000) it can be estimated that about 1,520,000 foreigners are legally resident in Italy, equal to over 2.6% of the resident population.

Table 1: Residence permits by economic area of citizenship of foreigners (MDCs and LDCs). Italy, 1st January, years 1991-2000. Absolute values (thousands) and absolute (thousands) and percentage changes

Years	Absolute values (thousands)			Absolute variations (thousands)			Percentage changes		
	Total	MDCs	LDCs	Total	MDCs	LDCs	Total	MDCs	LDCs
1991	581	175	405	68	-3	72	11.8	1.8	17.7
1992	649	172	477	-59	3	-62	-9.2	1.7	-13.1
1993	589	175	414	60	5	54	10.1	3.1	13.1
1994	649	181	469	29	8	20	4.4	4.7	4.3
1995	678	189	489	51	10	41	7.6	5.4	8.4
1996	729	199	530	257	6	251	35.2	2.8	47.4
1997	986	205	781	37	7	30	3.7	3.6	3.8
1998	1,023	212	811	38	10	58	6.6	4.5	7.2
1999	1,091	222	869	250	5	245	22.9	2.4	28.1
2000	1,341	227	1,114
1992-95				80	27	53	12.4	15.7	11.2
1996-99				611	28	584	83.9	13.9	110.2
1992-99				692	55	637	106.6	31.8	133.6

Note: (a) Less developed countries (LDCs) include countries in Africa, Asia (excluding Japan), Latin America and Central and Eastern Europe (including Albania and former Yugoslavia). Source: our elaboration of Interior Ministry revised by the National Institute of Statistics [Istat, 2001].

This growth is essentially due to the increase in the numbers of foreigners from the third world countries and Eastern Europe. In this section they are defined as less developed countries (LDC). At the end of 1981 there were fewer than 120,000 immigrants from such countries, at the beginning of 1991 their number had reached 400,000 and at the end of the 1990s there were over 1,100,000 (table 1); consequently, in 1981 LDC citizens accounted for only 38% of the total foreigners holding resident permits, 10 years later they reached 70% and today (at the beginning of 2000) they represent 83% of the total (see table 1).

An important characteristic of immigration and of foreigners resident in Italy and especially, those in the new receiving countries in south Europe (Italy, Spain, Greece and Portugal) is the large number of illegal immigrants³. The substantial number of foreigners who are irregularly resident or clandestine on national territory (illegal foreigners), almost all of them from LDCs, has meant that it is necessary to find out how many there are. Since the first half of the 1980s various attempts have been made to estimate the number of illegal foreigners resident in the country and therefore the total number of foreigners (legal and illegal). Table 2 shows the figures proposed for the 1990s and they do not seem to be very different from each other and are reasonable. The figures are certainly smaller than the public imagined at the time. Initially, as Italy has a recent past of emigration there was an immediate feeling of sympathy for the

³ See also de Filippo and Carchedi (1999).

immigrants, but it quickly turned into a fear of invasion and this probably led to the number of both the regular and irregular immigrants⁴ being overestimated.

Table 2: Estimates of total (legal and illegal) foreigners in Italy by reference to year and methodological approach. Absolute values in thousands and percentages of illegal aliens

Year (31.12)	Authors [year of publication]	Categories of foreigners	Method ^(a)	Estimates (thousands)		
				Total	Illegal ^(b)	% illegal
1990	Böhning [1991]	Total	?	1,279	600	47
1990 ^(c)	Natale [1990b]	Total	A	849	170	20
1990 ^(c)	Natale [1990b]	Total	B	1,016-1,201	338-522	33-44
1990	De Simoni [1992]	ExtraEU	B	986-1,283	307-604	31-47
1990	Censis [1993]	LDCs	?	886	406	46
1991	Censis [1993]	LDCs	?	1,118	587	53
1991 ^(d)	Blangiardo [1997]	LDCs	E	705-770	174-239	25-31
1992	Natale and Strozza [1997]	Total	B	961-1,014	295-348	31-34
1992	Esposito [1996]	Total	B	1,505	839	56
1992	Quirino [see Esposito, 1996]	Total	F+A	1,478	812	55
1992	Censis [1993]	LDCs	?	1,180	714	61
1992	Baldassarini e Freguja [1995]	Extra EU workers	F+A	977	427	44
1993	Natale and Strozza [1997]	Total	C	1,091-1,167	358-434	33-37
1993	ISTAT [1994]	Total	F+A	1,300-1,500	567-767	44-51
1993	Natale and Strozza [1997]	Total	E	1,146	413	36
1993	Censis [1993]	LDCs	?	1,180	644	55
1993	Schoorl et al. [1996]	Africans Africans	C	903	694	77
1994	Murer [1995]	Total	?	1,100-1,150	337-387	31-34
1994	Natale and Strozza [1997]	Total	C	1,228-1,327	465-564	38-43
1994	Natale and Strozza [1997]	Total	E	1,194	431	36
1994	Blangiardo and Papavero [1997]	LDCs	E	833-912	286-365	34-40
1998 ^(e)	Blangiardo [1998]	LDCs	E	982-1,101	176-295	18-27

Notes: (a) Methods of estimate are indicated as follows: A= Comparison and juxtaposition of sources; B= Indirect methods; C= Methods based on the results of regularisation procedures; D= Rational estimate; E= Illegality ratio based on a sample based on direct questioning; F= National Accounts estimate of foreign workers. (b) When the authors estimate a figure for total (legal and illegal) foreigners, without distinguishing between legal and illegal foreigners, the number for the illegal ones is obtained by subtracting estimates of legal foreigners (including minors) suggested by Natale and Strozza [1997]. (c) as at 31 March 1990. (d) as at 20th October 1991. (e) as at 15th April 1998. Source: Strozza [2000].

⁴ For an analysis of the different methods of estimates see Natale and Strozza 1997, Natale 1999, Strozza 2001b).

For example, at the end of 1994 the whole foreign population (legal and illegal) was between the figure of 1,050,000 corresponding to the minimum estimate made by Blangiardo and Papavero (1996), adjusted to allow for foreigners from the more developed countries (MDCs), all of whom are assumed to be legal residents and estimated to be 215,000, including minors, and 1,335,000 a figure related to the highest estimate proposed by Natale and Strozza (1997). In short, illegal foreigners were estimated to be roughly between 300,000 and 550,000 people representing a share varying between 31% and 43% of the total number of foreign residents (table 2). The estimate refers to the most recent data (April 1998) and was finalized by Blangiardo (1998) for the Ministry of the Interior. It seems to indicate a significant fall in the number of illegal foreigners numbering between about 180,000 and 300,000 people (table 2). However, the absolute size and percentage of illegal foreigners are certainly higher than what would be estimated for traditional European receiving countries (Bohning 1991; Schoorl et al 1996). They have been partly revised following the various regularisation procedures which have been adopted since the second half of the 80s (Golini, Strozza and Gallo 2000).

3. The regularisation procedures

In the last 15 years there have been four amnesties which are proof of the country's difficulties in actively managing the migratory phenomenon and have been revised ex-post.

The first amnesty carried out in the period 1987-88 was included in the first law concerning non-EU citizens (law n. 943/86). The law refers both to non-EU workers who are employed irregularly and to the employers who employed foreign workers irregularly. The law provided for non-EU workers who were able to show that they were resident in Italy before 27th January 1987, two kinds of regularisation depending on their working status at the time of the law. If the non-EU citizen was employed, it provided for the issue of a residence permit on which was written "regularisation to enable labour documentation to be completed". If the applicant was unemployed, the law provided for a residence permit to be issued "to register on the unemployed list" at the local job-placing office. This corrective measure enabled 118,000 non-EU workers to be registered, which corresponded to 32% of the legally resident foreigners in 1997. A number that seemed, at that time, to be very small compared to the estimated number of illegal residents⁵.

The second regularisation, carried out during the first half of 1990, was the result of the second law on immigration (law n. 39/90, known as the Martelli law). This corrective measure was addressed to a wider range of immigrants. It included all foreign citizens (EU citizens, too) in all kinds of employment (including self-employed workers and foreigners not included in the labour force), who were able to show they were resident in Italy in 1989. 220,000 resident permits were issued under this legislation amounting to over 50% of the valid permits held at the end of 1989, the date before which foreigners had to be resident in the country if they were to benefit from this exceptional measure. The success of this second measure should not lead to the conclusion that there had been an increase in the number of illegal residents, the higher figure is linked to the fact that the conditions were less restrictive. Some groups which benefited from the second legislation had not been covered by the previous one and workers who had already applied under the first one, especially some who

⁵ It is generally considered that less than half the estimated illegal foreigners took advantage of the measure, others suggest it was less than a quarter (Montanari and Cortese 1993) while yet others say it was slightly more than one third (Natale and Strozza 1997).

under the first regularisation had to register as unemployed, now could register as street sellers.

The third regularisation was carried out between 19th November 1995 and the end of March 1996 in accordance with D.L. n. 489/95 (also called the Dini decree) and later applications, was more "restrictive" than the previous ones. In fact, workers (both those who had a job and those who had been promised a job) and members of their families could benefit from these regularisation measures. At the same time, employers had to make national social security contributions (INPS), as anticipated payments: 6 months for workers who had a permanent contract and 4 months for workers who had a contract for a limited period of time. Unemployed foreigners, instead, could receive a residence permit to allow them to register at the unemployment office (it lasted one year, but it could be extended). However, this measure was limited only to people who could show that they had worked for at least 4 months during the previous twelve months. A total of almost 250,000 foreigners, corresponding to 34% of those who had a permit at the end of 1995, received residence permits under this regularisation process.

The fourth regularisation is substantially the result of law n. 40, dated 1998 (known as the Turco-Napolitano law), even though the provisions, which are the basis of this last amnesty, are aimed at regulating the entry flows. In fact, considering the indications in the White Paper provided for in art. 3 of the Turco-Napolitano law issued with the D.R.P. dated 5.8.1998, the initial quota fixed at 20,000 non-EU citizens was increased. To do this, a Prime Minister's decree (D.C.P.M) was issued on 16th October 1998, allowing a further 38,000 non-EU citizens⁶ to enter as self-employed or employees. The Turco-Napolitano law did not include provisions to introduce a new regularisation procedure, although a request asking for such a measure was on the agenda approved by the Senate on the day of the final vote for law 40/1998 which required the Government to consider proposals and initiatives to be introduced to oppose irregular presences. In accordance with the above quota, residence permits were issued to people who were resident in the country at the time of the Turco-Napolitano law (27th March 1998) as long as they satisfied certain requirements (suitable work either employed or self-employed, available accommodation). In this way a procedure of regularisation which initially had a quota set at 38,000 non-EU citizens in the DPCM 16th October 1998, was extended by the decree dated 13th April 1999 to all those who satisfied the requirements. Thus, the date relative to this regularisation was extended beyond the conditions set out in 1998. At the end of 1999 about 88,000 applications and over 312,000 registrations had been submitted. Fewer than 250,000 applications had all the necessary documents however, and as yet the exact number of permits issued is not yet available.

As can be noted from the second half of the 1980s, the increase in the number of legal foreign residents in Italy was mainly determined by the introduction of exceptional amnesties which facilitated the registration of a large number of clandestine immigrants and the illegal foreign residents from the LDCs. It can be seen, in fact, how the slight increase in residence permits during the first five years of the 1990s was determined by the administrative deadlines linked to the regularisation of 1990: the fall witnessed in 1992 for LDC citizens (table 1) is essentially the result of about 100,000 of the 220,000 permits issued exactly two years before, under the above-mentioned measure, not being renewed (cf. ISTAT, 1999 page 16). While the big increase in residence permits for LDC citizens registered in the second half of the decade was a direct consequence of the two most recent regularisation procedures (table 1).

⁶ Within that quota, preferential treatment was given for 3.000 Albanians, 1.500 Moroccans and 1.500 Tunisians to enter Italy.

Gradually, normative intervention has tried to favour a move from passive to active management of the different phases of immigration and foreign residency. Special attention has been directed to planning and controlling the new flows of entry. A clear step in that direction can be traced, for instance, to the last regularisation which was meant to be one of the channels of entry into the country with a strictly defined number of permits as part of a national plan to control the total number of people entering the country. The subsequent extension of the measure to all applicants who could satisfy the requirements seemed to be logical, as the regularisation of the illegal residents was considered to be an essential prerequisite for an effective policy aimed at regulating the flows of entry and controlling clandestine immigration.

4. Foreign characteristics

The reason why foreigners come to Italy, as was emphasised in the introduction, is clear but determining where they come from and which are the most important communities can cause some surprises.

Data on the size of various foreign communities (table 4) show clearly that it is not possible to identify a few prevailing nationalities, but a number of departure areas and ethnic origin. This is due to Italy having a weak colonial tradition and to the recent globalisation of the migratory process. However, it makes the analysis of the characteristics of immigrant communities more complex and at the same time more interesting. They are different by kind and they are also in different phases of the migratory process, while the demographic and social structure differ as well as the area where they settle, the industries where they find a job and their socio-economic behaviour etc.

The picture became especially complex during the 1990s. In fact, the "older" and more numerous immigrant communities in Italy from Africa (those from Morocco, Tunisia, Senegal, Egypt, Ghana etc.) and from Asia (especially from the Philippines and China) contracted during the first half of the decade (between 1991 to 1995). The numbers of legal residents fell, above all, because some of the resident permits issued during the amnesty of 1990 were not renewed. Other groups clearly grew bigger with new migratory flows which at least partly increased the legally resident group (the most significant group are immigrants from Romania and Peru), but, above all, the group made up of citizens from the ex-Republic of Yugoslavia increased enormously following the fighting in that country which among other things generated a high number of refugees and evacuees. In brief, in the early years of the 1990s, there was a fall in the legal residents from Africa and Asia and an increase in foreigners from Eastern Europe (Gabrielli, Gallo and Strozza, 2000).

Nearly 250,000 regularised immigrants in 1996 (the third amnesty) form a rather broad group and correspond to almost half of the immigrants from the Third World and Eastern Europe who held a valid residence permit, when the amnesty came into force. The foreigners who took advantage of the measures most were Moroccans (more than 31,000), Filipinos (almost 20,000), Chinese (just under 16,000) Peruvians (over 13,000), Romanians (almost 12,000) and Senegalese (more than 10,000). Alongside some north African (Moroccans and Tunisian especially) and east African (Senegal and Ghanaian) communities, a large portion of whom were clandestine immigrants who had become legal residents through the special amnesties and certain Asian communities (Filipinos, Chinese, Senegalese etc) who had already, in 1990, benefited in large numbers from the regularizations, there are some new immigrants from nations which had hardly appeared in the data regarding residence permits up to 1995,

confirming the growth of migration from new areas (above all, Albania, Peru and Romania). Immigration from these countries in the early 1990s was characterised by a high level of illegal entry and the clandestine entry of Albanians was especially large, after the collapse of the old communist regime in 1990 and the very serious economic crisis⁷.

Table 3: Residence Permits by area of origin and country of citizenship. Italy, 1st January 1992, 1997 and 2000. Absolute (thousands) and percentage values and percentage of women

Area of origin / Country of citizenship ^(a)	Residence Permits (thousands)			% by area of origin/citizenship			% women		
	1992	1997	2000	1992	1997	2000	1992	1997	2000
Total	649	986	1,341	100.0	100.0	100.0	39.9	43.8	45.3
MDCs	172	205	227	26.5	20.8	16.9	59.5	60.6	60.7
LDCs ^(b)	477	781	1,114	73.5	79.2	83.1	32.9	39.4	42.2
European Union	100	128	146	15.5	13.0	10.9	58.8	59.7	59.6
Other MDCs	72	77	81	11.1	7.8	6.1	60.4	62.1	62.6
Eastern Europe	86	221	363	13.3	22.4	27.1	38.3	41.3	45.2
Northern Africa	148	191	251	22.8	19.4	18.7	10.4	18.8	24.5
Rest of Africa	80	110	138	12.3	11.2	10.3	34.9	38.4	38.8
Asia (c)	113	177	250	17.4	17.9	18.6	42.9	45.1	45.0
Latin America	50	82	111	7.7	8.4	8.3	64.2	70.9	70.9
Morocco	83	115	156	12.8	11.7	11.6	9.8	20.6	27.7
Albania	25	67	133	3.8	6.8	9.9	14.1	27.1	34.0
Former Yugoslavia	27	75	93	4.1	7.6	6.9	37.1	36.1	39.5
Philippines	36	56	67	5.6	5.7	5.0	67.2	67.2	66.2
Romania	8	27	61	1.3	2.7	4.6	58.0	51.7	48.9
China	16	32	57	2.4	3.2	4.2	39.8	43.7	45.1
Tunisia	42	40	47	6.4	4.1	3.5	9.0	17.2	22.1
Senegal	24	32	41	3.7	3.2	3.1	2.9	5.2	7.1
Egypt	18	24	34	2.8	2.4	2.5	14.2	17.3	17.9
Sri Lanka	12	24	32	1.9	2.4	2.4	31.0	38.2	42.7
Poland	12	23	29	1.9	2.3	2.2	55.7	64.3	70.5
Peru	5	22	29	0.8	2.2	2.2	63.7	69.9	68.1
India	10	19	28	1.5	1.9	2.1	43.0	35.9	36.9
Nigeria	6	13	20	0.9	1.3	1.5	43.1	53.8	57.6
Ghana	11	16	20	1.7	1.6	1.5	31.0	34.3	34.6

Notes: (a) First 15 countries of citizenship of LDCs listed according to the number of residence permits at January 1st 2000. (b) Less developed countries (LDCs) include countries in Africa, Asia (excluding Japan), Latin America and Central and Eastern Europe (including Albania and former Yugoslavia). (c) Excluding Japan. Source: our elaboration of Interior Ministry data revised by the National Institute of Statistics [Istat, 2001].

⁷ The Italian government responded to the first migratory wave towards the Puglia coast by granting residence permits to the new arrivals and they were sent to various parts of the country but restrictive measures were adopted for the later waves. The aim was to send clandestine immigrants back to the country of origin and so discourage further mass immigration. The community of Albanians however continued to grow with new illegal arrivals, so much so that more than 30.000 have benefited from the regularisation process.

At the beginning of 2000 the pattern of legally resident foreigners per area or country of citizenship was affected not only by the amnesty of 1995-96 but also the one of 1998. In fact, these corrective measures allowed traditional immigrant communities to consolidate and at the same time highlighted some new aspects which had begun to appear in the previous years. The largest share of immigrants legally resident in Italy clearly come from Eastern Europe (about 27%) and north Africa (19%). The Moroccan community remains the largest (11.6% of the total number of foreigners holding a residence permit), although the Albanian community (almost 10% of the total) appears to have grown appreciably as a result of the most recent regularisation process (table 4). Among the LDC immigrants, they are followed by the ex-Yugoslavian community which represents 7%, Filipinos (about 5%) Romanian (4.6%) Chinese (4.2%) and then Tunisian (3.5%) It can be noted that the increase in the number of Romanians legally resident in the country was, as in the case of the Albanians, due to a substantial number of clandestine immigrants being registered as a result of the most recent regularisation process.

One of the other interesting elements to highlight, at this point, is how the heterogeneity of the area of origin combines with notable gender differentiation per area even more than country of origin (table 4) The immigrants from Africa, especially from the Mediterranean coast, from Eastern Europe, and the Middle East are predominantly males while the immigrants from the MDCs, from Latin America and the Far East are predominantly females. Considering the largest communities at the end of 1999, males clearly prevail among the Senegalese (other 90%) Egyptians (more than 80%) Tunisians (just under 80%) Moroccans (over 70%) Albanians (about 66%) Ghanaians (about 65%) Indians (just under 65%) and ex-Yugoslavs (just over 60%), while women are clearly predominant among the Poles (over 70% women) Peruvians (about 68%) and Filipinos (about two thirds).

It is a rich and detailed picture, depending on the phase (initial or more advanced) of the migratory process and the kind of migration model. As well as the communities which maintain a 'traditional' migratory model, where it is almost exclusively the males who move to find work with the women following later for family reunion (the case of Moroccans, Tunisians, Egyptians etc); there are groups who from the beginning of immigration into Italy have shown a "new" migratory model, which is characterised by it being essentially the women who move from their home country, but not exclusively for work⁸ (above all, the Filipinos, Cape Verdians and Latin Americans).

Among the prevalently female communities there is the Filipino community which began to form towards the end of the 1970s. It is easily the most important group, accounting for just under 25,000 women in 1991 and almost 45,000 at the beginning of 2000. Immigration from the archipelago of the Philippines took on its special character because a clear pattern of female immigration was immediately established. In the 1980s, women became less predominant (there is still a ratio of 2 to 1 between women and men) following the arrival of male members of the family who entered the same labour market, that of domestic service, where the women were already working⁹ (Strozza, Gallo and Grillo 1999).

⁸ For a more analytical description of a migration model for women see Lodigiani (1994).

⁹ For many researchers this model, in which the leading driving force of the migratory process is made up of women who are the first to move for work and create the conditions for the arrival of the men, represented the most important new factor in the migratory phenomenon of the last quarter of a century (Campani 1990, Favaro (1991) Raffaele 1992) Vicarelli (1992, 1994) Casacchia and Natale 1993, Lodigiani 1994 Barsotti and Lecchini 1995, Bonifazi 1998 Strozza, Gallo and Grillo 1999.

The Romanians, Peruvians and Poles have assumed a notable numerical relevance among the prevalently female communities in the last few years. They have become more important than many old established immigration nations (Cape Verdians and some Latin Americans). It should be emphasised, however, how the most substantial foreign communities with a traditional male bias have undergone a metamorphosis with the female component increasing in absolute and relative terms, so much so that at the beginning of 2000 the number of women registered was equal to, or a little smaller than the Filipino community. In fact, the Albanians and the Moroccans with residence permits are a little more and a little less than 45,000 respectively; while the ex-Yugoslavs number almost 37,000. Generally, during the 1990s there was a more or less evident process of re-equilibrium in almost all the predominantly male communities (table 3) This was essentially due to family reunion which has become more important in the last few years, especially after the regularisation processes (Grasso 1996, Strozza, Gallo and Grillo 1999, Golini and Conti 2001).

The consolidation of immigration, the stabilisation of the residents and the arrival of family members has caused significant changes in the age structure of the foreign population which is no longer made up exclusively of young immigrants belonging to the first working age band. In fact, alongside the figure of the young, single, male immigrant and worker, married immigrants, frequently with wife, children¹⁰ and elderly parents have become more important (Golini, Strozza and Amato 2001) The immigrant population from the LDCs is however much younger than that from the MDCs with many in the central age groups and few old people (Golini, Strozza and Amato 2001). The average age of foreigners over 18 and in possession of a residence permit comes to about 34 years old, but the differences by area of origin are relevant. While the average age of the most recent immigration communities (especially the Rumanians and the Albanians) is lower than the overall average age of immigrants from the LDCs. The average age of the longest established immigration groups (for example the Filipinos, Senegalese Egyptians etc) is almost always higher.

5. Territorial location of foreigners

The territorial distribution (table 4) of residence permits reveals the higher number of foreigners in central and north Italy (together they account for 80%). Especially in the latter area in the last few years, there has been a bigger increase in the number of residence permits issued than in other parts of the country which has led to an increase in the overall percentage of regular residents passing from almost 41% in 1991 to just under 55% at the beginning of 2000.

Looking carefully at the distribution of the foreign population by region (table 4), it is noted that 40% of the immigrants holding a valid residence permit reside in two regions, Lazio and Lombardy. The regional distribution of foreigners did not change very much in the 1990s. It is very interesting to note that in regions which do not receive significant numbers of immigrants, the incidence of legally resident foreigners on the total population of the area is not insignificant. In Trentino Alto Adige, for example, a region where, in 1997, only 2.1% of the regular foreign population in Italy resided, foreigners had a higher incidence on the native population (3.1%) than the national average (2.3%) There was also a similar situation in Umbria (table 4). The highest concentration was in Lazio, especially in the area around Rome.

¹⁰ In the last few years there has been a relevant increase in the number of minors registered on the local authority population lists: at the beginning of 1997 there were little more than 125.000, at the moment (at the beginning of 2000) there are 230.000 (ISTAT 2000b)

Generally however, in the regions of central and north Italy there are two to three foreigners with regular residence permits for every one hundred residents, while in most parts of the south there is less than one foreigner for every one hundred residents (table 4).

Table 4: Residence Permits by region or geographical area of issue. Italy, January 1st 2000. Absolute values (thousands), percentage of total population and percentage by region of the more important nationalities

Region / Geographical distribution	Total foreigners			% by region / geographical distribution				
	Absolute values (thousands)	% of population	% by region	LDCs	Morocco	Albania	Former Yugos- lavia	Philippi- nes
Piedmont	84	1.9	6.2	6.6	13.3	7.5	3.8	3.4
Valle d'Aosta	3	2.1	0.2	0.2	0.5	0.2	0.1	0.0
Lombardy	301	3.3	22.5	22.8	22.9	16.0	12.4	29.6
Trentino-A.A.	29	3.1	2.1	1.7	1.8	2.1	5.9	0.1
Veneto	126	2.8	9.4	9.9	12.5	8.2	25.0	3.1
Friuli-V.G.	38	3.2	2.9	2.6	0.5	2.6	15.3	0.3
Liguria	36	2.2	2.7	2.5	3.2	3.0	0.9	0.7
Emilia- Romagna	109	2.7	8.1	8.5	13.0	8.6	6.9	5.4
Tuscany	108	3.1	8.1	8.0	5.7	13.4	5.4	7.3
Umbria	25	3.0	1.8	1.9	2.2	3.2	2.2	1.1
Marche	32	2.2	2.4	2.5	2.9	3.8	4.6	0.8
Lazio	243	4.6	18.1	17.5	4.4	8.9	9.2	37.4
Abruzzo	19	1.4	1.4	1.5	0.9	2.9	3.5	0.3
Molise	2	0.6	0.1	0.2	0.2	0.4	0.1	0.1
Campania	68	1.2	5.1	4.6	4.5	3.7	1.2	3.6
Puglia	35	0.8	2.6	2.6	2.3	10.3	1.6	0.6
Basilicata	3	0.5	0.2	0.3	0.4	0.9	0.1	0.0
Calabria	16	0.8	1.2	1.3	3.4	1.4	0.3	1.6
Sicily	54	1.1	4.0	4.2	3.8	2.7	1.1	3.8
Sardegna	13	0.8	0.9	0.9	1.4	0.2	0.5	0.6
ITALY	1,341	2.3	100.0	100.0	100.0	100.0	100.0	100.0
North-West ^(a)	423	2.8	31.6	32.0	40.0	26.7	17.1	33.8
North-East ^(b)	301	2.8	22.5	22.7	27.8	21.5	53.1	9.0
Centre ^(c)	407	3.7	30.4	29.8	15.2	29.3	21.4	46.6
South ^(d)	142	1.0	10.6	10.5	11.8	19.6	6.9	6.2
Islands ^(e)	67	1.0	5.0	5.0	5.2	2.9	1.6	4.4

Notes: (a) This area includes Piedmont, Valle d'Aosta, Lombardy and Liguria. (b) This area includes Trentino A. A., Veneto, Friuli V. G. and Emilia Romagna. (c) This area includes Tuscany, Umbria, Marche and Lazio. (d) This area includes Abruzzo, Molise, Campania, Puglia, Basilicata and Calabria. (e) This area includes Sicily and Sardegna. Source: our elaboration from Interior Ministry data revised by the National Institute of Statistics [Istat, 2001].

The territorial distribution of the immigrant communities follow patterns clearly determined by the opportunities to find work. Schematically, it can be seen how predominantly female communities (as for example the Filipinos) employed in domestic service or looking after old people or the sick are mostly concentrated in the large metropolitan areas (especially Rome and Milan and therefore Lazio and Lombardy) while those who enter the industrial sectors (as

for example the Moroccans and the ex-Yugoslavs) are resident in large numbers in the north-east regions, especially in Veneto, where it is possible to find regular work in the productive network of the small- and medium-sized firms. Clandestine immigrants and illegal foreigners are spread throughout the country, with a high concentration in central Italy as well as in the south where there is more chance of entering the more widespread and diffuse irregular labour market.

6. The jobs foreigners do

Migration to Italy during the 1980s was exclusively for economic reasons. Later there were demands for political asylum, and the reunion of families has grown a lot. The former was a consequence of the Balkan crisis and the latter because the migration phenomenon had reached a mature stage and so there was the need for members of the immigrant's family to come and settle in the country. However, even though entry through these two channels grew, residence permits for work accounted for the largest part of the total permits issued (67%), and from 1992 to 2000 they more than doubled (table 5).

Unfortunately in Italy there is not a source of detailed statistics regarding the working activities of foreigners. The labour force survey carried out by ISTAT is based on sampling of family units so it does not take proper account of foreigners who are under-represented in the sample. In the same way residence permits for work underestimate the number of foreign workers because it is possible to work with other kinds of permits. The data from administrative sources such as Social Security data (INPS) also underestimates regular employment because the "nationality code" used to identify it is often not filled in.

From the data regarding residence permits shown in table 5 it emerges that from 1992 to 2000 dependent work tripled and self-employment grew even more. It was a limited phenomenon, however, mainly in metropolitan economies, in poor and technologically backward sectors, such as the tertiary, building and handcraft sectors (Ambrosini 2001).

Table 5: Residence Permits for labour referred to foreigners of LDCs by type of permit. Italy, January 1st 1992-2000. Absolute values and percentages of total number of permits

Year	Type of permits for labour (absolute value, thousands)				% of the total (labour and others reasons) number of permits			
	Dependent	Self-	Job	Total	Dependent	Self-	Job	Total
	Work ^(a)	employed	search	for labour	work ^(a)	employed	search	for labour
1992	208	20	133	360	43.7	4.1	28.0	75.9
1993	224	18	53	296	54.3	4.4	12.9	71.7
1994	258	18	59	336	55.3	3.9	12.7	72.0
1995	266	18	54	337	54.6	3.6	11.1	69.3
1996	284	19	58	361	53.7	3.6	11.0	68.3
1997	456	19	108	583	58.4	2.5	13.8	74.7
1998	445	29	109	583	55.0	3.6	13.5	72.0
1999	445	39	94	579	51.3	4.5	10.9	66.7
2000	592	72	87	751	53.2	6.5	7.8	67.5

Note: (a) It includes humanitarian permits that allow to work in Italy. These permits were issued to former Yugoslavians. Source: our elaboration from data of Ministry of Interior revised by National Institute of Statistic [Istat, 1998; 2001]

The search for a job seems to be a limited phenomenon that does not involve more than 15% of the foreign labour force (of the total number of permits issued for work).

There is a high percentage of foreign workers in the services and in domestic service, about 50%, according to INPS data, but their territorial distribution is very different. In the north-east employment in industry and agriculture is the magnet (see table 6), while in central and north-west Italy foreigners are employed in both industry and domestic service. Therefore, it is the demand for labour that determines in which sector of employment foreigners find work and in the south of Italy immigrants find work in agriculture and domestic service. In the industrial sector foreigners are employed mostly in small firms. The re-coding of data from INPS carried out by Venturini and Villosio (1999) using the place of birth and choosing only immigrants from LDCs, suggests that about 70% of the foreigners are employed in firms with fewer than 50 employees of which 50% work in firms with fewer than 10 employees. Further, 80% do manual work and only 15% work as clerks. The low qualifications reported for foreigners do not necessarily mean that they have a low level of education, but highlights the fact that the labour market demands that kind of skill and that it is difficult for them, foreigners, to use skills gained in their own country either because it is difficult to get them recognised or because of their limited knowledge of the language of the receiving country.

Table 6: Non EU employees by sector and main area, 1998. %

Territorial area	Sector					
	Agriculture	Building	Industry	Services	Family work	Total
% by area						
North-West	14,4	35,9	35,4	38,2	32,4	32,3
North-East	44,2	40,0	46,9	35,5	12,0	33,4
Centre	20,0	20,7	15,0	20,9	40,9	25,7
South	21,5	3,3	2,7	5,3	14,7	8,7
Italy	100,0	100,0	100,0	100,0	100,0	100,0
% by sector						
North-West	6,8	7,4	30,6	23,6	31,6	100,0
North-East	20,2	8,0	39,3	21,2	11,3	100,0
Centre	11,8	5,4	16,3	16,2	50,2	100,0
South	32,9	2,2	7,4	10,7	46,7	100,0
Italy	15,0	6,6	7,6	19,7	31,1	100,0

Note: (a) For the Southern area the data integrated by an estimate of the family workers employed in Palermo and Catania, because the official source clearly underestimates the foreign employment there.
Source: INPS dataset

There is little information available about the work done by foreigners in the irregular economy in specific enquiries carried out at the end of the 1980s and the beginning of the 1990s (cf. Natale and Strozza 1997) and later at the end of the 1990s (cf. Blangiardo and Terzera 1997 L.S.MU, 1999 Natale and Strozza 2001). However, these researches point out that illegal foreigners are employed more or less in the same sectors and with the same roles as legal immigrants. However, the illegal foreigners who can find work only in the irregular market receive a lower wage than the one received by legal foreigners who generally do regular work, and this difference in wages cannot wholly be explained by individual and work characteristics of the two groups (Baldacci Inglese and Strozza 1999, Strozza 2001a).¹¹

¹¹ In the 1993-94 surveys in Latium and Campania the Oaxaca decomposition shows that the log wage differential between males who work regularly and those who do not is 0.25 while for females it is only 0.19 and the unexplained part in both cases 50% (Baldacci, Inglese, Strozza 1999), while in a more recent

Becoming a legal resident, therefore, does not only mean that foreigners can begin to integrate in the receiving country but it also brings economic benefits.

7. The effect of immigration on the labour market in the receiving country

The economic topic which gained most space in the newspaper debate was certainly the effect of foreigners on the local labour market. It was faced in an apodictic way, where the supporters of complementarity emphasised the segmentation of the labour market and the natives' dislike for certain jobs, while the supporters of competition emphasised the presence of unemployment among natives and the inevitable fall in wages due to an increase in supply with a given demand for labour. The problem, as everyone knows, is not theoretical but empirical and, as has been emphasised in the previous section, the lack of information regarding employment stoked the discussions. Precious local research has not been able to supply a definite reply because of territorial and sectorial limits.¹² Venturini and Villosio (1999) with their re-coding of the administrative data (INPS) which unfortunately do not cover domestic service and employment in agriculture but which represent about 70% of total regular employment of foreigners – have tried to reply to some of the main questions regarding the role played by regular immigrants in the labour market.

Considering wage competition, there does not appear to be any negative effect of immigration on native workers' wages (Gavosto, Venturini, Villosio 1999). In fact, complementarity is revealed with unskilled natives who work in small firms and in the North, where immigrants are more numerous and where, according to standard theory, the opposite was expected. Although different definitions of the quota of foreigners by region and sector were used, all show a positive response of natives' wages to the growth of immigration¹. The definition which used the number of working foreigners over natives as stock and also introduced its square value, shows that the effect of the foreigners on natives' wages is positive but it falls as the stock of foreigners increases and that there is a point, equal to about 10% of native employment, above which the effect of an increase in foreign employment leads to a fall in natives' wages. This level is still very far from the present levels where foreigners even in the sectors where they are more numerous do not reach more than 5% of total employment. Further, the figure estimated should be treated with great care because it is taken from an empirical text based on a very limited dataset. However, it indicates a possible future change in the role of foreigners in the labour market if there is no technological change and no productive investment.

When considering the effect of foreigners on employment and native unemployment, working foreigners do not appear to have any effect on the probability for a native worker of losing his job, not even when regularisation measures were being proposed or applied. (Venturini, Villosio 2001). Foreigners do not appear to have any effect on the probability of natives looking for a new job getting one, and not even for young people looking for their first job. A slightly negative effect was found only in the case of young people in the south of Italy looking for their first job, and this was only in the first year after the 1991 regularisation.

survey on Moroccan, Albanian, former-Yugoslav and Polish communities the log wage differential is 0.29 and the unexplained part is less than 20% for all (Strozza 2001).

¹² See Reyneri 1998b, 2001.

¹ The technique applied in the estimates can be seen in the article quoted.

A more well-grounded fear regarding the competitive effect of foreign labour on the informal labour market is revealed by Venturini (1999) in an empirical study which uses ISTAT estimates of regular and irregular work. The theoretical and empirical details appear in the above-mentioned paper, and here it is sufficient to note that a high level of competition between irregular and regular workers is revealed only in agriculture. The role played by foreigners who do irregular work is smaller than that of natives who work irregularly, however.

In an analysis of possible competition from foreigners, one very important theme remains to be explored, that is to say, their possible competitive role in the irregular labour market where a fall in wages or losing a job probably means poverty for the already marginal worker.

On the whole the role of foreigners is complementary in the regular labour market; and competitive, even though limited to certain sectors, in the irregular work field. This provides further encouragement to continue the policy which has already been adopted of passing appropriate laws - that is to say, laws which favour legal access for work and stop clandestine entry.

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Greek Migration and Foreign Immigration in Greece*

Rossetos Fakiolas

1. Introduction

This paper examines the socio-economic effects of post-war migration in Greece, a country with an age-long tradition in large-scale emigration. Between 1944-1973 nearly one million emigrants came to Greece and about an equal number of repatriates and ethnic Greeks settled in Greece during the period 1955-2001. Since the early 1990s, however, 8% or more of its population and about 13% of the labour force consist of foreigners who are mostly illegal, despite the first ever regularisation in 1998 (Italy and Spain have had three since 1986, and Portugal two since 1992). As an altogether new phenomenon in Greek history, high immigration presents a challenge to state policies, business practices and individual attitudes, offering many demographic and economic opportunities but creating also a range of both unexpected and not readily resolved socio-economic and political problems.

The complexity of the international migration issue has made it a problematic focus for policy-making over the years (Collinson 1996). The change in the direction of the migration flows and the great extent of undocumented immigration add to this situation, while becoming a country of immigration in the last part of the 20th century constitutes an altogether new experience (Arango 2000). Bearing in mind the differences between the institutions for Greek migration and those for foreign immigration, as well as the numerous interrelationships among the relevant socio-economic variables, analysis in this paper cannot come to final conclusions. An effort has been made, however, to incorporate the results from most of the relevant research and to avoid generalisations. Emphasis is put here on foreign immigration, although the analysis includes also the causal factors and the socio-economic effects of Greek migration and the government policy response to it.

2. Socio-economic conditions in Greece

According to the census of 18 March 2001 the population of Greece was 10,94 million, up from 10,26 million in 1991. Its natural increase, however, has dropped from about 1.4% annually in the inter-war period to roughly zero since the mid-1990s. The percentage of the 65 year-olds and over rose from 3% of the total in the beginning of the 20th century to 9% in 1961 and 14% in 1991 (Statistical Yearbook 1997). Therefore the overall increase was mainly due to the ethnic Greeks settling in Greece and the foreign immigration during the last decade, although the demographic analysis below indicates that only part of the foreigners have been registered. Furthermore, no information has been collected about ethnicity, religion and mother tongue (only the country of origin), a serious drawback for Greece which has no population register.

The income per head in Greece is about 67% of the EU average (over 70% in terms of purchasing power) and since 1999 inflation has been around 3.3% annually, slightly above the

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EU average. Despite the satisfactory growth rate in recent years shown in Table 1, unemployment followed a continual upward trend up to 2000 and is now second only to that in Spain (14%) and far above the EU average of 9.2%.

Table 1: Annual Economic growth (percent) and employment (thousands)

	1951-1977	1978-1997	1998-2000	2001-2002*
Growth	5.5	1.7	3.5	4.4
Unemployment (%)		5-10	11.2-12.4	11-10
Employment (2000)			3,940	
Employment rates**			55	

Sources: Ministry of National Economy 2000. NSSG Statistical Yearbooks, various years, OECD 2000, 2001
*Forecasts,

**The employment rate {total employment as a proportion of the working-age population (aged 16-64)} is 61% and 66% in the Euro area and the OECD respectively, bearing in mind however that short-time employment in Greece was 6.1% of the total in 1999, as against 17.7% the EU average. On the other hand, as in all less developed countries and especially those with high seasonal fluctuations of activity, underemployment in Greece is high.

Wage and salary earners make up about 54% of the 4,44 million labour force (it is about 90% in most EU countries) and over 2/3 of them are in small businesses employing up to 19 persons. Self-employment in the rural and the urban sectors comprises about 40% of all employment. Agriculture employs about 16% of the labour force (about four times the EU average), manufacturing industry 14% and the services 60%. Greek emigrant remittances, navigation and tourism contribute respectively about 5%, 4% and 10% to GNP, while about 3 billion Euro is derived annually from the EU support programmes. All four of them are in foreign exchange and help reduce the large foreign current account deficit caused by the wide trade gap, with around \$22 billion annual imports, against only around \$9 billion exports in the last five years (Statistical Yearbook 1997, Bank of Greece, Statistical Bulletin 5-6/2000).

Having been an associate member of the EEC (and later EU) since 1964, a full member of it since 1981 (with free movement of labour since 1987) and accepted in EMU on 1 January 2001, Greece has adjusted considerably its social protection policies to those prevailing in most EU countries. Reflecting overall improvements over the years, life expectancy at birth has surpassed the 76 and 80 years mark for males and females respectively, being among the highest in EU. In 2000, over 2 million young people were enrolled in schools at all levels, of whom 143,000 regular students were enrolled in the twenty university level institutions and 50,000 in the 3-3.5 year polytechnics, while about 50,000 studied abroad, putting Greece not far below the educational performance of other EU countries.

The quality of education in many schools, however, as well as retraining and further training in both the private and the public sectors leave much to be desired, while public administration is still quite inefficient in many of its functions. It often takes 3 years for a case to go through the civic courts of the first instance, the prisons are overcrowded, unregistered economic activities amount to about 30% of the total (IMF 2000a) and partly as a result of the large underground economy, the illegal immigrants outnumber the legal ones. Among other things, the large informal economy precludes accurate measurement of the basic macroeconomic variables like employment, labour force and national income (Bank of Greece 2000:48), making some of the relevant statistics meaningless and being also one of the reasons for the absence of Greek data in many international statistics. Furthermore, it encumbers the application of sustainable immigration policies based on both border

reinforcement and the restriction on illegal hirings. Worst of all, corruption, with an extensive police involvement, especially in immigrant trafficking and prostitution, is widespread. In ratings of 90 countries Greece was considered by Transparency International as being the 35th most corrupt, while in a survey carried out in Greece in January 2001 for TI-Hellas, 45% admitted to giving kickbacks 'just to get the job done', especially in the state hospitals and the transport and building licence departments. A good 18% replied that they did it because they felt it was expected and an obligation (Athens News 25/02/2001). 'This is Greece, the every-day other Greece' admitted the Greek Prime Minister in the parliament, referring to such problems after a tragic shipwreck in the Aegean Sea on 27 September 2000 (Minutes of Debates on 4 October 2000 - www.parliament.gr). In its 2001 Economic Survey for Greece, the OECD recommends 'deep reforms', emphasising 'the need to upgrade urgently the public administration and improve the efficiency of the public sector'; similar recommendations are made in the Greek Ombudsman's Report for 2000.

The socio-economic developments and the present day conditions described above help explain the large number of foreign economic immigrants for unskilled jobs, in an economy in which most of the unemployed and the hidden labour reserves have low professional qualifications. Those developments have weakened the income effects of employment and decreased the labour supply for many unskilled jobs in which both the life-long income and the derived overall satisfaction are low. The expansion of the educational system has delayed labour market entry for all the 12-15 year-olds and for over 80% of the 16-18 year-olds and raised the professional aspirations of school-leavers. Generous welfare benefits to households with above poverty income-earning capacity have had similar effects. Work attitudes are also affected adversely by the ownership of real estate and/or financial assets by most households, the high percentage of owner-occupied houses (about 80%, among the highest in the EU) and the still-strong family ties. Furthermore, over a quarter of the wage and salary earners have relatively well paid, tenured jobs in the broader public sector, while state regulations, trade union practices and social pressures restrict dismissals and redundancies in the private sector. The result is high demand for the flexible and mostly illegal immigrant labour in jobs which, if undertaken by the locals, would be only at wages which would not be sustained by the market.

There is also a high demand for paid household work due to the rising (but still below the EU average) share of women in employment, the increased housing space which already compares favorably with that in the developed countries, the ageing of the population in connection with the inadequate capacity of the old people's homes and the will of many people to keep their old folks at home. The number of crèches is inadequate, too, while a large number of primary and secondary schools function mornings or afternoons in alternating weeks and the educational system necessitates that most parents tutor their school children at home. No doubt cultural factors and prestige considerations induce many well-off households to have a live-in domestic helper, whom they cannot find among the local people (see King et al. 2000).

3. The migration of the Greeks

3.1 Flows and driving forces of migration

Political, family, study and economic reasons have caused the large outflow of Greeks over the period 1944-1973. About 13,000 Tsamis of Greek citizenship, but mostly of Albanian ethnicity, left Greece, following the withdrawal of the German occupation forces in

September 1944. They have not come back but they have put claims for compensation for their real estate in Greece. In addition 100,000-130,000 left-wing Greeks (among them 15,000-20,000 with non-Greek consciences, mostly Slavo-Macedonians and 13-15 year-old children taken along by the retreating left-wing army) found refuge primarily in various socialist countries, following their defeat in the 1946-1949 Civil War (Kontis 2001). Another relatively small group of emigrants moved in order to join their relatives (pre-war emigrants) to the USA, but hundreds of thousands of young persons emigrated in order to take undergraduate courses or do research work abroad (about 95% returned after finishing their studies). However the bulk of the emigrants moved in search of economic opportunities. Most of them were single young farmers or new rural out-migrants in the cities, unskilled and with low educational attainments. Several thousand were engineers and technicians emigrating to various Middle East, African and South American countries for project-tied employment. Others with equal professional qualifications emigrated for longer settlement abroad and at that time constituted a serious brain and skill drain for Greece. About 530,000 emigrants, mainly from Northern Greece, settled in other European countries (420,000 in Western Germany) and an almost equal number, mainly from the Peloponnese and the islands, settled overseas, over 90% in USA, Canada and Australia. Table 2 below summarises the relevant figures.

Table 2: Migration of Greeks and ethnic Greeks, 1944-2001 (thousands)

Net migration (1)	1944-1973	1,000
Gross repatriation (2)	1971-1985	628
Gross repatriation (3)	1985-1991	161
Net repatriation (1)	1974-1986	300
Net migration (4)	1988-1994	60
Settlement of ethnic Greeks from Turkey, Egypt, Zaire, Cyprus (4)	1955-1978	250
Settlement of ethnic Greeks from the former USSR (5)	1988-2001	160
Residence of ethnic Greeks from Albania (4)	1990-2001	80

Sources: (1) Own calculations based on data from the National Statistical Service of Greece (NSSG) Statistical Yearbooks various years. (2) Statistical Yearbook 1997. (3) 1991 census data, Statistical Yearbooks 1992-1993, 1997. (4) Estimates. (5) Ministry of Interior 2001.

At the time of emigration, unemployment was large (about 20% among the workers and employees in 1961) and so was under-employment because available capital for productive investment in the country was limited, the skill level of the labour force low, and administrative efficiency inadequate to create the large number of employment opportunities necessary for those entering every year the urban labour force. The new entrants came from agriculture which accounted for over half of total employment, the increasing labour force participation of women which continues until the present day and from the rapid population growth (24.5 live births and 13 deaths per thousand inhabitants in 1940, dropping to about 17 and 8 respectively during the first post-war period). Large rural-urban migration was also taking place at that time (NSSG, 1961 census data).

Emigration was not only supply-driven. The demand for labour during the first post-war period was intense in Northern Europe, North America and Australia and to facilitate emigration Greece allowed agents from the receiving countries to tour and recruit migrants. It

also signed bilateral agreements covering equal employment rights with the locals and providing for the establishment of Greek schools in the main destination countries. Soon after their settlement in them, the emigrants invited relatives, turning emigration into a family type and acting as a pull factor for further flows (chain migration).

3.2 Repatriation and settlement of ethnic Greeks

By the early 1970s, more or less full employment was attained in Greece because so many had left, employment had increased (also with the significant contribution of the emigrant remittances) and the school population about doubled. Given also that social conditions had improved, emigration declined gradually and before the oil crisis at the end of 1973 returns exceeded outflows. Until the mid-1980s, nearly one third of the economic emigrants had returned (over 200,000 from Western Germany), together with the majority of the political refugees, excluding those with non-Greek consciousness. In 1985-1991 more returned (Table 2). Gradually the return migration and the emigration of Greeks roughly equalised at low levels but with considerable intertemporal and country differences. Greek immigrants to Germany, for example, amounted to 29,500 in 1989, declining gradually to 16,100 in 1998. Total immigrants in that country amounted to 770,800 and 605,000 in those two years respectively and in 1998 there were 201,000 seasonal and 33,000 contract workers (SOPEMI 2000:64-5,312).

Since the mid-1950s an estimated number of around half a million ethnic Greeks have settled in Greece from Turkey, Egypt, Zaire (now Congo again), other African countries, Cyprus, Albania and the Commonwealth of Independent States (CIS). The majority had been compelled to leave. Speaking good Greek, being well versed in Western European languages and having professional qualifications with high market demand, the majority of the settlers from all other countries except the socialist ones attained fairly quickly economic and social integration at a time of rapid economic growth (mid-1950s to mid-1970s). Nowadays, the ethnic Greeks from neighbouring Albania (Vorio-epirotas) are in principle free to enter and leave Greece legally and are helped by Greece to advance economically at the places where they and their ancestors have lived for centuries. But they are not encouraged to settle and most of those who reside in Greece (Table 2) are employed mainly in unskilled and low skilled jobs. Since April 1998 they have been eligible for a Special Identity Card, valid for three years and renewable, which grants them the right of residence and guarantees the same treatment as to the Greek citizens in the labour market (SOPEMI 2000:192).

In the period 1989-1999, 146,102 Greek Pontians from the CIS with a foreign passport entered Greece with a settlement certificate or a tourist visa. Of these, 103,573 were granted a Greek passport (428 of those passports have been invalidated). All have been welcomed by Greece and many have been helped with emergency salvage operations to move out of areas of unrest. As those from Albania, they are entitled (since early 2000) to a Special Identity Card and in principle the policy is to help them stay in the host countries, whilst maintaining cultural and political links with Greece (Minutes of Debate in the Greek parliament 27/02/2001; see also Petropoulos 1999 and SOPEMI 1999:149). Although their schooling is higher than that of the local Greeks, their professional qualifications (acquired to fit in a socialist economy with a high division of labour and based on Marxist ideology) are not always suitable in the conditions of the Greek market economy. In 1937-1986 the teaching of the Greek language was forbidden in the then Soviet Union and as most of them had not been in Greece before, their knowledge of the Greek language is from poor to non-existent. Inevitably, therefore, the majority have unskilled and low-skilled jobs. For these, they

compete with the numerous foreign economic immigrants in the market and face difficulties in their integration, despite the considerable public assistance offered by Greece and various international organizations. For about 60,000 of them, naturalisation procedures have not been completed because they travel on a simple tourist visa, many ethnicity certificates (issued legally by the Greek consulates abroad) have been fake and fraudulent 'hellenisations' have been revealed. Given that through naturalization voting rights are acquired and economic incentives are offered for settlement in northern Greece, naturalisation has caused sharp political controversies between the government and the opposition parties² (Pontian Federation, Athens, Conference papers on Immigration in Greece, Athens, 26 September 2000).

3.3 Demographic and socio-economic effects

Due to the settlement of ethnic Greeks and the large repatriation, the migration of Greeks had a roughly neutral demographic effect. Total numbers increased from 7,2 million persons in 1951 to 10,26m in 1991, indicating a growth rate roughly commensurate with the fertility-mortality differences during that period.

On the positive side of its socio-economic effects, emigration eased up the heavy pressure of supply on the labour market and a large number of emigrants came to appreciate the higher foreign levels of family and health care and the standards of the public services. It provided also precious foreign exchange used primarily for private consumption, especially in nutrition, medical care and education, while a high percentage was invested in state bonds and deposited at the banks. As shown in Table 1 above, Greece attained a high rate of economic growth during that period. Capitalising on their savings, many repatriates established small family businesses in catering and similar services. Repatriates benefited also from the social insurance rights which were transferred to Greece through bilateral agreements with most host countries. Finally, the emigration-repatriation process has brought about close business contacts, considerable cultural exchanges and a two-way mobility of high quality labour with the host countries. Because of the inadequate post-graduate courses in the Greek universities until the early 1990s, about 8 out of 10 academics, senior civil servants, business executives and top artists in Greece have had a large part of their training and work experience abroad.

Although more difficult to identify and even harder to measure, some of the costs of emigration were quite high. This is certainly the case with the psychological costs for the first emigrants who settled in a new place and did not speak the local language (it is estimated that about one in five returned within one year). Then a large number of young ambitious people capable of co-operation left the country. Contrary to expectations, the skill level of most returnees (excluding emigrants for studies and contract work migrants) had not risen. That was partly due to their low educational attainments before emigration and their inability to communicate in the language of the destination country. Another factor was their eagerness to earn the highest possible income from their mostly unskilled jobs (by taking shift and overtime work) and to save a large part of it, instead of choosing jobs with lower pay but better professional prospects. Naturally, the majority of those who had acquired professional qualifications did not rush to repatriate and many of the early post-war emigrants who returned were near or at retirement age. Despite their mainly rural origin, most of the

² In a 10% sample of the cases of naturalisation examined by a special committee, 3,222 were not in order. The Minister of Interior argues that in the many emergency situations of that time some civil servants took initiatives in order to help people (Minutes of the Greek parliament 27/02/2001).

returnees settled in the urban centres, accelerating the long process of urbanisation and quite a few adding to the unskilled part of the local labour force.

Although many of their children gone to school for many years and some have acquired considerable professional qualifications, a high percentage enter the labour market with very low skills, speak neither the local language nor Greek well and feel themselves as 'strangers' both in the receiving country and in Greece. To help them OAED (the state employment agency with branches all over the country) offers training and re-training courses in technical and professional education, to some also with full board free of charge and a small pay. Finally, some receivers of the remittances have adopted foreign consumption standards based primarily on imported goods. They also tend to avoid systematic productive efforts and employment relationships involving manual and low-status jobs, which are now undertaken by foreign immigrants.

Weighing the positive and the negative effects of emigration and repatriation one tends to accept a basic tenet of economic theory. According to that, both the individuals and the countries involved gain when labour moves from less developed economies where it is un(der)employed or employed in low productivity jobs, to more developed ones which face labour shortages, provided of course that proper use is made of the increased output from those geographical movements.

4. Registered Foreign Immigration

4.1 Refugees and asylum seekers

The first post-war foreign migrants to Greece were refugees and asylum seekers from the newly formed socialist states; one of the first refugee camps in Europe, with a capacity for 300 persons, was established to host them in Lavrion, 60 km south-east of Athens. Later on, more arrived from Turkey, as well as from Iraq and other third-world countries. Since then around 12,000 immigrants have resided in Greece under that status or on humanitarian grounds. Assisted by a host of international and Greek organisations and NGOs, the Greek government has tried over the years to bring the country's legal-institutional framework into line with its obligations under multilateral agreements like, for example, the 1990 Dublin Convention, applying however a very restrictive policy (SOPEMI 2000:196). In 1997 and 1998 Greece received 4,376 and 2,953 applications for asylum, accepting only 130 and 156 and offering humanitarian status to 613 and 386 in the two years respectively. Over the period 1980-1998, 6,169 were granted refugee status and about twice as many were granted temporary humanitarian status. Most of those accepted leave for permanent settlement abroad, mostly to the US and Canada (UNHCR, Greek Branch 1997, 1999, 2000). Accepting only about 4%-5% of the applications, Greece has one of the lowest acceptance rates in the EU (SOPEMI 2000:192, 1999:150 and Petropoulos 1999:Tables 24,25,26). Critics therefore rightly point to the many who are sent back, while human rights organisations argue that there has been an unsatisfactory treatment of the asylum-seekers during their stay in Greece (see Baldwin-Edwards/Fakiolas 1999, Ghosh 1998, Stolker 2000).

4.2 The official data on foreign passport holders

Table 3 below shows a declining number of foreigners with valid permits. The Ministry of Public Order, however, supplies also data for foreign passport holders with an expired residence permit or no permit at all, which are 3-4 times as many as those with valid permits. Many of those appear to be ethnic Greeks with foreign passports who, being in the 'motherland' do not bother much with the state bureaucracy of permit renewal. During 1998 slightly more than 63,400 migrants received residence permits. Of the 15,100 people from Albania, 82% were to ethnic Greeks, of the 11,000 from Russia 56% and of the 3,300 from Georgia 84% (SOPEMI 2000:192). Others seem to be legal foreigners who lapse into illegality in order to avoid the onerous requirements of the aliens' law.

Table 3: Foreigners with valid permits 1987-1997 (1 January every year, thousands)

Years	Foreigners
1987	120
1988	110
1989	100
1992	89
1995	79
1997	78

Source: Ministry of Public Order

4.3 Economic immigrants with work permits

According to the aliens' laws the Greek Ministry of Labour issues work permits to foreign passport holders, keeping their number at around 27,000. The permit is for a maximum of one year and is issued at the request of the prospective employer who through complicated procedures involving the OAED and now the special departments on immigration of the Ministry of Interior created by the new law (see below) presents evidence that no Greek, ethnic Greek or EU citizen is available for the specified job at the going wage. Unlike the situation under the previous law, the permit holder can now change his/her employer and the place of employment during its duration. About half of the permit holders are ethnic Greeks and EU citizens and the majority of both categories possess high and middle level professional qualifications. Asians account for about one third, while the remaining come from dozens of countries the world over. Foreign firms, Greek firms in tourism and entertainment, athletic associations, language schools and households with invalids, etc. are entitled by law to invite foreigners, in principle not for unskilled jobs.

By special intergovernmental agreements some immigrants, mainly Egyptians and Pakistanis, have been in the country since the early 1970s, and many of both the first and the second generation have established small firms in catering, tourism and the retail trade or work as taxi drivers. A few are also in the professions. Under separate arrangements, between 8,000 and 13,000 recognised refugees and crews in the Greek merchant fleet are also employed legally.

Table 4: Foreign Immigrants, 1970-2001 (thousands)

Illegal entry or residence of immigrants (1)	1985-2001	3,000
Deportations-expulsions of illegal immigrants (2)	1990-2001	2,400
Voluntary exits by illegals (1)	1990-2001	600
Economic immigrants and refugees employed with work permits (3)	1970-2001	24-38
Economic immigrants with or without work permits (1)	early 1990's - 2001	500
Immigrants who applied for regularisation (January-May 1998 (4)		370
Immigrants who have or are about to receive a 1-5 year renewable green card (5)		c 210
Foreign passport holders without valid resident's permits (31/12 each year) (6)	1990 1991 1997	229 253 304

Sources: 1. Estimates, 2. Ministry of Public Order, 3. Ministry of Labour, 4. OAED, revised figure, 5. OAED, 6. Ministry of Public Order estimates

For permit holders with high qualifications, wages and related benefits are roughly those of the locals and not infrequently higher if employment is in foreign firms. At the other end are the less qualified who are paid up to 40% less than the locals for comparable quality of work. The family members they invite (mostly illegally) mainly go into employment in the shadow economy (Lianos et al. 1996, Fakiolás 1999a and 2000, Sarris/Zografakis 1998).

5. Undocumented economic immigration

The informal employment of foreigners has become a structural feature in well-off societies (Boehning 1998:82) because legal entries cannot absorb the growing numbers of those who want to move and economic aid to the developing countries has failed to reduce that pressure (Tsardanidis/Querra 2000:327, Tomasi/Miller 1997:136). Although skilled workers are increasingly recruited legally following the increasing demand for their labour, legal entries in the receiving countries are reduced because governments are fearful of uncontrollable and unwanted immigration (Hammar/Tamas 1997:1). In this way informal immigration augments the overall underground economy which, according to a recent IMF study already mentioned, has assumed large dimensions even in the more organised developed countries.

5.1 The causal factors

The 1988-1991 changes in the former socialist countries, the ethnic, political and religious conflicts in the south and east regions of the Mediterranean Sea and the demographic push in many third world countries, which in addition make limited progress in their economic development, are the common push factors for illegal immigration in all southern European countries (see Heller, ed., 1997). Furthermore, the difficult geography in these countries inhibits effective border controls (King et al. 2000). However, the equally numerous but more complex pull and network factors examined in Chapter 1 above continue to play the main role in the large economic immigration in Greece.

5.2 The short history of undocumented immigration

Foreigners started migrating to Greece on an irregular basis in the late 1960s, first as unskilled seasonal workers from Spain and later on from Egypt and South Asia for work mainly in industry, agriculture and domestic service (Fakiolas/King 1996). There followed immigrants from Poland, mostly as overstaying tourists, and from more third world countries for work mainly in construction, agriculture and various services. Up to the late 1980s, their number was put at between 30,000 and 70,000 persons (Werth/Koerner 1991) but soared thereafter and since the early 1990s it has fluctuated at around 600,000. Nearly two thirds are Albanians; other large groups include the Poles, who have created an important network of mutual assistance, the Filipinos, who are well organised socially, as well as Bulgarians, Kurds, Turks, Egyptians and Iraqis. The number of those from the CIS has also increased in the last four years. Most immigrants are single and live usually in small old flats turned into dormitories or in old houses, barns and deserted huts in the villages (Chtouris/ Psimenos 1998, Psimenos 1997). An increasing number, however, especially after the 1998 legalisation, have rented and even bought their own apartments and quite a few live with their families. They work mostly in unskilled jobs in the rural and the urban centres, notwithstanding their high formal training (see below), indicating high overall social costs in terms of skill waste. Irrespective of legal status, they have free treatment in state hospitals in emergency cases and since 1998, their children can enroll in the state schools.

It is estimated that about two thirds enter the country illegally by land or disembark on a coast through journeys which are both costly and dangerous (Ruggiero 1997:231, Fassmann/Muenz 2000, King et al. 2000). Being extremely vulnerable geographically with respect to illegal entries (more so than the other Southern European countries), Greece resorts to mass expulsions and deportations (over 2.4 million since 1990, about 80% of them Albanians--Ministry of Public Order). Many immigrants have been sent back and come again several times. Greek farmers, small businesses and households willing to hire cheap compliant labour from abroad had no other option until the 1998 regularisation; and because of the lack of a viable system to verify hires' work eligibility, employers are seldom punished.

5.3 The 1998 legalisation

The two bilateral agreements for the exchange of seasonal workers between Greece and Bulgaria and Albania respectively, which were drafted in the early 1990s, had a slow start. One main reason was the political difficulties encountered by the two latter countries; and another the duration of the seasonal sojourn in Greece. Greece wanted them for up to three months each time, the two other countries insisted on up to nine (the same as in Switzerland which makes the most extensive use of seasonal work). Finally, a compromise for a maximum of six months was reached which has been put also in the 2910/2001 law. When the political difficulties were also overcome, the agreements were finally ratified in 1997. Yet hardly any employer has used them (Ministry of Labour) because of the onerous procedures specified in them.

Besides, Greece had a sharply waning interest in applying them due to the 1998 legalisation which, although riddled with bureaucratic obstacles and requirements that proved very difficult for many migrants to fulfill, marked nevertheless a numerical success. The 370,000 applicants received a white card granting them legal residence and work for about one year (with the extensions given), but they also brought home the serious problem in dealing with a very large number of heterogeneous economic immigrants. About 65% come from

neighbouring Albania and 11% from Bulgaria and Rumania, while Pakistanis, Ukrainians, Poles, Georgians and Indians make up 2-3% each and the remainder come from dozens of other countries. The male proportion is 74.4% - 99.6% among those from the primarily Moslem and Hindu countries Albania, Egypt, Pakistan, Bangladesh, India, Syria and Nigeria; but 18.5% - 40% among those from the Christian Philippines, Bulgaria and Ukraine. The gender structure also reflects the kind of work sought: mainly in agriculture and construction by the former group; in domestic service, catering and the entertainment industry by the latter. Nearly all applicants were of working age, the 15-44 year-olds made up 88% of them and 81.8% had secondary and tertiary education. Tertiary education was held by 12.3%, of the females 17% (Kavounidis/Xatzaki 1999). The corresponding proportion for tertiary education in that age cohort in Greece in 1991 was 5.6% (census data, Statistical Yearbook 1997).

The roughly 220,000 applicants who supplied the required complementary documents (OAED 2001) were granted (or are about to be issued with) a renewable green card. As a norm, the card is for one year, it grants them the rights of the Greeks in the labour market and also the right, after 5 years of legal residence, to invite (without the right to work) dependent members of their families. As a rule, however, the card holders do receive a Schengen visa.

On the basis of empirical observations and 20 in depth interviews with state officials, immigrants and employers, the author of this article estimates that over 150,000 illegals did not apply because they did not know about it. Others were legally in Greece but with no work permits as was the case with many commuter migrant Poles, or they were not in Greece before November 28, 1997 and therefore they did not qualify. A large number had a penal record or were unable to present the required documents, their respective employers refused to certify that they employed them, they feared to inform the authorities about names, addresses, etc. or they preferred the flexibility of the informal market, indicating that the 20% social insurance contributions and other obligations of registered employment are a substantial cost for them (Fakiolas 1999:209). Additional observations, however, have shown that the figure of 150,000 should be revised upwards to at least 200,000, with a much higher proportion of females, reflecting perhaps their large share in the (mostly illegal) entertainment and sex industries (see Morris 1997:250). Furthermore, most of the 150,000 applicants who, as above, did not apply for a green card, simply lapsed into illegality.

In total, together the applicants for legalisation, the registered immigrants and the estimates for the remaining illegals reach a number of about 800,000 (and possibly 900,000 or more) foreigners of non-EU nationality and of non-Greek origin. This is far above the roughly 4.8% average for the EU (Angendt 1999:6). Assuming, in addition, that about 7 out of 10 of them are economic immigrants, we conclude that, as above, immigrants make up about 13% of the labour force.

5.4 The effects of the legalisation

The regularisation increased the number of the legal economic immigrants of non-Greek and EU origin by a factor of 14. However, it left a large number of illegals which tends to grow further because they attract more illegal flows as relatives and friends join them and others enter on their own in the hope that they would be included in the next legalisation. This hope has already been fulfilled because the new law provides for a second legalisation. Both the South European and the USA experiences show that amnesties do not solve the problem of illegal immigration (CIS 12 October 2000).

For the green card 40 social insurance stamps were required and 150 for its renewal. For those, however, due for renewal up to 31/12/2001, the new law has extended the validity to 30/06/2002 because so many of their holders had not bought them and had tended to drift again into illegality. An early policy response to a relevant issue had been the reduction by half in October 1998 of the social insurance contributions for domestic work. The anticipation, therefore, that the regularisation would increase social insurance revenues has hardly been realised, as shown by the insignificant increase in the number of insured persons in 1998 and 1999 (Social Budget 2000, Ministry of Labour). It seems, however, that it has increased the costs, as witnessed by the large number of immigrants who ask for welfare medical treatment³.

Although statistics or relevant research are not available, observations show that regularised immigrants are now employed by established firms, have opened bank accounts, established shops, acquired driving licences and bought, as already mentioned, real estate, indicating their intention to settle in Greece. As in other countries, however, the flexibility of the legalised immigrants will decline and more semi-skilled jobs wanted by the locals will be undertaken gradually by them, whereas their use of the subsidised social infrastructure will increase. Unless, therefore, their contribution to output and social insurance are emphasised, there lurks the danger of labour market tensions in conditions of high unemployment.

5.5 The 2910/2001 aliens' law

Although more 'liberal', in its main philosophy the new law is about as restrictive as the two previous ones 4310 /1929 and 1975/1991. The main changes, some of which are also referred to elsewhere in the text, are summarised below:

- a) A new legalisation is applied for those who have resided in Greece for at least one year before its application. Travel documents, certificates by authorities at all levels and even electricity, telephone bills. etc may be used to prove illegal residence (art. 66). This was necessary. Unless, however, other proper measures are taken also, a third legalisation will inevitable soon be needed.
- b) The law establishes: i) regional migration departments of the Interior Ministry at home to help employers who ask for foreign labour, while OAED produces annual reports about the labour needs which cannot be satisfied by Greeks or aliens' residing legally in Greece; and ii) a complex network of employment offices abroad within the Greek consulates, mainly in neighbouring countries, that will assist foreigners to find work in Greece. Those procedures are hardly any less complicated than the ones under the previous law; and given the weaknesses in the public administration one wonders how those departments will be manned efficiently.
- c) Work permits may be issued by the prefect for one year and renewed annually for up to 6 years for dependent and for 2 and 2 years respectively for independent employment. In both cases, a 2-year-permit is issued after 6 years and an indefinite time permit after 10 years (arts. 22 and 25-27). After 2 years the alien may be allowed to invite dependent family members who (unlike the case of the green card holders) may be granted the right to work (art. 28-31). In all cases the new law is considerably more liberal than the previous one.

³ The eligibility rules and the right to non-contributory benefits caused a heated public controversy in March 2001 between the Minister of Health and various anti-racist groups (see the daily and weekly press in that month).

- d) To apply for naturalisation an alien must have a total of 10 years legal residence in the last 12 years in Greece (down from the 15 years in the previous law).
- e) As already mentioned, the new law extends to 30/06/2002 the validity of all cards due for renewal until 31/12/2001. Those valid after 31/12/2001 must be renewed regularly (art. 65). And unlike the previous one, it does not tie the work permit to a specific employer.
- f) It increases the penalties against people employing, transporting and accommodating undocumented immigrants. The application of those rules is the real issue.
- g) It levels disciplinary and criminal penalties against public sector employees who afford service to aliens unable to prove legal residence status in Greece (excepting the medical treatment in emergency cases, which however are not defined). All persons providing in any way shelter to an alien must inform the police (art. 56). The criticism is that this could serve as a bar to persons in need of emergency shelter or specialised (i.e. life-saving) medical treatment. It could have also serious implications for humanitarian assistance to the disadvantaged and to those with infectious diseases.
- h) It introduces a new procedure attempting to recruit seasonal and longer-term workers from abroad (art. 19). Its similarities, however, with the bilateral agreements with Bulgaria and Albania leave little margin for optimism
- i) It establishes a research institute on migration (art. 73). This has been long overdue.

5.6 The wage levels of the immigrants

In the informal market, labour is employed on economic terms without much distinction between locals and aliens who tend to be perfect substitutes (Jahn/Straubhaar 1999:28ff). Therefore the wages there are determined by the demand-supply relationship which varies widely. Shortages of seasonal or casual labour push take-home-pay above that of the Greek and foreign legals, for whom however social insurance contributions vary between 20% and 70% of the nominal wage (among the highest in the OECD). Abundant labour supply by needy immigrants, however, may bring their wages to very low levels and the labour costs for the employers down to 60% of that for the registered locals. In principle, their total net income is lower than that of the locals because few have regular jobs⁴. Observations, however, show that in a society where there is always demand for low-status jobs, the spatial, job and wage flexibility of the immigrants allows them to find jobs under difficult market conditions. Besides, by taking up jobs below their qualifications and by having flexible attitudes, their productivity is often higher than that of their local counterparts. Various estimates put their money earnings 2-5 times above those in their countries⁵, although the real income (including the state provision of medical, educational, housing and other services) in the former socialist countries is difficult to estimate.

6. The effects of foreign immigration

Definite conclusions about the effects of immigration can not be drawn even for developed countries with long relevant experience (for reviews of the literature see Borjas 1994, Klusmeyer 1997 and Sarris/Zografakis 1998). The common patterns of the demand driven inflows in USA and Europe imply, nevertheless, that many countries consider immigration

⁴ EKA (Athens Labour Centre, 1995, 1997) surveys have found that about 26% of the illegal immigrants are unemployed or employed in casual jobs, while 65% work more than 10 hours a day.

⁵ For evidence on those issues see Lianos et al. 1996, Sarris/Zographakis 1998, Fakiolas 1997a, 2000, Minev et al. 1997, Markova/Sarris 1997.

very useful for their demographic and economic development (Boehning 1998). In fact, immigration can have beneficial effects, different for different groups of people. Outcomes depend on a host of circumstances and variables and, on the whole, the economic effects are marginal and probably positive, particularly in relation to problems generated by an ageing society (Tomasi/Miller 1997:136).

6.1 Demographic and social effects

The demographic effects of the legal immigrants in Greece are minimal due to their very small number until 1998 and the restrictive character of the 1991 law. Notwithstanding their beneficial influence on the age structure of the labour force, the effects of the undocumented immigrants are also insignificant because of their short average stay. Due, however, to the about zero natural population increase since the mid-1990's and the possibility of a decrease in the years to come, the immigrants could contribute to the creation of stable demographic developments. Only 300-400 aliens not related to a Greek are naturalised annually (Ministry of Public Order), adding about 1% to the population in 300 years (!), whereas thousands of foreigners with long legal stay in Greece are refused naturalisation.

The aliens help the local Greeks to be acquainted with foreign habits and work attitudes in an increasingly globalised world. Illegal immigration, however, may affect adversely social attitudes because it strengthens further unregistered economic activities, encourages disrespect for state authority and causes a decline in state legitimacy (Collinson 1994:15).

In education Greece faces now the same problems as many other countries with large foreign populations. In 1997-1998, 12 out of the 52 prefectures had a proportion of foreign children in primary education varying between 9% and 14.1% of the total (Ministry of Education). In some schools up to half of the pupils who are children of foreigners and new ethnic Greek settlers do not speak Greek in their families, making it difficult for teachers to maintain high standards of instruction. In a poll conducted from 6-13 March 2001 in Athens and Thessaloniki for the Greek Branch of the UNICEF, 7 in 10 teachers said that there were not trained to teach immigrant children and 33.9% that they had witnessed discrimination caused by other pupils, parents, non-school agents, teachers or the school administration. Nearly 58% of the parents were 'worried' about immigrants but 42.6% said the presence of immigrants was 'normal' for schools. The encouraging aspect is that 9 out of 10 of the primary school pupils had a positive view of their foreign school mates and a similar rate appears willing to share their desk with a foreigner (Kathimerini 21/03/2001-www.eKathimerini.com/news). In the 1998-1999 school year 13,584 ethnic Greeks and foreign pupils were enrolled in the reception classes and the tutorial sections, and about 59% of them were children of foreign immigrants, 83% of the latter being Albanian (Petropoulos 1999).

Encouraging as that is, according to police reports, a combination of administrative and punitive measures has brought about a considerable decline in immigrant criminality in 1999-2000⁶, the number of immigrants in the Greek prisons (3,700 out of a total of 8,400 inmates - Ministry of Justice, up from 39% of the total in 1997- Wacquant 1999) implies nevertheless that the problem is still acute. This is actually the experience of many farmers in isolated villages near the northern borders but also of many city dwellers and reflects on xenophobia. The Vienna-based European Monitoring Centre on Racism and Xenophobia finds that

⁶ The decline in immigrant criminality has been largely due to the close police cooperation among the Balkan countries and especially between Albania and Greece.

although more EU citizens view immigrants and minorities as cultural enrichment, in Greece and Belgium the 'intolerant' outnumber the 'actively tolerant'. Fourteen per cent of the Europeans oppose the presence of immigrants, compared to 20.1% of the Greeks. To some extent, however, this stems also from historical stereotypes and an ingrained sense of national insecurity which are examined below. Therefore, it must be examined together with the very friendly work, educational and social relationships between the Greeks and the immigrants. Thousands of immigrants have each the key of one or more Greek houses which they visit regularly for doing domestic, maintenance or repair work. Not a single complaint of theft has been heard over the years. In addition thousands of Greeks offer their good services to the immigrants in their dealings with the authorities.

On the other hand, academic research and observations from many other countries (Wacquant 1999, Goodey 2000) indicate that the incarceration rate of foreigners in all EU countries (and the blacks in USA) is, as a rule, 7-10 times higher than that of the locals (the whites in USA). They also show that although they do not discriminate negatively on the grounds of nationality, the police and the courts in Greece tend to do it positively (Baldwin-Edwards 2001, Karydis 1998, Papantoniou et al. 1998). In addition, a relatively affluent and open society, surrounded by countries at a lower stage of socio-economic and political development and with 'surpluses' of firearms and locally produced narcotics is bound to be at the centre of many foreign 'antagonisms' and criminal activities.

Furthermore, police reports indicate: a) an increased overall criminality in the country and the close collaboration between Greeks and foreigners in unlawful activities; b) a large number of homicide and serious crimes committed by members of organised crime (many coming from the developed countries), unrelated to the economic immigrants; c) adverse effects of the social unrest in some former socialist countries⁷; d) a low average age of the immigrants, their precarious employment and large un(der)employment, congested living conditions and illegal status of most of them.

6.2 The economic benefits from immigration

The immigrants, for whom Greece has incurred no up-bringing and educational costs, allow the qualified and more disciplined part of the Greek labour force to move up the professional ladder and occupy positions of higher responsibility. They free also many skilled local women with small children etc. to work for income. The majority consume primarily domestically produced goods, while being young and without families they impinge minimally on the social infrastructure (schools, hospitals), although the non-contributory benefits are substantial. Those who will stay on will not become dependent on the system for many years and, whatever their legal status, they pay their share in indirect taxes (which in Greece account for about two thirds of the total state revenues). Through lower wages, they also contribute to relieving inflationary pressures and to broadening the artificially narrow wage differential between unskilled and skilled labour maintained by trade union pressures and welfare policies since the late 1970s. Despite its adverse effects which are examined below, their unregistered employment helps to minimise labour costs, while production which might

⁷ In Albania social unrest was prompted by the collapse of the pyramid investment schemes in 1997. Then about 700,000 modern guns were stolen, dozens of thousands of which still find their way to Greece (IIER 2001 and <http://www.idec.gr/iier>). Germany, Italy and Greece strongly support a recent Albanian government proposal to set up a regional centre to combat trafficking of illegal goods and migrants, preferably in the port of Vlora, 80 kilometers south of Tirana, from where dozen of speed boats leave for Italy every night, smuggling immigrants, drugs and weapon Athens News 2/03/2001).

otherwise be unviable continues (see Baldwin-Edwards/Arango 1999). Reducing substantially the immigrant employment would have a much larger impact on output because of the reverse multiplier effects. A decrease, for example, in agricultural production would reduce activity in many industries, curtail exports and increase imports, with further overall adverse effects.

Empirical research in Northern Greece in 1995 indicated a limited substitution of foreign for indigenous labour (of the order of 0.5% for the legal and 5.8% for the illegal) and a net contribution to aggregate production (Lianos et al. 1996:460-1). Immigrant competition for jobs in the market was found also by Sarris and Markova (1997) with a sample of 25 Bulgarian men and 75 women, as well as by Baldwin-Edwards and Safilios-Rothschild (1999:210). Sarris and Zografakis (1998:15) find positive results on output by the employment of the undocumented immigrants but different effects on local wages by category:

- Hired agricultural workers and the unskilled in urban jobs are among those severely disadvantaged, while agricultural households of all income classes are beneficiaries of immigration.
- The poor and middle income urban households headed by unskilled workers experience a net decline of their net disposable income.
- The urban households headed by skilled workers or by inactive individuals, such as pensioners, appear to benefit. The authors note, however, that there is no unequivocal case for illegal immigration to lead to a decline in the real wages of unskilled labour and increases in the real wages of the skilled. They also imply that about one third of the immigrant labour is net displacement of the Greek one and the rest a net addition of labour. They attribute that large substitution to the decline of the Greek labour supply which itself is due to the decline in the real wages of the unskilled, and call it a 'type of voluntary unemployment'.

A qualitative approach by the author of this paper based on the 62 written reports and letters sent to the Ministry of Labour before the 1998 legalisation indicates a lower substitution for indigenous labour, a considerable complementarity between it and immigrant labour and thus a stronger positive income effect. With few exceptions (based mainly on national defence and public order grounds), the respondents (ministries, local governments, trade unions, farm co-operatives, employers associations et al.) referred to the serious seasonal shortages of labour. They stressed also that immigrants enable marginal firms to continue their operations and to create new employment opportunities through the establishment of new firms and the expansion of the old ones (Fakiolas 2000:62-63).

On a broader perspective, a large amount of useful work in the country, from road safety and forest protection to old age and invalid care at home and in welfare institutions, is not done either because the state budget and the households cannot afford to pay for it, or because, as already mentioned, the going wages for the registered Greek employees would price farm produce and the output of many small firms out of the market. This brings home an older SOPEMI remark (1989:86-87) that, to a large extent, illegal migration meets the need for flexibility imposed by the adjustment of the employment systems to changing economic conditions, as well as Collinson's (1994:15) argument that the USA and some West European states have at times turned a blind eye to illegal immigration, indicating an implicit recognition of the economic benefits of undocumented immigration. Similar experiences derive from Portugal and other Southern European countries (Baganha 1997, IMF 2000). As in other countries, empirical observations in Greece have often shown an increase in overall economic activity and the prosperity for the many, without corresponding increases in the

official income statistics. Historically, however, illegal employment is not necessary for labour mobility and wage flexibility. In the 1960s, all Western European countries attained them through fully legal immigrant labour.

6.3 The costs of immigration

Large expenses are incurred for applying external and internal controls. Furthermore considerable foreign exchange is remitted abroad, although a large part of it is spent on imports from Greece which has also developed its economic relations with the countries of the immigrants (Lianos et al. 1996, Barjaba 1997:3, IIER 2001).

Immigrant flexible labour may also:

- Have a distorting effect on the local labour market because employers in certain sectors come to rely increasingly on sources of flexible and exploitable labour.
- Reduce the pressure for socio-economic adjustments based on higher administrative efficiency, increased capital investment and substitution of capital and technology for labour.
- Weaken the efforts for changing the product mix in agriculture and in lengthening the tourist period, both of which would benefit the relevant branches, curtail seasonal peaks of activity and curb unregistered employment.
- Slow down the necessary changes in social attitudes for higher labour force participation and increased labour mobility⁸.
- Expand further the shadow economy which helps illegals find jobs and generates certain patterns of demand, stimulating further illegal flows. Critics point out also that the political rights which will be granted inevitably in the future to immigrants may increase social and political tensions - a danger that lurks in all EU states.

From the examination above the conclusion can be drawn that, as things have developed so far, the overall effect of foreign immigration appears to be on the whole positive, the same as is with the case of Greek migration. Effective policies, however, to minimise the costs and make good use of the benefits could strengthen this effect.

7. Greek migrations policies

Greek policies seem to keep with traditions, to be largely unencumbered by population concerns and to maintain only a minimum of accountability to public opinion. Although their main characteristic has been institutional inertia, the bitter experience from the high structural unemployment for most of the 20th century has enhanced the criterion of the labour market needs in decision-making. In contrast to their liberal approach to the migration of Greeks and the settlement of ethnic Greeks, they keep a minimum of commitment to admitting a limited number of refugees and others on humanitarian grounds. Before the 1998 regularisation they

⁸ Low-cost immigrant labour for low-status jobs induces more and more Greeks to avoid them. For example, Greek students abroad are usually proud of their "employment record" in unskilled jobs, whereas those at home are highly reluctant to have similar experiences (Fakiolas 2000:61). The percentage of men 'at school and at work' of the 20-24 year-old age-cohort was only 2.5 in 1984 and 2.0 in 1994 (even less, 1.4 and 1.3 for women for the two years respectively), as against 10.8 and 12.1 in the UK, 8.2 and 14.5 in Germany, 17.5 and 26.5 in Denmark and 23.3 and 23.4 in Holland. Italy had lower percentages than Greece (1.4 and 1.3), Spain higher (2.6 and 3.0) and Portugal even higher (6.0 and 6.6) (OECD 1996:Table 5).

were also very restrictive toward legal foreign immigration, although a large and growing part of the immigrants held to a belief that they were in Greece, regardless of status, because people in the country valued their labour. On perhaps less important issues, Greece has not joined the international Metropolis Project, it has not organised any systematic research on racial integration, as most other south European countries have done and it has not created any special migration department or research institute within the broader public sector. Neither has the Mediterranean Migration Observatory (established recently as a centre within one of the 19 or so University institutes) been given any research assistance. However, the more detailed examination below reveals that there is at least some justification, even in many extreme cases of apparent irrationality.

Encouraging emigration in the first post-war period of high unemployment and inadequate capital to create employment opportunities appears to have considerable merits. The same holds true for the encouragement of the repatriation after the restoration of democracy in 1974 and the attainment of more or less full employment in Greece. On the other hand, Greece had to welcome and assist the ethnic Greeks settling in Greece because the majority had been compelled to exit their respective source countries. The issuing of work permits to foreign passport holders has been also rational because many of them are ethnic Greeks, while foreigners possess useful skills and satisfy basic needs of the economy. Due, however, to the bureaucratic procedures for granting permits and the restrictive character of the 1991 law, that policy proved inadequate to cope with the new situation of the waning overall supply of unskilled labour in Greece and the persistent demand for the hiring of unskilled labour. It let, therefore, illegal immigration assume unprecedented dimensions in modern European history, incurring high administrative, moral and political costs. A mentality of widespread undeclared foreign employment has also been established which will take much effort and time to alter, frustrating the implementation of sustainable immigration policies.

The restrictive immigration policy calls for an explanation because the governments applying it over the years have come from a wide political spectrum, as is reflected in the successive immigration laws. The reasons for that policy have to do with the geographical position of Greece at the far south-east end of Europe but without borders with any EU state, its longstanding borders between 1945-1989 with three Marxist socialist states and constantly with a Moslem (although not fundamentalist) country, and its vicinity to labour surplus and politically unstable countries. Greece is the only EU state which has waged a full-scale civil war of a Marxist character in the post-war period. In addition, the peoples in the Balkan peninsular have lived for two and a half thousand years under different but each time common rule (Greeks, Romans, Byzantines, Turks), with considerable freedom to move around and choose their place of settlement. Therefore, large populations of different creeds and ethnicities found themselves on the 'wrong' side of the borders established early in the 20th century, causing explicit and latent territorial claims among neighbouring countries and mutual accusations about ethnic and religious discrimination. The violent and still unabated conflicts among the numerous ethnicities in former Yugoslavia since 1998 have been another act of that drama.

Along, of course, came the fears that foreigners of other races and religious creeds and especially Moslems would not be easily integrated on the basis of the "traditional" society approach applied by Greece. Islam in the minds of many Greeks has been historically associated with the Ottoman rule and it is today connected with the "Turkish threat". Once in the country with legal status, it would be difficult and almost impossible to send the immigrants home, while the difficulties would increase as the time of legal residence becomes

longer⁹. In case the law also facilitates naturalisation, those ethnic or religious communities would challenge the long-accepted model of national identity in Greece. The generous naturalisation policy towards the numerous ethnic Greeks with foreign passports examined above largely counterbalances for the restrictions on granting citizenship to foreigners.

The 1998 regularisation policy was applied when the costly internal and external controls had failed, while both the reality of a large resident foreign population and the (at least partial) dependence of the economy on immigrant labour were finally accepted. For about the same reasons the second regularisation has been decided, although the procedures of the first one have not, as yet, been completed. Unless, however, more severe controls are applied to restrict the employment opportunities for illegal immigrants, the new policy would also not be sustainable. As long as there is demand for it, unregistered immigrant labour will create its own supply, whatever the border controls and the number of expulsions. To restrict that demand and compel immigrants to move through the legal channels, the effectiveness of the sanctions on illegal hirings must also be reinforced. Therefore, for the new policy to be sustainable:

- It is necessary that the locals accept it as well as the reality of a multi-ethnic and multi-cultural society. The analysis above indicates that no satisfactory progress has been made on this issue, despite the fact that the labour market conflicts have been minimal and the stance of the trade unions has been favourable. More of the illegal immigrants residing in the country should become legal.
- By improving its administrative efficiency the country i) could combine border enforcement with strict sanctions on employers who offer illegal jobs instead of legal ones and ii) at the same time experiment (like Spain from 19 February 2001) with the voluntary repatriation of the undocumented immigrants through incentives. As in other countries (see CIS 12 October 2000) the magnets that attract illegal aliens in the first place are jobs and green cards. Internal controls must be increasingly used to compensate for the inadequacy of the external ones.
- To avoid the strong tensions which are likely to develop between the immigrants and the upper groups, opportunities for the upward social and economic mobility of the immigrants must be created.

The above is certainly both a long and difficult path to tread. It would be better, however, than having the numbers of the illegals grow, despite the policies for massive expulsions. World-wide experience has shown that successive legalisations become inevitable if high illegal immigrant employment persists. Yet the evidence presented above indicates that the present size of immigration (about 8% of the population and 13% of the labour force) is not far below the ultimate capacity of the country to absorb more foreigners without serious labour market reactions and social unrest.

⁹ The same fears, however, are also expressed and similar policies have been applied by many other European countries in which the majority of the immigrants are documented but the number of recent naturalizations is persistently kept below 1.5% of the population. (OECD SOPEMI 1993, 1994, 1995, Petrinioti X. 1993).

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The International Migration Experience of Mexico: Socio-economic Aspects

Francisco L. Rivera-Batiz

The Mexican dictator Porfirio Diaz is known to have said: "Oh, poor Mexico, so far from God and so close to the United States." Since its beginning, the migratory experience of Mexico has been dominated by its proximity to the United States. This essential fact is no less important today than it was one hundred years ago. Over the last decade, Mexican emigration to the U.S. has reached historical proportions and it is now a key component of Mexico's socio-economic and political fabric.

This chapter presents an analysis of the recent population flows between Mexico and the United States. The first section begins with a historical overview of Mexico's migration flows, with a focus on recent trends. The second section examines the determinants of the migratory flows. Section 3 then analyzes the impact of Mexican migration on the U.S. economy and Section 4 the consequences for Mexico. Section 5 concludes by analyzing the implications of the analysis for the future of Mexican migration flows.

1. Mexico's international migration: main trends

Mexico's recent migratory experience is essentially one of emigration. The country's immigration flows over the last fifty years have been comparatively small. Indeed, of the close to one hundred million people counted in Mexico's 2000 Census of Population and Housing, only approximately half a million – or one half of one percent – were born outside the country (INEGI, 2001). This can be compared with the United States, where more than 10 percent of its resident population in the year 2000 was foreign-born.

The emigration of Mexicans to the U.S. over the last century has been massive, although it has had its ups and downs. Table 1 (all tables, see appendix pages 317-318) shows the number of Mexican immigrants legally admitted to the U.S. in the period of 1900 to 1998. The figure first rises sharply in the 1910s and 1920s, but drops to a trickle in the decade of the 1930s and the 1940s. Since then, Mexican emigration to the U.S. has gradually increased to become, by far, the largest migrant contingent entering every year. In the 1980s, on average, 160,000 Mexican immigrants were legally admitted to the U.S. annually, and in the 1990s, an average of 200,000 Mexicans migrated north each year on a legal basis.

In addition to these legal migration flows, there is substantial undocumented migration. By definition, the number of migrants moving from Mexico to the U.S. without legal documents is unknown. However, a rough estimate of the illegal migration flows can be made on the basis of the migrants who are caught by authorities entering the U.S. The reason is that, for every illegal immigrant caught, the available data suggests that one or two make it across the border undetected (Espenshade and Acevedo, 1995; and Donato et al., 1992). Table 2 presents the number of illegal aliens apprehended in the U.S. from 1961 to 1998, where the overwhelming majority of these are Mexican nationals (in 1997, about 96 percent of all illegal immigrants apprehended in the U.S. were born in Mexico). There has been a sharp upward trend in the number of apprehensions throughout the time period. In the 1960s, the average

annual number of apprehensions was approximately 160,000. By the 1980s, the average number of illegals apprehended each year had increased to 1,188,000, and in the 1990s, the average annual number of apprehensions rose even more, to about 1,215,000.

Based on these figures, if for each apprehended illegal migrant, one or two others make a successful undetected entry, the number of undocumented migrants entering the U.S. from Mexico each year could run as high as 2 or 3 million. This is most likely an over-estimate. First of all, the data include individuals who are apprehended more than once. In addition, the number of apprehensions is not only related to the flows of workers seeking to enter the U.S. illegally but also to the enforcement expenditures and efficiency of the Immigration and Naturalization Service - INS (see Hanson and Spilimbergo, 1998). The rise of apprehensions in the 1990s, for example, is partly a result of the increased resources available to U.S. border enforcement authorities and of the more stringent policies against illegal immigration adopted by the U.S. in the late 1980s and in the 1990s.

In analyzing illegal migration flows between Mexico and the U.S., it must be understood that, in contrast to legal migrants, the great majority of undocumented migrants exiting Mexico traditionally do not stay in the U.S. Many, in fact most, of the migrants entering the U.S. at any given time eventually move out. A huge return of illegals to Mexico is thus taking place in parallel to the huge flow moving to the north. Surveys of illegal migrants both in the United States and in Mexico suggest that, since 1965, over 50 percent of the flow of Mexican illegals in any particular year (the gross inflow) is counterbalanced by an outflow of undocumented workers, leaving the net balance of entries and exits (the net flow) much smaller than the gross flows. Demographers Douglas Massey and Audrey Singer calculate that an average of about 86 percent of the illegal Mexican immigrants who entered the country between 1965 and 1990 eventually returned south of the border. During years of strong economic activity in Mexico and slow growth in the U.S., such as during the 1980-82 period, Massey and Singer find that the net illegal migration to the U.S. is negative, meaning that more undocumented leave the country than come in.

In the 1990s, the proportion of Mexican undocumented workers staying in the U.S. is believed to have risen, the reasons for which will be discussed in greater detail in the next section. Everything else held constant, the reduced rate of return migration can be expected to increase net migration to the United States. Evidence on net illegal migration flows in recent years is provided by estimates of illegal migration flows using the so-called residual methodology (see Rivera-Batiz, 2000, for a discussion of this methodology and its shortcomings). This technique calculates illegal immigrants as the difference between the total number of immigrants who are counted in the U.S. at any given moment in time (through census-type surveys) and the number of legal immigrants residing in the U.S. at that time (as determined by U.S. immigration data). Applying this methodology indicates that, on average, in the 1990s, as many as 150,000 migrants from Mexico moved on a net basis to the U.S. each year (U.S. Immigration and Naturalization Service, 1998). As a result, the undocumented Mexican population is estimated to have almost doubled from 1,321,000 in 1990 to 2,521,000 in 1998. Table 3 presents the existing estimates of the undocumented population in the U.S. since 1980, and its Mexican component, which is slightly above 50 percent.

2. The determinants of Mexico-U.S. migration flows

The vagaries of the migration flows between Mexico and the United States, as delineated in the last section, have followed socio-economic conditions in the two economies as well as the

migration policies established by both countries. The U.S.-Mexico border was consolidated in 1853, after the U.S. annexation of Texas in 1845, the Treaty of Guadalupe Hidalgo in 1848, which ended the U.S.-Mexican War and resulted in the transfer of about half of Mexico's territory to the U.S., and the Gadsden Purchase of 1853. However, emigration from Mexico to the U.S. was virtually unimpeded until the 1930s. Very few restrictions on immigration were introduced in the U.S. until that time and they did not have much effect on U.S.-Mexico population flows.

Mexican migration to the U.S. exploded in the 1910s and 1920s. This was partly in response to the social turmoil and economic distress generated by the Mexican revolution in the period of 1910 to 1917, as well as its chaotic aftermath (Gamio, 1930). But it was largely motivated by the expansion of labour demand in the U.S. With no effective restrictions on immigration across the Southwest border at the time, hundreds of thousands of Mexican workers made their way to the U.S., lured by recruiters and contractors offering employment in labour-short farms, mining operations, and railroad construction, among other sectors. The onset of the Great Depression in the 1930s changed all of this. The rising unemployment and declining wages in the U.S. led many to seek easy scapegoats for the socio-economic ills of the country. A popular target were immigrants, particularly the recently-arrived Mexican immigrants, who were accused of taking jobs away from U.S. citizens. As a result of pressures by various interest groups, severe restrictions on Mexican migration to the U.S. were imposed. Furthermore, a policy of "repatriation" of Mexican workers who had legally migrated to the United States in previous years was instituted. Approximately 500,000 Mexicans were deported from the U.S. in the 1930s (Sanchez, chapter 10).

Mexican migration to the U.S. began to grow back in the 1940s, but mostly in the form of temporary migration. Responding to pressures from agricultural growers and a wide range of industrialists facing labour shortages due to the expansion of the military during World War II, the U.S. Congress began a reversal of its restrictive immigration policies towards Mexico. In August 1942, the two countries signed a bilateral agreement that allowed for the legal immigration of temporary Mexican labourers (called in Spanish *braceros*) into the country. During the first 12 months of the Emergency Farm Labor Program – which became known as the Bracero Program – over 50,000 Mexican migrants were contracted. The numbers grew over time and, despite the temporary, wartime origin of the Bracero Program, the agreements allowing the importation of *braceros* into the country were renewed for many years after World War II ended. By 1950, over 430,000 Mexican labourers were contracted for work in the U.S. and the numbers rose in the mid-1950s. Over two-thirds of the *braceros* crossed the U.S.-Mexico border to be employed in California and Texas, mostly in agriculture. The Bracero Program peaked in 1959 but was sharply curtailed in the following years and the legislation that created the programme, allowing the import of Mexican temporary workers to the U.S., was terminated unilaterally by the U.S. Congress on December 1964. The end of the Bracero Program responded in part to a growing perception among policymakers that there was rampant violation of the civil rights of the *braceros*. Widespread reports of exploitation of the workers led to intense pressures on the U.S. Congress to eliminate the programme (Gutierrez, 1995).

The end of the Bracero Program did not diminish migration to the U.S. Instead, the 1965 amendments to the 1952 Immigration and Nationality Act – which eliminated stringent quotas imposed on non-European countries – began a process through which the composition of U.S. immigration flows shifted from one originating mainly in European countries to one dominated by Latin American and Asian migration. The suspension of the Bracero Program was also associated with a gradual rise of illegal immigration across the U.S.-Mexico border.

This rise of undocumented migration was reflected in the growing number of apprehensions of illegal immigrants by the INS, the great majority of whom were Mexicans (see Table 2). By the late 1970s, the total number of apprehensions had risen to over a million. The issue of illegal immigration slowly began to creep up again as a major topic of discussion in policy circles. After years of debating the issue, Congress finally passed new legislation meant to deal with illegal immigration: the Immigration Reform and Control Act of 1986. The new law, referred to as IRCA, was signed by President Ronald Reagan on November 6, 1986 and it constituted the most significant policy reform dealing with illegal immigration in over 30 years.

There are four major provisions of IRCA (see Rivera-Batiz, 1991 for a detailed examination of IRCA's background, its provisions and consequences). Firstly, there is an employer-sanctions provision, which prohibits employers from knowingly hiring, recruiting, or referring for a fee undocumented aliens. Violators of the law are subject to civil fines, although criminal penalties are imposed if there is a pattern of previous violations. The fines run from a maximum of \$1,000 per immigrant for a first offence to \$10,000 per immigrant and imprisonment for further offences. A second provision of IRCA involved increasing the resources available to the INS for enforcement of immigration laws. The third provision of IRCA allowed undocumented immigrants who had been continuously residing in the U.S. since January 1, 1982 to be eligible for temporary resident status. Once a person applied for temporary resident status, he or she was also eligible for permanent resident status, so long as the application was filed on or before November 6, 1990. A fourth provision of IRCA involved a special programme for the amnesty of illegals working in agriculture

IRCA has had a major impact on Mexico-U.S. migration in recent years. Over 70 percent of all undocumented workers legalized under IRCA were from Mexico, a total of 2.3 million persons. In fact, the bulge in the number of legal Mexican immigrants to the U.S. in the 1980s and 1990s is partly due to IRCA's legalization provisions. The new law also led to an escalation of what has become a war of wills and wits between illegal immigrants and the U.S. government across the U.S.-Mexico border. The increased resources allocated to the INS, and to the Border Patrol specifically, allowed an increase in the number of Border Patrol officers to close to 5,000 by the mid-1990s, almost double the number of agents in the early 1980s. There was also a substantial upgrading of equipment and new technology in the arsenal of the Border Patrol.

The 1996 Illegal Immigration Reform and Immigrant Responsibility Act of 1996 further extended the scope of IRCA by providing additional resources for border control, increasing penalties for illegal entry, reforming exclusion and deportation procedures, and placing restrictions on the public benefits accessible to illegal and legal immigrants.

Despite the array of policies introduced by IRCA as well as the Illegal Immigration Reform and Responsibility Act to deter illegal migration, the flows have continued unabated. In fact, the immigration policies may have been counter-productive. By increasing the difficulty of back-and-forth movements across the border, the policies may have acted to constrain return migration to Mexico. Indeed, Durand et al., 1999, estimate that the probability of return migration of the typical Mexican undocumented worker may have dropped to 10 percent in the 1990s. The lower probability of return migration – holding other things constant – has acted to increase the net flow of Mexican migrants to the U.S.

The failure of illegal immigration policy reforms to contain undocumented Mexican migration to the U.S. reflects the fact that the underlying force behind these population movements has

been – and remains – socio-economic in nature. In fact, U.S. immigration policies in the past have often responded to social and economic upheavals in the two countries. Periods of slow growth and social stress in the U.S., as exemplified at its extreme by the Great Depression in the 1930s, have been linked to restrictive U.S. immigration policies and a sharp decline of Mexico-U.S. migration. Periods of great demand for labour in the U.S., such as the 1920s, the 1940s, and the 1950s and 1960s, have been associated with relaxed migration restrictions. Since the early 1980s, though, the rise of undocumented migration has clouded the impact of U.S. immigration policies and the predominant influence of socio-economic factors has come full-fledged to the surface.

The severity of the Mexican economic and financial crises of 1982 and 1994 provide a major explanation for the record flow of workers seeking employment in the U.S. in the 1980s and 1990s. These crises slowed down considerably the long-term rate of job creation in the formal sector of the economy. Between 1980 and 1996, the net increase of formal-sector employment in Mexico was approximately 2 million jobs (Dussel Peters, 1998). But a population growth rate of 2.2 percent a year in the 1980s and 1.8 percent a year in the 1990s resulted in a growth of 17 million in the country's economically-active population between 1980 and 1996. Most of the increased labour force was thus either absorbed in the informal sector (as underemployed workers) or became sojourners to the United States. Structural changes in the Mexican economy – including privatization, trade liberalization, etc. – have also been associated with increased income and regional inequalities that have heightened emigration (see Durand et al., 1999 and Cornelius and Marcelli, 2000).

A rising gap in real wages and income levels between the U.S. and Mexico has further stimulated the migration windmill. In 1997, for example, the per capita income of Mexico was \$3,680 while in the U.S. it was close to eight times greater, \$28,740. Even if one adjusts for cost-of-living differences, the transportation costs involved in the migration, etc., the returns of being employed in any given occupation in the U.S. are at least three times higher than a comparable job in Mexico. Changes in earnings differentials between Mexico and the U.S. have been linked to migration. In a recent analysis of illegal immigration from Mexico to the U.S., economists Gordon Hanson and Antonio Spilimbergo (1998) show how reductions in the income of workers in Mexico raise illegal migration flows to the U.S., thus increasing the number of apprehensions by the INS at the U.S.-Mexico border. They conclude that a "10 percent decrease in the Mexican real wage leads to a 7.5 to 8.8 percent increase in apprehensions at the border."

The U.S. economic boom of the 1980s and 1990s – interrupted by the 1989-1992 recession – is also a key force behind the record levels of Mexican migration to the U.S. in these two decades. This is due not only to the rising aggregate demand for labour but also because of structural changes in the U.S. labour market which have shifted demand towards greater skill levels, increasing the rate of return to education and experience (see Katz and Autor, 1999). There has been a significant expansion in the supply of experienced and educated labour as well. For instance, in terms of education, the proportion of U.S. residents 25 years of age or older who have completed a high school education rose from 66.5 percent in 1980 to 82.8 percent in 1998. The percentage completing four years of college rose from 16.2 percent in 1980 to 24.4 percent in 1998.

As the U.S.-born labour force has become increasingly employed in occupations that request a high-school diploma, the highly-unskilled employment opportunities in the economy (which have traditionally utilized workers with less than a high school education) have been absorbed by immigrants. This is particularly the case among Mexican migrants, whose level of

schooling is substantially lower than that of the U.S. population. Table 4 shows the comparatively low levels of schooling of the overall Mexican immigrant population residing in the U.S. in 1990 as well as that of the illegal immigrant population in the U.S. at the time.

The result of these changes in the U.S. labour market is a sharp increase in the concentration of Mexican migrants in certain sectors of the U.S. economy, particularly but not exclusively in agriculture and services. For instance, by the late 1990s, close to 90 percent of California's farm labour force was Mexican-born. Although not as high, the Mexican presence in California's highly-unskilled occupations such as gardening, restaurant cook, household child care, electronics assembling, and construction labourer all hovered above 50 percent in the late 1990s (Cornelius, 1998).

The visible presence of Mexican workers in certain segments of the U.S. labour market has generated loud outcries from some sectors in the U.S., which have complained that the migrants take jobs away from U.S.-born residents and reduce their wages. The next section explores this issue.

3. Economic consequences of Mexican migration in the United States

The economic consequences of migration have been one of the most debated topics in the area of international migration, particularly in host countries. Perceptions (or mis-perceptions) about these consequences often fuel the reactions of host-country residents and can lead to major immigration policy shifts. Positive or negative attitudes towards foreigners often follow the economic conditions in the host country, although particularly strong anti-immigrant reactions have been observed in areas of heavy in-migration, independently of economic conditions (Gang and Rivera-Batiz, 1994b; and Dustmann and Preston, 2000). In the United States, the recessions in the early 1980s and early 1990s saw the emergence of strong anti-immigrant reactions, which led to the 1986 and 1996 immigration policy reforms. However, by the late 1990s, after a sustained economic boom, anti-immigrant attitudes had subsided and even some of the anti-immigrant components of the 1996 legislation were reversed.

There is now a wide array of academic studies examining the consequences of international migration in host countries (see, for instance, the survey by Borjas, 1999). This literature focuses on the microeconomic, distributional effects of immigration, particularly the labour market consequences. Given the predominantly unskilled composition of the influx of Mexican migrants to the U.S., the most popular question regarding the impact of Mexican migration in the U.S. has related to the impact unskilled immigrants have on the U.S. labour market.

In the short run, unskilled migrants tend to raise the wages and employment opportunities of workers that are complementary to them (such as skilled workers) but may reduce the wages and employment of workers that are substitutes or compete with them in the same labour market (i.e. other unskilled workers). The magnitude of this latter impact is determined by a wide array of factors, but critical among them is the wage elasticity of the demand for labour (Rivera-Batiz, 1986a). If this elasticity is small, the immigration will have only a small effect on the wages of unskilled workers; if the elasticity is high, then the impact can be severe. In the long run, however, even these effects may vanish, due to inter-sectoral and inter-regional shifts in labour demand generated by immigration. If, for instance, migrants cause a short-run drop in the wages of unskilled workers, this is likely to induce employers to move to these lower-wage areas, increasing labour demand and raising employment opportunities and wages

in the long-run (Rivera-Batiz, 1983). In addition, any unemployed workers affected by the immigration may move elsewhere, reducing the supply of labour in the impact region (Rivera-Batiz, 1981 and Filer 1992). This long-run movement of labour and capital across regions means that factor supply elasticities are crucial in determining the wage and employment effects of migration over time.

Two types of empirical studies have been undertaken to examine these issues. First, there are spatial correlations that have looked at whether regions of high immigration are also regions where wage increases have slowed down, holding other things constant. Probably the best-known of these studies is Card (1990), that examined the impact of the 1980 Mariel Cuban immigrant influx on wages and employment in the Miami area. Card found that, despite the substantial Mariel inflow, the labour market trends in Miami between 1980 and 1985 were not different from those in other cities that did not experience the labour influx.

A second type of study simulates the impact of immigration in a labour market by estimating how labour demand and supply in that market are affected, and showing the consequences on wages and unemployment. The simulation research in this area includes studies that focus on the short-run effects of immigration (see, for example, Altonji and Card, 1991; Rivera-Batiz and Sechzer, 1991; Gang and Rivera-Batiz, 1994a, and Borjas, Freeman and Katz 1997) and those that incorporate long-run factor supply responses (such as Card and NiDardo, 2000). The outcome of these studies is summarized by Borjas (1999) who concludes that: "the simulations suggest that the overall impact of immigration on the U.S. labour market is small –regardless of how workers are grouped into different skill categories, and of the assumptions made about the factor supply elasticities and the supply elasticity of capital."

More specifically, the impact of Mexican migration on the wages and employment opportunities of U.S.-born labour has generally been found to be negligible. Partly, the explanation lies in the fact that Mexican immigrants have concentrated in very specific sectors of the labour market that do not compete with U.S.-born labour (Rivera-Batiz, 1998). As Cornelius (1998, p. 126) states in relation to California: "Immigrants [mostly Mexican immigrants] and native-born workers tend to be channelled (or channel themselves) into quite distinct segments of the California labour market. Native-born workers seldom compete directly with immigrants for low-skilled production jobs in firms and industries that have come to be dominated by immigrant workers. If there is job competition, it occurs between recently-arrived and long-settled immigrant residents." Even the latter effects are small, due to high wage elasticities of demand in the unskilled labour markets where Mexican immigrants move to. For example, Rivera-Batiz and Sechzer (1991), in their simulation of Mexican migration to the U.S., find that a 10 percent increase in the U.S. labour force owing to an inflow of Mexican immigrants would have the strongest negative effect on the wages of Mexican workers already in the country; but even this impact is small, equal to a less than 1 percent drop in wages as a result of the massive 10 percent increase in labour force simulated in the paper.

4. Socio-economic consequences in Mexico

The key motivation for Mexican emigration to the U.S. is economic, and the most visible impact of emigrants on the Mexican economy is related to the income remittances that the migrants send back home (Diez-Canedo, 1984; Verduzco and Unger, 1998). Recent estimates by the Banco de Mexico put remittances at between 5 and 6 billion dollars per year in the late 1990s and early 2000s. Over the 1995-2000 period, it is estimated that 31.3 billion dollars

were sent back to Mexico by migrants residing in the United States (Banco de Mexico, 2001; see also Avila et. al. 2000). This does not include the funds brought back by temporary emigrants with them when they return to Mexico. Still, the estimated annual flow of remittance currently represents the second largest source of foreign exchange for Mexico, next to tourism.

Although remittances clearly constitute an improvement in the standard of living for Mexican family members who are recipients of such income, questions have been raised over the years as to the extent to which the remittances simply raise current consumption instead of stimulating investment and future economic growth (Reichert, 1981; Rubenstein 1992). In recent years, however, a number of case studies have documented that, first, a significant portion of so-called consumption spending consists of household investments in housing, automobiles and durable goods, whose long-term wealth-raising capacities are substantial (Durand, Parrado and Massey, 1996); second, the use of remittances for community investment projects is not insignificant and also acts to stimulate local development (Conway and Cohen, 1998); and, third, the multiplier effects of the increased consumption spending in generating local economic activity may be substantial (Mexico-U.S. Binational Commission, 1997).

The positive contribution of migrant remittances to Mexican development must be weighted against the potentially negative consequences of the migration flows. Because the process of migration is costly and sometimes dangerous, migrants have been known to be positively selected from the general population in the source country, having above-average motivation and/or skills (Chiswick, 1999). The loss of such a group of workers can result in negative externalities for those Mexican communities suffering from substantial emigration. In addition, local labour shortages may result in the collapse of traditional production structures, rising prices of services, and a growing spiral of dependency on migration as a source of income (Rivera-Batiz, 1982). Remittances may or may not offset these negative effects (Rivera-Batiz, 1986b).

This raises a broader issue on the degree of integration of Mexican and U.S. labour markets, as the following story makes clear. In September 1996, the magazine *U.S. News and World Report* carried an article on Mexican migration to the United States. The story was focused on a small Iowa town called Storm Lake, home to less than 10,000 residents heavily involved in the meatpacking industry. Surprisingly, despite its anonymous location in the American hinterland, Storm Lake is home to a large contingent of Mexican legal and illegal migrants. Even more interestingly, many of the migrants in Storm Lake originate in a small sister town in Mexico more than 2,000 miles away called Santa Rita. How did the unlikely connection between the populations of these two towns, which migrants refer to as "the underground railroad," occur?

In 1982, Storm Lake became home to IBP Inc., the largest meatpacking corporation in the United States. Workers in the processing plant located in town process more than 13,000 hogs a day. The speed of the processing, the arduous nature of many of the jobs available, and the significant risk of injury generated unusually high rates of worker turnover among local workers (83%, according to an IBP official). As a result, IBP began to advertise employment opportunities available at the plant and also hired migrant labour recruiters. The link to Santa Rita in Mexico first started when an illegal immigrant from Santa Rita, already residing in California, noticed a television commercial advertising the jobs in Storm Lake. Within a month, he made his way to Iowa and began working at the plant. He then made calls to his hometown, spreading the word about the jobs available at Storm Lake. Soon, three of his

nephews joined him. Later, as these workers moved back and forth between Storm Lake and Santa Rita, a steady flow of people began to travel directly from the Mexican town, located in central Mexico, near Mexico City, to Storm Lake. A network of smugglers or "coyotes" then emerged to take the migrants through the long trip north. The underpinnings of the "underground railroad" had been established.

The story of Storm Lake and Santa Rita is the story of Mexican migration to the United States. In the two countries, towns and cities on both sides of the border are linked through a history of migration. Sometimes it is difficult to pinpoint exactly how the links first emerged, but one can always trace the underlying motive of the initial migration flow as economic in nature. The emigration then easily propagates within the local Mexican sending community. As migrants return home, their accumulated wealth provides incentives for other residents to migrate to the same place in the U.S. As the U.S. News and World report of Santa Rita's case: "Each time a worker returns home in a shiny new truck, more youngsters start plotting their trip north. IBP workers also regularly send chunks of their paycheques home so their families can eat and dress better and even go on short vacations. The money even allows a few residents to attend the university in Guadalajara, 100 miles to the north-west" (Hedges, p. 42).

An intricate network develops between the two communities that effectively cuts the costs of moving across the border, leading to an acceleration of the migration process. Over time, as the links between sister communities develop, a significant Mexican population develops in the recipient town or city. Whatever is the case, the presence of a more or less permanent population of migrants on the northern side of the border further solidifies the flows of illegal immigrants from the south, providing a source of information about employment opportunities and assistance to newcomers. The implications of these networks for the future of Mexican migration to the U.S. are explored next.

5. The future of Mexican migration to the United States

The evidence presented in this paper suggests that the unilateral attempts of the U.S. in the 1980s and 1990s to control undocumented migration from Mexico have been a major failure. The wide differences in wage and employment opportunities between the two countries continue to motivate Mexican migrants to move across the border. And as hundreds of new communities on both sides of the border open up to new migration networks, one can expect Mexican migration to the U.S. to remain unabated.

The basic premise for any successful future migration policy between the U.S. and Mexico is to understand that the two countries are inevitably intertwined in a labour market that does not recognize official borders. Thus for any migration policies to be effective they must be bilateral in nature, implemented by both nations together. In addition, it must be recognized that the long-lasting thirst for Mexican migrant labour among various employers in the U.S., combined with the presence of migration networks, makes Mexican migration to the U.S. at the present time a more or less permanent fixture of the socio-economic situation in both countries.

Once these premises are accepted, policies that seek to improve the process of Mexican migration to the U.S. can be safely implemented. Top in the list of reforms is to regularize the undocumented migration process. Mexico-U.S. illegal border crossings have become fraught with danger in recent years, with scores of migrants dying in the process of entering the U.S. undetected. Once across the border, undocumented workers are subject to rampant

exploitation and discrimination. For instance, a recent study finds that undocumented Mexican migrants in the U.S. earn about one-third less than legal Mexican migrants with otherwise similar characteristics (Rivera-Batiz, 1999; Rivera-Batiz, 2001). Joint migration programmes –whether temporary or longer-term in nature – that provide currently undocumented Mexican migrants with the means to enter the U.S. legally would be essential to resolve this issue.

The predominance of economic incentives in motivating emigration means that, ultimately, a long-term drop in Mexican migration to the U.S. will not occur unless labour-intensive economic growth is sustained in Mexico for a sustained period of time. The sluggish growth experience over the last two decades is not encouraging. However, the major political reforms undertaken in the last few years may be able to spark the structural social and economic reforms needed for long-run growth to blossom.

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Appendix

Table 1: Legal Mexican migration to the United States, 1901-1998

Fiscal years	Legal immigrants admitted to the U.S.	Percentage of all immigrants admitted in the decade
1901-1910	49,642	0.6%
1911-1920	219,004	3.8
1921-1930	459,287	11.2
1931-1940	22,319	4.2
1941-1950	60,589	5.9
1951-1960	299,811	11.9
1961-1970	453,937	13.7
1971-1980	640,294	14.2
1981-1990	1,655,843	22.6
1991-1998	1,931,237	25.9

Source: Immigration and Naturalization Service, Statistical Yearbook, various years.

Table 2: Illegal aliens apprehended in the United States, 1961-1997

Year	Apprehensions of undocumented workers
1961	88,823
1963	88,712
1965	110,371
1967	161,608
1969	283,557
1971	420,126
1973	655,968
1975	766,600
1977	1,042,215
1979	1,076,418
1981	975,780
1983	1,251,357
1985	1,348,749
1987	1,190,488
1989	954,243
1991	1,196,500
1993	1,327,259
1995	1,394,550
1997	1,536,520

Apprehensions include all deportable aliens located by the INS, as defined by the INS.

Source: Immigration and Naturalization Service, Statistical Yearbook, various issues.

Table 3: Estimates of the undocumented Mexican migrant population in the United States, 1980-1998

Year	Estimated Mexican undocumented population	Estimated total undocumented population
1980	1,131,000	2,100,000
1990	1,321,000	2,600,000
1998	2,521,000	4,700,000

Sources: Warren and Passel, 1987; Fernandez and Robinson, 1994; Immigration and Naturalization Service, 1998; and the author's extrapolations (data for 1998).

Table 4: Comparative educational attainment of the Mexican-born population in the United States

Persons 25 years of age or older

Population group	Percentage of the population group who have not completed high school (12 years of schooling)
Mexican-born population residing in the United States (1990)	75.6%
Mexican-born undocumented(1988-89) population residing in the U.S.	86.5%
U.S. resident population overall (1990)	22.4%

Source: Rivera-Batiz, 1994; Rivera-Batiz 2000.

From Net Emigration to Net Immigration – Socio-economic Aspects of International Population Movements in Poland

Pawel Kaczmarczyk/Marek Okólski

1. Introduction

Until the late 1980s Central and East European (CEE) economies had a lot in common, including an overwhelming predominance of public sector (state ownership) in production of goods and services, and obsessive autarkic inclinations and closeness towards the non-socialist world. They constituted an almost perfect unipolar system with the ex-USSR as its main unit. In terms of GNP per capita, all of them qualified (according to the World Bank standards) as "middle-income" economies and their production structures were stigmatised with an enormously high contribution of "heavy industry", a relatively high contribution of agriculture and a low contribution of services. All those economies displayed strikingly high energy and raw materials consumption (either per capita or relative to value added level). Compared to western countries, labour force participation rates were very high, whereas the labour productivity (and wages) very low. Not only did unemployment not exist, a structural feature of all CEE economies was also a considerable over-employment related to wide practices of labour hoarding by state-owned companies.

After an initial and rather brief episode of rural-to-urban exodus in the 1950s, spatial mobility was moderate if not meagre. A leading form of the mobility was circulation, especially commuting to major industrial centres for work. International labour migration was principally contained within the CEE region, and tightly controlled by the governments.

Towards the end of the 1980s, however, Poland's GNP per capita ranked the country at the very bottom in the region¹. In addition, since the late 1970s the Polish economy was heavily indebted and in continuous recession. On the whole traditionally organised and overcrowded, the agriculture tended to bear heavily on its development. Probably due to this, Poland was among the few countries in the region that exported its surpluses of labour to other countries of CEE.

Since the very beginning of the transition in 1990, Poland embarked on the path of radical economic reforms. The Polish "shock therapy" of the early 1990s (with the hyper-inflation in 1990) was probably far deeper than in any other country of the region. In fact, it turned out that – depending on the scope of political change and the course of political developments – CEE economies became sharply differentiated with respect to the scope, consistency and depth of the reforms. This quickly found a clear expression in the economic performance of particular countries. Owing to its outstanding reform determination, Poland rapidly advanced from a bottom to the top group of CEE economies.

Despite a considerable decline of GDP in Poland in 1990 and 1991, its level in 1998 was some 20 percent above the 1989 level. In 1994-1998 the rate of growth constantly fell in the

¹ Its GNP per capita in 1989 (in US dollars) was 1,790 compared with the average of 2,040 for all "middle-income" economies (e.g. in Bulgaria it was 2,320, in Hungary 2,590 and in ex-Czechoslovakia 3,450 (World Bank, 1991).

5-7 percent bracket. Hardly any other economy could match that performance. In effect, in 1998 Poland (besides Slovenia, with a virtually vestigial positive effect, however) was the only CEE country whose GDP level surpassed the immediate pre-transition level (UNICEF, 1999).

A general tendency in the CEE economy was towards a pretty consistent sub-regional differentiation, with Central European countries (the Czech Republic, Hungary, Poland, Slovakia and Slovenia) performing the best and the CIS countries performing the worst. The value of the EBRD transition index (which reflects a cumulative progress in the transition) for the former was 3.4 in 1997 whereas for the latter only 2.4 (the Baltic countries – 3.2 and South East European countries – 2.7) (EBRD, 1997). In 1997 the private sector share of GDP was 68 percent in the former countries and 45 percent in the latter countries. While by 1997 the former group had totally made up for the initial loss in GDP, the latter group was still down by more than 50 percent. Finally, in 1991-1996 the annual inflation rate was 34 percent in the former and around 800 percent in the latter. As opposed to the CIS (and South East European) countries, the Central European (and Baltic) countries displayed a consistent trend towards steady growth in real GDP and personal incomes, and towards market stability (declining and relatively low inflation and low or moderate fiscal deficit). An additional differentiating facet, much stronger in the former than in the latter, was a reorientation of international economic ties, especially trade – from intra-CEE to the European Union compass.

Rapid economic growth in Poland (since 1994) and a few other countries of the region contributed to the closing of the income gap relative to the European Union countries. Between 1990 and 1999 GDP per capita in Poland, expressed in (constant) purchasing power parity terms, increased from 31 to 42 percent (39 in 1997) of the European Union average (GA, 2000)². In 1997 the GDP per capita in Poland was around 45 percent of the three low income EU countries (Greece, Portugal and Spain), compared e.g. to 25 percent in Bulgaria (EIC, 2000).

The transition also brought about huge unemployment in Poland and other reforming CEE economies. However, the decline in the total number of employed persons in Poland was relatively small, i.e. 7 percent in 1989-1997 and sharply contrasted with that observed in many other countries, such as Estonia (24 percent), Hungary (29 percent) or Slovenia (22 percent) (UNICEF, 1999). As a matter of fact, parallel to the emergence of mass unemployment (14 percent in 1995), Poland became a country with a mass employment in the "hidden economy" (7.5 percent of the work-force in 1995³), which, to a considerable degree, absorbed the unemployed (USES, 1996). From the viewpoint of labour market developments, Poland itself became a diversified economy, with its growth poles (e.g. Warsaw metropolitan area) or sectors (e.g. construction industry, services requiring high skills) in systematic labour deficit and declining regions (low urbanised areas) or sectors (e.g. agriculture, mining) with large labour surpluses.

Last but not least, a transition effect of utmost importance was also the intra-regional differentiation of CEE in terms of labour cost. Above all, this resulted from divergent trends in production growth and industrial restructuring, with the necessity of laying off redundant workers, which led to greatly diversifying levels of labour productivity. In 1995 in the Czech

² It decreased in countries such as Bulgaria (from 33 to 24 percent) and Romania (from 37 to 28 percent), not to mention the CIS countries.

³ Around 21 percent of those employed in the "hidden economy" did it on a permanent basis.

Republic, Hungary and Poland gross annual wages ranged from USD 3,400 to 3,700 per employee, in Bulgaria, the Baltic countries and Romania from USD 1,400 to 2,500, whereas in the CIS countries as a rule they fell below USD 1,000. In this respect, all CEE countries have still remained a far cry from a quick convergence with European Union levels. The distance was huge not only relative to the EU average (USD 34,900) but (with the exception of Slovenia) even to the lowest Union figure (USD 12,200 in Portugal) (EIC, 2000)⁴.

All in all, in the 1990s the previous uniform and unipolar economic arrangement in CEE, with a central part played by the Soviet economy, had ceased to exist. At least three distinctly different groups of countries emerged in the region: leaders of the transition (the Czech Republic, Hungary, Poland, Slovakia, Slovenia, and the Baltic countries), countries seriously lagging behind (Bulgaria, FYR Macedonia and Romania, but probably also Albania, Croatia and other ex-Yugoslav states) and transition marauders (the CIS countries)⁵. Whereas the first group tended to close the gap with, and meet the standards of, the western economy, particularly the European Union, the third group appeared to be drifting away, and the middle group was struggling to catch up with the leaders. This new division of CEE paved the way for quite new directions and forms of economic exchange and collaboration, both within the region and with the outside world. Undoubtedly, it also has a bearing on internal and international labour mobility, and international migration in general.

2. The traditional role of Poland as a periphery of the western migration system

2.1 Poland as a traditional emigration country

Since the 19th century, Poland has been playing an ever more significant role in the global migration system as one of the most important sending countries. After the period of predominantly political migration, economic-oriented migration grew in importance⁶. Poland, deprived of statehood and under-developed both economically and socially, found itself on the peripheries of an increasingly dynamically developing western world. That position (in both the political and economic fields) became further entrenched after 1945, in large part due to political decisions made by the victors of World War Two.

The first post-war years were a period of mass movements because of the redrawing of state borders and of international agreements resulting from the new geopolitical map. As a result, about 3,885,000 people departed Poland (often against their will), mainly the so-called ethnic Germans, Ukrainians and Jews. At the same time, Poland received an inflow of about 3,693,000 people of Polish or Jewish descent as a result of mass resettlements (Kersten, 1974). Once forced migrations grew to a halt, the number of departures plummeted and remained at a very low level for a long span of time⁷. The political "thaw" and the accompanying liberalisation in cross-border movements in the mid-1950s was reflected in

⁴ The estimate for Slovenia is USD 11,300 (by all measures, a regional maximum) and for Slovakia USD 2,900.

⁵ It should be mentioned here that before 1990 ex-Yugoslavia, while displaying a lot of characteristics common to other CEE economies, was to a large degree independent of the former Soviet Union.

⁶ It has been estimated that over the 1860-1940 period, about five million people left Poland (of whom 1.7 million reached the USA) and only 20-30% of this number returned to Poland. This does not include the large number of those who left the country as temporary migrants (Okólski, 1992).

⁷ According to Stola (forthcoming), in 1951 9,360 departures were noted, of whom 2,000 to capitalist countries (most of the latter represents trips related to professional duties).

more trips abroad, as was a subsequent liberalisation of rules for foreign travel and the normalisation of Polish-German relations in the 1970s (see Figure 1; all figures see appendix, pages 344-347)). By the end of the 1960s, opportunities for legal employment beyond state boundaries, initially primarily within CEE (mainly in Czechoslovakia and East Germany), had arisen. The number of tourist excursions abroad also grew dynamically (in large part to neighbouring socialist states); these trips were an occasion to make small-time commercial transactions and to engage in paid employment.

According to official statistics, a total of over 4.2 million residents departed from Poland between 1971 and 1980. The number of Poles taking up employment abroad or who combined tourist trips with petty trade activities amounted to between 100,000 and 200,000 annually (a leap from the only 10,000 to 30,000 yearly in the 1960s) (Stola, forthcoming).

The proclamation of martial law in 1981 changed the geopolitical situation and the underlying conditions behind migration processes. On the one hand, socialist countries introduced a ban on the entry of privately-travelling Polish citizens (in effect until 1983). On the other hand, Poland's "border closure" induced almost 150,000 people to remain permanently in western European countries and the USA. Most of these people successfully went into exile or gained refugee status and, as shown just by the experience of Polish migrants in Germany, were able to count on much favour from the administration of the host country and from part of its society.

Disappointment in the dominant domestic situation and limited hope for any improvement came alongside the slow reduction in barriers to migration in the mid-1980s. During 1989, the peak of this period, 18 million trips abroad took place, mostly to the West. Official statistics indicate that 271,000 people left Poland in the 1980s; the total number of long-term emigrants from Poland, however, is estimated to be between 1.1 and 1.3 million people (3 percent of the population). The more than one million people who spent between more than three but fewer than twelve months outside of Poland should also be taken into account (Okólski, 1994). The major destination countries were western ones, e.g. Germany (58 percent), the USA (10 percent), Austria (5 percent), France (4 percent) and Italy (4 percent)⁸.

2.2 Causes and consequences of the outflow in the communist period

Foreign mobility of residents of Poland prior to 1989 should be considered primarily from the political point of view. That does not, of course, undermine the fact that the wage level and, in a broader context, living conditions were incomparably lower than in highly developed capitalist countries. High wage rates in the USA and western Europe represented a strong pro-emigration incentive that was checked by seriously restricted possibilities for leaving Poland.

For decades, the policies of the socialist bloc countries aimed at either eliminating or

⁸ The immensity of the migration phenomenon amongst Poles in the 20th century has led to a large group of people (estimated at 10-12 million) living outside of the territory of Poland who feel strong ties with their ethnic homeland. Many of these people actively take part in processes relating to the creation of a migrants' network even though they do not hold Polish citizenship. The largest concentration of ethnic Poles abroad is found in the USA, where 2.8 million Poles were already residing in 1960 and to which a further 300,000 "official migrants" came over the years 1960-1993 and in which as many again landed there in other guises and since extended their stay (Erdmans, 1998). Communities of ethnic Poles living in the ex-USSR (2.5 million), Germany (approx. 1.5 million, including about 500,000 Aussiedler who retained their Polish citizenship), France (1 million) and Canada (400,000) are also very significant (Stpiczynski, 1992).

minimising international travel, especially crossing borders separating the socialist bloc from the capitalist one, had determined the scale and structure of international migration. Up until 1988, issues associated with Polish citizens' foreign travel were handled by passport offices controlled by the militia (police); even passports themselves were kept locked away at militia stations except during the trips themselves. There existed additional visa complications (agreements on visa-free traffic with most countries did not come into effect until the 1990s). In practice, opportunities for unfettered (permanent or indefinite) emigration were negligible; instances of such mass movements over the whole period are limited at most to a proverbial handful of cases. These cases arose out of purely political reasons⁹. As well, the remaining, most often short-term, "mobility explosions" (see Figure 1) reflected in departure statistics were associated with important political events (e.g. the "thaw," the imposition of martial law and its aftermath).

Tourist trips abroad became increasingly common towards the end of the 1960s. These trips often represented an alternative to the migration controlled by the authorities: they made family visits, temporary employment (extending and going over the permitted length of stay became rampant) or even settling abroad possible. Description and analysis of these phenomena are complicated by the blurring of "purely tourist" trips, and trips inspired by other purposes.

A range of factors of political nature (in consequence of martial law and opposition activities) and economic (an increasing feeling of the sheer improbability of reforms to the decrepit system, notorious shortages in the supply of basic goods and the dramatically rising value of the dollar that made foreign employment exceptionally profitable¹⁰) were decisive in the formation of a new character to migratory phenomena in the 1980s. Simultaneously, the western European (and North American) labour market easily absorbed migrants, even more so because most of them stood apart with their relatively high qualifications. It is indubitable that the impetus behind the great majority of departures was the desire to improve one's own material situation. Due to the peculiar conditions facing would-be migrants, departures from Poland had to fit in with the schema imposed by the regime (and thus such a high frequency of pseudo-tourist trips). On the other hand, the declaring of political reasons for migration in destination countries allowed for easier functioning within host countries.

The outcomes of the migration during the pre-transformation period were dependent mostly on the nature of the mobility. Permanent migration was connected most of all with the outflow of members of the labour force and relatively rarely led to significant transfers of money back to Poland, whereas the transfer of consumer goods was relatively frequent (the very common custom of sending "care packages" to relatives). Considering the structure of the departing group, the foremost effect was significant enough to be called "brain drain." According to the Governmental Commission on Population (1989), of the migrants (aged 15+) who left Poland between 1981 and 1988, 13.3 percent held a diploma from a school of higher education and another 46.4 percent had a secondary education. The fact that the

⁹ The importance of both emigration of people of German descent (about 1.4 million over 1950-1998 – Münz, Seifert, Ulrich, 1999) as a result of international agreements with West Germany and the migration of people of Jewish descent as a result of the anti-Zionist campaign (between 1968 and 1969 about 15,000 people) is worthy of note. Despite the fact that German authorities do not consider people of German descent (*Aussiedler*) to be migrants but Germans who had been temporarily residing outside the country, they should be considered migrants from the perspective of Poland.

¹⁰ The American dollar as a "strong currency" played an important role in the Polish economy. The black market value of the American dollar was 125 PLN in 1980, 2,400 PLN eight years later and would reach 7,500 PLN in 1989.

proportions of the above in the overall population of people aged 15+ were 6.5 percent and 31.3 percent respectively bears witness to the significant loss of human capital (Korcelli, 1992)¹¹. Moreover, 1985 saw a situation in which the scale of net emigration of working-age people exceeded the natural increase in this group. As a result, there was a 2 percent decrease in the working age population between 1985 and 1989 (mainly due to the emigration of around 620,000 members of this group) (Okólski, 1998).

Temporary migration for work or trade had a different effect. Migrations permitted, above all, the transfer of pecuniary resources of a scale that exceeded the national accumulation potential several times over. Due to a lack of data on the extent of this transfer, it is necessary to elaborate from existing information concerning hard currency bank accounts¹². In 1987, Poles had a total of over two billion dollars deposited in so-called hard currency accounts. According to estimates by the National Bank of Poland, hard currency holdings represented about 40 percent of national foreign trade and was significantly higher than the value of long- and medium-term loans acquired by Poland in 1985-1986 (Stola, forthcoming). An intensive inflow of money from abroad (representing, presumably, a large component of the aforementioned funds) bore on the economic situation of the whole country, allowing a balancing out of the national current trade accounts. This was something that must not be overlooked, especially when Poland's growing foreign debt at the beginning of the 1970s is taken into consideration.

Transfers furthermore played a large role in individual migrants' lives and households. A successful trip abroad would result in not only an enormous economic advancement, i.e. permitted expensive consumer or investment (automobile, residential) purchases¹³, but also often made it possible to go into business (the sources for such a dynamic development of private initiative after 1989 are sought here for good reason). It was also linked with social advancement, a step-up in the local prestige hierarchy and brought the label of a "person of success" that aided later undertakings (Hirszfeld and Kaczmarczyk, 2000). Furthermore, the creation (reproduction) of migration networks had a fundamental bearing in the context of 1990s migration. It is in this process that earlier migrants from Poland, and especially political ones (mostly in the USA, Canada, Germany, Austria, Italy and Greece) and those who had legalised their stay in Germany by obtaining legal status there played the greatest role. Both those groups created *de facto* conditions for the maintenance of migration flows in the subsequent decade.

¹¹ Some 20,000 engineers, 9,000 scientists, and over 5,000 medical doctors left during this period (Korcelli, 1992). Regardless of the real likelihood of making use of these people's potential in the then prevalent conditions in Poland and the fact that many of them returned to Poland during the 1990s to successfully carve out a position for themselves in the new socio-economic reality, the phenomenon was (and remains to be) perceived as very dramatic (often also in the perspective of dependency theory).

¹² Hard currency bank accounts played an especially important role since the beginning of the 1970s, when rules on the monitoring of the origin of foreign currency deposits were liberalised. Holding such an account not only made foreign travel simpler (it was necessary to have funds to cover a stay in the destination country) but also made it possible to participate in so-called internal export (foreign-currency only sales of consumer goods).

¹³ In the 1980s, the average monthly salary was the equivalent of 10-30 USD. The annual savings of a person working in the USA covered the cost of home construction; additionally, the personal importation of consumer goods unavailable on the local market was of importance.

2.3 Emigration in the 1990s – basic facts and trends

Official data on migration from Poland portray only a fraction of the phenomenon, that is to say departures related to a permanent change in residence, due to the definition of migration employed. For Polish statistical purposes, a "migrant" has been officially defined as a person who de-listed himself from his or her place of permanent residence in Poland; this definition does not even cover many people who left the country with the intention of settling abroad on a permanent basis. Data from the 1990s show a clear stabilisation of the number of departures associated with a (declared) permanent change in the place of residence, oscillating between 20,000 and 25,000. In total, over 216,000 people left Poland between 1990 and 1999 with the intention to settle abroad. This number is over 50,000 fewer than in the preceding decade¹⁴. Of all destination countries, Germany remained the most popular (even increasing its share by about 2.5 percent over the 1993-1999 period), with the USA and Canada, traditional destinations for Polish emigration, following.

Official statistics show a very strong concentration of migrants' regions of origin. Almost two-thirds of those departing in 1999 came from Silesia, even though the region made up only three of sixteen voivodeships in Poland¹⁵. Research has shown that one may include regions where there is much irregular migration, i.e. Podlasie, Mazury and regions bordering Germany, among regions characterised by intensive emigration (see, amongst others, Frejka et al., 1998). This means that, in contrast with 1980s-era migrants who came, for the most part, from large urban areas (e.g. the very sizeable percentage of departures by Warsaw residents), international migration today has become typically the resort of people belonging to peripheral areas.

Registries and surveys provide much more reliable data concerning migrants staying abroad. From the May 1995 Microcensus, a figure of 900,200 permanent residents of Poland (2.3 percent of the total population) who temporarily (over two months) stayed outside of the national borders was derived. These people came from 416,000 households. The cyclically conducted Labour Force Survey (LFS) indicates that between 130,000 and 210,000 adult people stayed outside of Poland's frontiers during each of the years between 1993 and 2000.

¹⁴ One has to remember that in contrast to the previous period when data reflected only a small fraction of emigration from Poland (emigration was treated as illegal, so there was a strong incentive to "hide" the real purpose of departure), actual data depict the scale of settled migration more finely. The data, especially before 1989, should be interpreted with great caution and keeping in mind that it really shows only a fragment of the phenomenon. The extent of the under-representation is glaring when viewed in light of data from destination countries. According to western experts, the inflow of residents from Poland to eight European Union countries (Belgium, Denmark, Finland, Germany, the Netherlands, Luxembourg, Sweden and the United Kingdom) amounted to about 250,000 people (of whom more than 230,000 went to Germany) (Wyznikiewicz, 2001). Moreover, it is remarkable that the official statistics not only underestimate the scale of ex-Poland migration, but also portray other trends (Okólski, 1998). The intensity of cross-border movements bears witness to Poles' international mobility. In 1999, there were 55,097,000 border crossings headed outside of Poland (12% over the previous year's figure).

¹⁵ Namely the Lower Silesian, Opole and Silesian voivodeships. It should be understood that such a strong geographical concentration is tied to relations between Aussiedler who had already left Poland and their family members remaining (at least temporarily) in Poland. As an example, one may cite the Opole voivodeship in which a relatively large proportion of people of German descent reside. Many of these people have been granted German citizenship and now frequently operate simultaneously in the two countries – according to unofficial data, there are about 170,000 holders of dual citizenship; according to the 1995 Microcensus, more than 77,000 people had stayed abroad, albeit on a temporary basis (over two months). Rauzinski (2000) has estimated that there are now 120 family members residing in Germany for every 100 residents of the Opole region of Silesia.

The number peaked at 209,000 in 1994 and has since markedly fallen off (see Figure 2)¹⁶. Results of the 1997 national survey "Conditions of Living in Poland" showed a similar scale of population mobility. The research shows that at the moment it was carried out (May-June 1997), there were 178,400 people (0.5 percent of the population) who had been staying abroad for over two months. Most migrants had left Poland in the second half of the 1990s (55 percent in 1996-97). A relatively small percentage had stayed abroad for over seven years (8 percent had left in 1981-1990). Similarly to statistics on departures with an intention to settle abroad, Germany held the most significant position among destination countries (though in this case its dominance was not so overwhelming: 36 percent of migrants were staying in Germany). The United States (13 percent), Italy (12 percent) and the Czech Republic (6 percent) trailed.

The migrations being observed nowadays differ from those in the 1980s in at least several significant respects. Firstly, there is a marked dominance in short-term, often seasonal, migration (according to the 1997 Conditions of Living Survey, practically 50 percent of all migrants stayed abroad for less than a year and 30 percent of them less than six months). This comes mostly from the fact that in previous decades, due to the large number of formal and informal restrictions, trips abroad often took on a final, definitive nature. Along with the transformation of the system, there appeared not only the opportunity for free movement abroad but also for free return, leading to the creation of mechanisms for short-term or circular migrations, which would take on a more substantial role in the overall scheme of migration. As a result, European countries have become more and more important as destinations (although they offer poorer working conditions, the journey is less costly and is less risky than transatlantic migration). After Germany, a significant role is played by Austria, Belgium and Italy, which are often visited especially by illegal immigrants, though overlooked by official statistics (see Frejka et al., 1998).

A change in the structure of migrants is also evident. City-dwellers (roughly 70 percent) and people in the working-age bracket (80 percent age between 20 and 44) are predominant amongst those migrating from Poland. The percentage of women has been shrinking – in the 1980s they made up over 55 percent of those departing permanently; currently they represent about 50 percent of emigrants and the relative decline is even greater in the case of temporary migration. However, the most important change in the structure has been the drop in the education level of the average migrant. People with higher or secondary education made up 26 percent of all permanent emigrants in 1989, whereas this percentage had dropped to 12 percent by 1997. This concerns also those who stay temporarily outside of Poland's borders. Over less than a decade (1988-1995), the percentage of migrants who had graduated from higher educational institutions fell from 11.4 to 8.7 percent. Currently, 40 percent of such migrants are made up of people with vocational schooling (CSO, 1998; CSO, 2000)¹⁷. That leads to the assumption that it is this kind of person in particular (young, vocationally inexperienced and without high qualifications) who has the most difficulty with finding a job on the domestic labour market and who thus goes abroad to seek a living.

¹⁶ The difference between the 1995 Microcensus tallies and LFS data (as well as the Conditions of Living Survey data) is primarily a result of differing research methodologies. No study of the population's economic activity could encompass a few entire families, since an obvious precondition for an interview to take place was the presence of at least one person in the country. Both cases noted only those migrations that lasted longer than two months, and thus did not obtain any information on migrations of the shortest duration.

¹⁷ This is happening as the general level of education nation-wide is on the rise. The percentage of people between 19 and 24 (who are relatively most likely to become migrants) who are students at any institution of higher learning was 17.2% in 1995 and 28.0% in 1999 (CSO, 2000).

LFS has proven that between 70 and 80 percent of migrants undertake work during their stay abroad. According to the Ministry of Labour and Social Policy, there are about 300,000 – 350,000 Poles who legally take up work abroad annually just on the basis of bilateral international agreements. An overwhelming majority of these are seasonal workers (Figure 3 presents official data). Significantly more than half head for Germany, where over 200,000 Polish residents annually have been finding seasonal employment since 1996¹⁸. However, this kind of institutionalised employment is only a part of the greater phenomenon of the Poles' presence on foreign labour markets. Just like in the preceding decade, engaging in employment (often illegal) was an integral part of many Poles' trips abroad, regardless of the trip's formal character (a so-called tourist visa commonly sanctions a stay abroad)¹⁹.

2.4 Causes and consequences of the mobility to the West in the 1990s

The array of causes and motives for emigration changed drastically as the governing political-economic system was replaced. The lifting of restrictions on foreign travel was the first sign; this was quickly followed by extended opportunities for visa-free international travel, which brought the dramatic increase described above in the number of cross-border trips. That, in turn, led to the prediction that pent-up migratory potential would have found a release in the form of massive population movements flooding western labour markets. In order to explain why that did not in fact take place, it would be worthwhile to reflect more systematically on the conditions underlying contemporary migration from Poland.

Starting from the macro level, the political factor lost its overriding influence. The state frontier remains a real barrier, but residents of Poland have won freedom of exit and return to their homeland. However, the transformation of the system virtually exhausted the opportunities for taking up legal residence abroad for people who used to arrive nominally as tourists, e.g. by getting exile or refugee status. In Germany, the most frequent destination country, the conditions for accepting people applying for *Aussiedler* status were toughened up significantly. It is true that, although emigration resulting from family matters still plays a part in the outflow of people from Poland, trips to earn money do clearly predominate²⁰. The economic impetus is therefore key, especially in the context of the changes connected with the transformation underway. Despite a high rate of economic growth, there has been no great evening out of differences in living conditions (see Introduction and Figure 4), nor an equalising of wage rates between Poland and destination countries, these two being the underlying factors favouring mobility. The transformation revealed a breadth of unfavourable effects on the labour market: over-employment, low labour efficiency, a qualification structure that ill fitted employers' needs and strong geographical disparity. The restructuring of a wide range of industries led to a circumstance unheard of under the previous economic regime: unemployment. The registered unemployment rate has persisted at over 10 percent

¹⁸ France is the second most important country for legal, temporary, earnings-seeking migration. In 1993-1998, about 19,000 trips were noted. Besides seasonal employees, other vocational categories find employment, especially the so-called contract-workers (over 60% in construction), whose yearly outflow numbers somewhere between ten and sixty thousand (Marek, 2000).

¹⁹ Estimates that are coming out concerning the scale of this phenomenon (e.g. 150,000 – 200,000 yearly – Rajkiewicz, 2000) should probably be considered short of the actual figure.

²⁰ Three-quarters of those surveyed in 1997 (Conditions of Living Survey) declared that the fundamental reason for their trip abroad had been to engage in paid employment. Of the remaining 25%, 10% of departures were out of family considerations, although certainly the economic factor was a consideration (CSO, 2000). The LFS research produced similar results.

since the beginning of the 1990s²¹. Changes in property ownership within the economy have substantially divided society along income lines. Groups that consider themselves "passed over" or "losers" in the transformation include employees of state-owned enterprises (there are still around 4.3 million people employed in the public or state sector), old-age and disability pensioners (about 7 million), farmers (about 3.7 million in the individual farmer category alone) and a growing group of unemployed (CSO, 2000).

The relatively high demand for unqualified workers in many destination countries has accompanied the unstable economic situation back in Poland. It should not be forgotten that earnings-oriented migration is a function of demand, i.e. it would not be possible were it not for favourable conditions in the labour markets of countries in the economic centre. In this area, a far-reaching segmentation of labour markets is observable in both western European and American labour markets wherein migrants play a significant role on the secondary markets. Germany undoubtedly acts as the best example where, despite unemployment among the domestic labour force, there has been an uninterrupted shortage of unqualified workers apparent for decades. This situation represents a significant demand for migrants from Poland, as witnessed by the figures portraying the scale of legal, seasonal employment and likewise by the extent of unregistered employment in sectors such as construction and food service.

Despite the existence of significant pro-migration factors, foreign trips are an alternative that are resorted to by a slight percentage of households (even if that number were significantly greater than the figure derived in the 1997 Conditions of Living Survey, according to which 13 of every 1000 Polish families have at least one member abroad). This means that factors generally cited are not sufficient to explain the rate of Polish residents' contemporary earnings-driven mobility and that other significant mobility constraints exist. One decisive factor is the appearance of numerous opportunities to acquire financial resources within Poland itself. Given that a large proportion of the population does not feature a high mobility propensity (as witnessed even by the extent of internal migration), one self-evident, albeit less profitable, solution would be selecting alternatives offered within the homeland²².

The basis for economic calculations on whether or not to migrate, that is to say the difference between wages offered in Poland and abroad, is slowly decreasing. However, that does not mean that migration is becoming similarly less profitable. In the case of Poland, migration should be also considered an expression of the attempt to diversify risks and reduce costs associated with markets failures. Foreign mobility is becoming an attractive means to acquire funds permitting investment (due to ineffective credit markets at home) and is more and more frequently used as insurance against the effect of unemployment (in light of the ineffectiveness of the labour market).

The key to understanding contemporary migration from Poland is to note the lamentable state

²¹ It is estimated that the actual scale of unemployment may be lower due to the employment of around 5% of the labour force in the "grey sector." That said, the substantial hidden unemployment amongst the rural population (reckoned at even several million people) should be kept in mind. This latter phenomenon means that many households have excess labour potential which may find an outlet abroad without any outright effect on the household's erstwhile economic activity.

²² This is supported by a study whose results indicate that the acceptance of detrimental outcomes associated with migration (separation from family, stress) must be counteracted with equivalently high earnings. The author tried to assess the wage rate that would induce surveyed individuals to work abroad and the rate that would induce them to remain in Poland. It turned out that wages paid abroad would have to be over twice as high as compensation for work within Poland (it was also discovered that domestic wage expectations are still two to three times higher than actual rates) (Jończy, 2000)

the previous system wrought. The centralised socialist state so tightly controlled the distribution of the national income, wages, prices and other economic aggregates that, following the change in the system, the only resource that many households found themselves with was the labour potential of its members (often exacerbated by a lack of specific qualifications). This situation is less prevalent among educated urbanites who, as a rule, have had no problems landing on their feet in the new reality. It is different in areas of the "periphery of the periphery," especially where an over-proportion of obsolete industry and agriculture is holding reform back. The residents of those regions are at the very least passive participants in the new reality and, in that light, quite justifiably consider the latest earnings-motivated migration as an "answer to the call for enterprise and money-sense" (Romaniszyn, 1999: 92). Foreign travel therefore represents a particularly favourable alternative for the "losers" of the system transformation. These people strive to improve their lot relative to other households (they seek to reduce the gap between themselves and their wealthier neighbours) and simultaneously have good reasons to try to minimise the various risks frequently associated with systemic change itself (Kaczmarczyk, forthcoming).

In contrast to migration from the 1970s and 1980s, large numbers of common people can move about more freely thanks to the lifting of a wide range of barriers and a decrease in costs (e.g. of transportation). Participants in the migration process are more and more frequently individuals with no vocational qualifications and little education rather than enterprising and energetic individuals. The former may, however, successfully operate in secondary sectors of destination countries' labour markets. That has a bearing on the labour market back in Poland, where it is harder and harder to get a good position without having high qualifications²³. As during the preceding period, young people (aged 20 to 45) have the highest propensity to migrate (see CSO, 2000; Kaczmarczyk, forthcoming). This is not only a function of their understandable seeking out of new experiences or willingness to take risks but also of the high unemployment rate suffered by this age bracket²⁴.

Suitable social capital is a condition for embarking on foreign migration; migration networks are the source of such capital²⁵. Along with the streams of migrants coming out of Poland came a rapid expansion of the migration network in the form of contacts between migrants and their families or other members of their local communities, which in time created a transnational social space (Faist, 1998; Massey, 1990). These networks developed especially intensively in areas featuring strong community ties (e.g. rural communities) and/or a tradition of migration²⁶. These networks reduce the costs of migration and, perhaps more importantly, the risks associated with it. Migration in and of itself is becoming a natural part of social life and a widely-accessible alternative now opted for by people who earlier would never have contemplated a risky trip. At the same time, along with the progressive transformation, a certain group of households is getting more and more (economically) dependent on foreign travel to satisfy a particular "survival strategy."

The outset of the transformation brought not only a change in the nature of the migration

²³ According to LFS, people with elementary or basic vocational training made up 28% of the unemployed in 1998 (25% in 1997).

²⁴ In 1999, people under 45 years of age represented 79% of all unemployed men and 86% of all unemployed women (CSO, 2000).

²⁵ The geographic concentration of migrants' regions of origin indicates that place of origin is currently one of the most significant determinants of migration.

²⁶ This phenomenon is especially evident in Silesia, where it is commonplace to operate in both Poland and Germany, often supported by dual citizenship.

process, but also a new dimension to the outcomes of international mobility. Due to the gradually decreasing economic gap between Poland and destination countries, there has been a significant reduction in the transfer of pecuniary resources (and even more so in the direct import of consumer goods) back home to Poland. Nonetheless, it does still go on at a meaningful level. According to one estimate of funds transferred from foreign employment, one billion USD annually flowed into Poland toward the end of the 1990s (i.e. the equivalent of 0.6 percent of 1998 GNP and 19 percent of direct foreign investment (Rajkiewicz, 2000)). German researchers have determined that income from legal employment in Germany alone transferred to Poland between 1991 and 1996 amounted to 3.91 billion DM (Hönekopp, 1997 cited in Marek, 2000).

Theoretically, those resources could represent a significant component of capital flows and go on to become a stable and important element of the current account balance; they could even, in the extreme case, replace foreign investment, increase the domestic savings rate and, through investments, create new jobs. So far, there has been no exhaustive analysis of the economic influence of monies derived through migration on Poland, and so all approximations are intuitive. Such resources represent a negligible part of the GNP, yet stand out in financial terms since there is still too little direct foreign investment. Like most emigration countries, it is, however, difficult to expect its substantial contribution to domestic savings or the investment process. The allocation of most funds for current consumption (see below) has caused inflationary pressure in the short term (an important aspect in a country such as Poland), but in the longer perspective, through the multiplier effect, will probably benefit the economy (increased consumer purchasing power, provision of a boost to the overall state economy).

Having discovered that a large part of contemporary migrants are of sub-average education, without higher qualifications and frequently jobless, it is possible to suggest that actual migrations are a mechanism for the labour surplus, as revealed through economic restructuring, to be exported (that idea was at the root of international agreements on the employment of Polish workers in foreign countries). The effect is not significant on a nationwide scale (as witnessed by the stubborn and high unemployment rate and lack of structural changes in the group of unemployed), but may play a large role in communities on the economic peripheries, especially rural ones, where earnings-driven foreign trips are becoming a "safety outlet" forestalling large build-ups of hidden unemployment.

The consequences observed at the macro level are incidental effects that result from multiplying the results of migration on a small scale by the number of people and families involved in migration. Improvement to one's material situation is the basic (declared) goal for foreign migration. Many studies have shown that the sums of accumulated resources earned during foreign earnings-driven migration are (still) several times higher than the amount which can be earned in Poland (the difference is most evident in the case of migrants from the peripheries and agriculture-based communities) (Hirszfeld and Kaczmarczyk, 1999, 2000; Giza, 1998; Rajkiewicz, 2000). These resources should, however, be treated rather as potential that may be exchanged for various kinds of benefits.

How financial resources accumulated through migration are used depends in large part on investment opportunities in the place of origin (which are often limited due to numerous market imperfections), migration strategy (mainly on whether the individual in question sees his or her future in the country of origin) and stage in life (varying behaviours by single people and family men and women). Observation of migrants' behaviour has shown that

expenditures on current consumption are predominant²⁷. Despite the indubitable fact that making use of capital in this way is less beneficial than investment, especially when the latter would lead to the creation of new jobs and an energising of structures within the economic peripheries, such spending should not be seen in a negative light. A large share of contemporary migration may be deemed survival migration, meaning that accumulated funds are converted into "capital" for getting through the transformation period, a time that is difficult for most Poles. Migration processes are becoming, to a degree, a permanent source for a relatively large injection of cash for buying necessities (food, clothing, medication) and, in a broader context, for adapting to the new socio-political conditions. This should be the basis for any understanding of temporary migration undertaken to better one's economic situation in the country of origin mostly by means of participation in foreign economies.

Modern-day earnings-driven migration very rarely leads to changes in the level of human capital invested in the migrants themselves. This is despite the fact that such investment, over time, could (theoretically) bear fruit in a better position on an ever more competitive labour market. Studies carried out in migration circles have shown that migrants learn only the rudiments of a destination country's language: this is a result of the possibility to get by within a "safe" and "familiar" network of their own and a feeling of the transitoriness of their situation²⁸. The acquisition of vocational skills are of some importance, but here it is necessary to qualify that this does not apply to unskilled workers, whereas most migrants, not only illegal ones, engage in work that does not require any specific qualifications. The work done during a foreign sojourn is very seldom a component of a vocational or professional career (Jazwinska, forthcoming). In this context, migration is generally a short-sighted investment. This is especially evident in the case of the young who, by travelling abroad, interrupt their education or lose out on opportunities on the domestic labour market at a vital time, i.e. shortly after graduation. This means that they oftentimes thereby lose their opportunity to operate on the labour market following their return home.

The community and social aspects of migration processes are much more troublesome, in contrast to the economic aspect that is widely perceived as positive. Participants in the migration process themselves feel social considerations to be either practically absent or reduced to material issues (Giza, 1998). Migrations lead most of all to changes in the income relationship within local communities as well as to wide-ranging changes in the sphere of social and community prestige. It is more and more rare for earnings-motivated migration to allow the migrant to catch up with those who have already achieved success. In response, many migrants are afflicted with disappointment, disillusionment and the feeling that the "high-life" in Poland is growing more and more distant from them. In stark contrast to the 1970s and the 1980s era of migration, nowadays being abroad is rarely considered a mark of success, nor are migrants themselves greatly regarded. This is associated with the fact that migrants are more and more often the people who cannot find a place for themselves in the

²⁷ An ethnosurvey has shown that merely 20-30% of households receiving monies from abroad conduct any investments, including home construction and renovation (Giza, 1998). This is a function not only of individuals' predispositions or local opportunities but often also of the modest sums involved, which are sometimes insufficient to begin expensive undertakings. Investing in children's education, which is tantamount to accumulation in human capital, is worthy of notice. Additionally, funds from migrations may make intra-country mobility easier or even financially possible.

²⁸ It should be emphasised that such a situation concerns even an enormous part of the *Aussiedler* who, after all, aspired to full participation in German daily affairs. About 60% of people with this status either do not know German or do not speak it well enough to get around on a daily basis (Koller, 1997).

new reality²⁹. To make matters worse, migrants, once back home, are the least active members in community life, due in large part to their marginalisation in destination countries ("migration schizophrenia") (see Grzymala-Kazłowska, forthcoming; Osipowicz, forthcoming). And so it would be unwise to expect the migrants to be engines for social change; indications are that they rather delay such changes.

The experience of Polish researchers has shown the importance of the phenomenon described by Massey as "cumulative causation," emphasising that, generally speaking, every migration act in some way changes the environment from which it arose. Subsequent trips become easier and more likely, not only because of a reduction in the transactional costs (expansion of a network), influence on the distribution of land, pre-definition of the social and material prestige scale and changes in consumption behaviours, but because mobility in and of itself becomes an element adopted by a community unit, thereby changing the unit's system of values and how those values are received (Massey, 2000). In extreme cases, being a migrant may even become an exemplary behaviour and migration itself an obvious alternative (perhaps as something akin to a rite of passage). Such a phenomenon has far-reaching consequences (made particularly clear by the example of the rapid development of migrants' networks); it would be especially wrong to underestimate its consequences where or when a large proportion of households treat earnings-driven mobility as a natural and effective strategy ("survival strategy") to get by in the new reality.

2.5 Prospects in the context of EU enlargement

A discussion has been going on for a certain time on the potential migration consequences of Central and Eastern European countries' accession to the EU, and especially on the introduction of one of the fundamental European Community values – unfettered freedom of movement for individuals. This discussion sometimes takes on a dramatic character as numerous hazards are voiced of how the process would impact on EU residents. Perceived threats mentioned include falling wages, the prospect of unemployment and the destabilisation of entire sectors of the economy. It appears that such a vision of how the future would unfold is not entirely justified. Regardless of whether even a large influx of workers from Poland onto western labour markets would inevitably bring negative consequences, several arguments put forward prove that Poland's true migration potential has been over-estimated (with a further caveat that many conditions must pre-exist for that potential to be converted into an actual stream of migrants).

Contemporary migration theory points out the complexity of decisions around foreign mobility. The wage gap incentive (the "pay argument") is significant (since little migration takes place when the gap is non-existent), but certainly insufficient in and of itself. Migration per se should not be considered (solely) instrumentally as a way to even out inequities on the labour market. Barriers associated with the flow of labour are often forgotten; such barriers are not only formal ones (state borders, visa requirements, work permits), but also informal ones (culture, language, contacts, friends and family). In this sense, borders are not only a

²⁹ Romaniszyn (1999), in attempting to analyse the consequences of migration processes in the context of cultural changes, noted that, at the level of symbolic culture and life philosophies, consumerist patterns are adopted relatively early on, which influence immediate consumption of savings (accumulated capital) during the migration itself. When considering other aspects, it would be difficult to deny that migrants operate somewhat on the margins of two worlds, participating in neither to the full or effectively. That means that a return from a migration often implies a break with one's previous lifestyle as well as with the norms that were in effect in "the other world."

political abstraction imposed to delineate the scope of two state apparatuses, but a real barrier dividing separate institutional systems, a barrier that will not disappear even after the foreseen accession to the EU.

It appears that the Poles' modern-day migration from Poland has already reached a level that will be difficult to surpass. Because of cumulative causation, outflows from regions considered to be traditional emigration centres will continue but, due to fewer and fewer material incentives (given a shrinking wage gap and increasing opportunity costs), the outflows should not dramatically increase. Much research has shown that a large component of the Polish general populace is not of a high mobility propensity. Furthermore, demographic forecasts for the upcoming years foresee a drop in the under-45 population, which empirical studies have shown to be the most likely to embark on foreign trips. These and other arguments indicate that Poland's accession should resemble the earlier experience of Spain and Portugal. If so, despite continuing disparities in living standards and a wage gap, no exodus will occur into western Europe.

3. Poland as an emerging pole of attraction for foreign migrants

3.1 Basic facts

From the perspective of economic dynamics and labour market developments, since 1990 CEE has suddenly become a multipolar economic region, with Poland as a fast-growing economy and a major migrant-attracting country. At the same time, the controls on population movements, the most effective means of migration policies in the pre-transition period, have uniformly been removed. For nationals of many ex-Soviet bloc countries that meant a chance of making the first international journey in their lives³⁰. All this triggered off a huge migration potential within the region.

Masses of foreign visitors started to pour into Poland and other countries. In 1985 only 3.4 million foreigners entered Poland while in 1991 as many as 36.8 million. In 1990 and 1991 the number of entries has more than doubled relative to a preceding year. It was only in the second half of the decade when the number of foreign citizens coming to Poland started to stabilise but by then it had already reached the ceiling of some 85-90 million (CSO, various years). This enormous rise in the inflow can almost entirely be attributed to the movements of people from the former socialist countries, notably those neighbouring with Poland, including the ex-GDR. Whereas for the residents of the ex-GDR, journeys to Poland mainly served shopping (in a relatively cheap Polish consumer-goods market) for individual household needs, the visitors from other former socialist countries were as a rule involved in petty trade.

Figure 5 clearly shows how steep was the increase in the case of visitors originating from countries that, on the one hand, lagged behind in the process of reforming their economies, and on the other hand, simultaneously with the breakdown of the ancien regime, granted their citizens the freedom of movement. The number of ex-Soviet citizens crossing the eastern border of Poland, which typically in the mid-80s was around 50,000 monthly, reached almost 900,000 in July 1991, which threatened checkpoints facilities and went far beyond staff

³⁰ The path-breaking role of a politically determined opening-up of state borders in CEE cannot be overestimated. For instance, in 1989 as many as 1.5 million citizens of the Ukraine were granted their passports and by this allowed to leave the country whereas in 1987 the number was only 85,000 Ukrainians (Frejka et al., 1998).

capacity at those checkpoints. A distinct sign and one of the consequences of such rapid growth had for years become long lines of passengers awaiting clearance on the Polish eastern border.

Not only did the number of international passengers visiting Poland multiply between the late 1980s and early 1990s; the number of people involved in other flows did so too. Those included: immigrants (including foreigners coming for temporary residence or settlement and re-emigrants), migrant workers, persons of Polish descent repatriated from some ex-Soviet republics, illegal migrants transiting through Poland, asylum seekers and foreign students. In effect, within a few years Poland – which formerly was practically free of migrants – started to experience a range of problems typical for an immigration country.

3.2 False tourists: socio-economic factors behind a shift from the mobility of petty traders to entrepreneurial mobility and flows of migrant workers

At first, a dominant feature of false tourists' movements was exploration by the visitors of money-making opportunities that existed outside of their country of residence. In Poland it was usually citizens of the ex-USSR who visited open-air markets in various towns to sell small quantities of merchandise (often second-hand or of a poor quality), which they imported from their countries of origin, and transferred the revenues back home. Those persons took advantage of vast intra-CEE price differences stemming from diversified market imbalances and the remnants of price subsidies maintained by the state in certain countries. In the course of time, with growing numbers of foreigners involved in small-scale commercial activity in Poland, the bazaar trade became more and more competitive and specialised. Faced with this, many petty traders switched to bringing money to Poland in order to buy goods which were in high demand in their home countries. Consequently, those goods were exported for resale. This, however, also quickly hit the demand-determined ceiling, and for many ceased to be profitable.

Thus the parallel that false tourists coming with a visit to Poland started to search for sources of income that would be an alternative to petty trade. Some of them turned to business, and set up professional retail or wholesale trading firms operating entirely in Poland or between Poland and countries of the former Soviet Union, whereas some others (albeit in much larger numbers) took short-term employment in the blossoming Polish informal labour market.

The magnitude of irregular employment of foreign visitors in Poland was rather high. Estimates for the mid-1990s suggested that annually between 2 million and 4 million foreigners (mostly from the countries of the ex-USSR) were earning their "shadow" incomes in Poland or through the journeys to Poland, some of them visiting that country more than once a year. In 1995 around 800,000 Ukrainian citizens alone were believed to be in some kind of employment in Poland, a large majority of them taking occasional jobs of a very short duration³¹. Although usually these jobs were meant to play a role of supplementary (as a rule, besides petty trade) money-generating activity, the readiness of foreign visitors to work for low pay increasingly made Polish employers replace local labour (especially seasonal or casual workers) with the foreigners. This gradually paved the way for a more systematic (and longer in terms of individual visits) presence of foreigners in the informal labour market in Poland (Okólski, various years).

³¹ In the second half of the 1990s various officials representing the Ministry of Labour implied that the average stock of irregular foreign labour might be exceeding 200,000 (Lentowski, 1999).

The flows between the Ukraine and Poland were perhaps by far the most prominent not only from the viewpoint of their size but also underlying economic factors. A survey conducted in several districts of the Ukraine in 1994 revealed that more than a third of total incomes in the migrants' households originated from the employment (or other economic activity) abroad. In a situation of a prolonged economic slump in that country, the possibility of earning money in nearby Poland must have been appealing even though the wage rates offered to workers from the Ukraine were very low by any standards (Frejka et al., 1998). On the other hand, the cheap labour of Ukrainians had a beneficial effect on the affluence of many Polish households and helped many firms (e.g. horticultural farms) survive the transition period or adapt to newly established competitive market rules (Stola, 1997).

All in all, the inflow of false tourists from the former socialist countries had a significant impact on various spheres of Poland's economy. Local economies of many border areas in western, southern and eastern Poland were revitalised thanks to a grossly increased turnover in market places and an elevated output level of goods locally produced and sold in those market places. Over a relatively short time, in central Poland a number of giant retail and wholesale centres virtually multiplied their revenues because of a great demand on the part of medium- and big-scale retailers supplying merchandise to petty traders from abroad (Malinowska and Wyznikiewicz, 1998). A case study of one of the largest of those centres, the Warsaw Bazaar, which in 1995 was visited by some 5.5 million foreigners, revealed that with regard to annual turnover, in that year the bazaar ranked among the top 30 Polish companies. Its number of full-time employees was over 6,500 and part-time employees around 1,000, of whom at least 3,000 were foreign citizens. In addition, some 30,000 workers were employed in Poland-based factories that solely supplied the bazaar, and around 25,000 workers in factories of which more than half the output went there. Moreover, it was estimated that, on the one hand, the value of direct imports amounted to 12 percent of the bazaar total supplies, and, on the other hand, two-thirds of the sales went abroad (IRME, 1996). Needless to say, the macroeconomic effect of those invisible trade activities must have been tremendous. It culminated in 1995 when, according to various estimates, including that made by the Central Bank of Poland, the revenues from invisible exports stood at from 25 to 33 percent of total exports of Poland (Okólski, various years). With the efficiency of ex-Soviet economies gradually improving and with the development of private trading companies in the respective countries, however, the importance of the "valise trade" of the false tourists for the Polish trade balance diminished – from more than one-fourth in 1995 to one-tenth in 1999 (Orlowski, 2001)³².

3.3 A foreigners' niche in Poland's labour market?

Although before 1990 practically no foreigners migrated to Poland for work, the situation turned about with the onset of the economic and political transition. Foreign-capital companies, newly established in Poland, required appropriate managerial staff. A demand for highly skilled foreign professionals was also widely expressed by the Polish banking and financial service sector. A shift from the mass learning of the Russian language to English revealed an acute lack of teachers, which could only be resolved by the import of native speakers. These and many other factors brought about a change in employment legislation, and since 1991 regional labour offices in Poland started to grant work permits to foreigners.

³² Some analysts suggest that the decline was at least partly due to the 1998 financial crisis in Russia and several post-Soviet countries and the related lower purchasing power of rubel (Orlowski, 2001).

In the first half of 1991, however, only 1,350 foreign citizens legally entered the Polish labour market. In the second half of that year that number more than doubled (4,350 over 1991). The legal employment of temporary foreign citizens was growing fast, and reached the level of 20,000 in 1998, which, however, was a minuscule fraction of the total workforce in Poland. On the other hand, as already mentioned, in that year around 200,000 foreigners worked on an irregular basis. In addition, between 10,000 and 15,000 non-Polish citizens who were granted "permanent" residence in Poland (NLO, various years) were also employed. Altogether then the migrant workers started to count in Poland, especially bearing in mind that their employment was from the very beginning strongly regionally and sectorally concentrated.

Whereas, with minor exceptions, the irregular workers are mainly the low-skilled who are employed in the household sector (cleaning, baby-sitting, house refurbishing, etc.), agriculture (mostly on a seasonal basis, at specialised horticulture or fruit-growing farms), residential construction industry and a few other branches (e.g. "ethnic" trade companies and restaurants), the legally employed foreigners represent various skills and work in a great diversity of branches. As a matter of fact, the skill distribution of legal migrant workers can be aptly visualised as an hourglass, with a large share of the highly skilled at one end and the low-skilled at the other end, and a tiny share of the medium skilled in between.

Moreover, each of the two large groups is relatively uniform with regard to its geographical origin. As a rule, the highly skilled (managers, experts, teachers, etc.) originate from the West while the low skilled (manual workers) from the East. Western countries include above all: the United Kingdom, Germany, France, the USA and Italy, and eastern countries: the Ukraine, Belarus, Russia, Armenia and Bulgaria. Among major nationalities legally represented in the Polish labour market one should not overlook the Vietnamese and Chinese. A distinct trait in that case is the self-employment of migrant workers in retail or wholesale trade and catering (restaurants) or the contract employment in "ethnic" firms run by fellow countrymen (Okólski, various years).

The ten-year perspective (1991-2000) offers a pretty good empirical basis for concluding that certain skills and certain nationalities have become a lasting element of the Polish economy. For instance, Poland seems a good trampoline for young executives from western countries starting their international career (Rudolph and Hillmann, 1998). Also a growing number of young graduates of western universities find Poland a proper ground for beginning professional activity. On the other hand, Vietnamese migrants succeeded by all means in creating their own ethnic economic enclave in Poland, which appears to be self-sustaining. Finally, Ukrainians are an example of a stronghold in certain manual professions (Iglicka, 2000).

3.4 Other migrant flows into Poland³³

The growing inflow to Poland of foreigners searching for new opportunities to earn incomes has taken a number of forms or run parallel with the rise of inflow for other than purely economic reasons. In other words, besides false tourists coming to Poland with a purpose of trading goods or organising their own businesses or taking occasional jobs, and regular migrant workers, in the 1990s Poland also saw an increasing number of movements from abroad for family, educational and humanitarian reasons.

³³ Unless otherwise indicated, the data referred to in this section have been presented and analysed in Okólski (various years).

The scale of migration for family reasons can be approximated by the number of settled foreigners and returning former emigrants. In 1990-1999 more than 65,000 persons who previously were the residents of other countries became permanent residents of Poland; of these, around 25,000 had foreign citizenship. The number of foreigners who over that period obtained permission to stay in Poland for an indefinite (or fixed but long) time amounted to 45,000. As a consequence of those changes, in 1999 the register of foreigners in Poland included 43,000 persons whereas in 1990 less than 20,000. Furthermore, tens of thousands of Polish citizens re-emigrated officially and many more did so invisibly³⁴. In this category a non-negligible position was occupied by persons who in earlier years claimed to be ethnic Germans and were recognised as such in the FRG (Heffner and Soldra-Gwizdz, 1997).

Also on the rise was the number of foreign nationals who were enrolled in educational institutions in Poland. In the 1990s it more than doubled, to reach the level of over 6,000 in 1999.

At the same time, Poland started to host growing numbers of asylum-seekers and (sporadically) people in need of temporary protection. During the times of the communist regime Poland had occasionally opened its doors to very small numbers of exiles or fugitives from other countries. It happened three times, and only for purely political reasons³⁵. In 1990, however, as many as 2,000 foreign citizens spontaneously applied in Poland for refugee status, and a similar number of asylum-seekers was also recorded in 1991. The applicants originated from many areas of the world, which were undergoing civil wars, mainly from Ethiopia, Somalia, Sudan, Albania, Armenia and Azerbaijan. In 1992-1994 the numbers of asylum-seekers went down to below 500 annually, and since 1995 they started to grow. Between 1996 and 1999 each year 3,000-3,500 new applicants were registered in Poland, which brings the total in 1990-1999 to nearly 20,000. Apart from Armenians who remained a major nationality, the flow in the second half of the 1990s comprised above all citizens of Afghanistan, Iraq, Sri Lanka, Pakistan, India, Bangladesh and Yugoslavia. In addition, several thousand people from ex-Yugoslavia (mainly from Bosnia) were granted temporary protection in Poland.

Another category of immigrants, which became prominent in the transition period, were the descendants of Polish nationals who several decades ago were subject to deportation to Kazakhstan and other remote parts of the former USSR. The estimates of the stock of this eligible population range between 60,000 and 120,000. This was the only category whose arrival to Poland was actively supported, if not encouraged, by the state. Until the end of the 1990s, however, not many persons, probably less than 2,500 (including family members of non-Polish origin) were repatriated. A major reason for such a slow pace of that resettlement are logistic problems and high economic and social costs.

All those flows had at least one thing in common. They became effective because of the introduction of democratic rule in Poland and, in more general terms, of the opening-up of the country. Symptomatic for this change was undoubtedly a sudden increase in the incidence of newly granted Polish citizenship. Whereas in the 1980s the number of foreign citizens who by

³⁴ A large but difficult to precisely measure number of people who emigrated from Poland in the 1980s returned home during the 1990s but (due to a specificity of migration statistics in Poland) a large part of those returns was not captured by official records.

³⁵ The largest group were Greeks and Macedonians who came to Poland in 1948-1950. The group included more than 14,000 former guerillas of the Greek National Liberation Army (ELAS) and their family members. Much smaller groups were accepted by Poland in 1952 (orphan children from Korea) and 1973 (pro-Allende activists from Chile).

law became Poles was typically around 150 a year, in 1990 it nearly reached 500, in 1991 passed the mark of 900, and in 1992 exceeded 1,500 (Okólski, 1994).

People arriving in Poland for other than purely economic reasons originated from practically all around the world. On the other hand, a pretty clear geographical pattern emerged. Among the immigrants, the citizens of the Ukraine, Vietnam, Russia and Belarus predominated. Sizeable was also the inflow of "ethnic Poles" from Kazakhstan. The most numerous nationalities among foreign students included Ukrainians, Belarussians, Lithuanians, the citizens of Kazakhstan and the USA. The re-emigrants mostly originated from Germany and (in substantially smaller numbers, however) other western countries. Finally, the bulk of asylum-seekers were the citizens of Armenia, Sri Lanka, Afghanistan, Somalia, ex-Yugoslavia, Iraq and the countries of the Indian sub-continent. Together with "economic migrants", both legal and illegal, those persons contributed to an ethnic mosaic in Poland and, especially, the emergence of several stable ethnic communities. At the end of the 1990s, by far the largest and best established seemed the communities of Ukrainian migrants, followed by people from Vietnam and Armenia.

The inflow of foreign citizens and the setting-up of ethnic enclaves in Poland has many, mostly beneficial, social consequences. Besides bringing in a cultural and ethnic diversity to society in Poland which had been closed for a long time, that inflow implies a number of "measurable" effects, such as the net import of high skills³⁶.

3.5 Foreign citizens in transit

Apart from passengers who in order to reach their destination (and because of the mode of transportation used by them) have to enter (and shortly afterwards leave) Poland, and who present no case of interest in migration analysis, in the 1990s Poland also became an area of illegal transit migration. The process of transit migration involves foreigners who for some reasons encounter difficulty with getting access to a desired country of destination. The scale of that phenomenon in Poland was estimated at around 100,000 a year in the early 1990s.

Those people as a rule attempt an illegal crossing of Poland's border as well as the borders of certain other countries. Within the country they often work illegally or engage in criminal activity. Once apprehended by the police they pretend to be asylum-seekers. As a matter of fact, a tiny minority of them seems composed of genuine refugees.

Many foreigners in transit are assisted by organised groups of smugglers or traffickers. It was found that smuggling of people constitutes a very profitable business. Its high profitability prompts many international criminal organisations to actively offer their services to migrants unwanted in the countries of those migrants' destination.

Poland, due to a massive turnover of legal foreign passengers and to its favourable location (long and easily accessible land border with Germany), attracts many illegal transit migrants. In the early 1990s a majority of those people originated from Romania but later the national distribution of illegal transit migrants became considerably diversified. In the late 1990s the leading nations included: Sri Lanka, Afghanistan, Pakistan, Armenia, Iraq, Moldova,

³⁶ According to official statistics, since 1995 the number of immigrants with at least secondary education systematically exceeds the number of emigrants with comparable attainment. It is reasonable to assume that irregular immigrants represent a relatively high level of education, too.

Bangladesh and India.

Because of the highly detrimental effects of assisted transit migration on the coherence of Polish society and its basic institutions (including the refugee protection system) and due to Poland's international obligations, combating illegal transit, and smuggling of people in particular, ranks among the priorities of the state. After 1993, the adamant position of the responsible state agencies (e.g. border guards, the police) resulted in declining numbers of foreigners not only being apprehended during illegal passage over the Polish border but also readmitted to Poland from the West. This strongly suggests that, as far as Poland is concerned, illegal transit migration is in retreat (Okólski, 2000).

3.6 The future of migration into Poland

Every student of migration is aware of difficulties in retrospective analysis of that phenomenon, especially in arriving at plausible numerical estimates. The problems with predicting the future course of international population movements are incomparably more acute. It might however be reasonably argued that the trend of intensifying inflow into Poland will continue for at least the next decade or so.

The pace of economic growth in Poland will likely remain at a relatively high plateau (4-6 percent per year), whereas many countries that at present supply the Polish economy with the largest numbers of migrant workers will continue to struggle with the implementation of basic democratic rules and market reforms. Poland might therefore play the role of sub-regional pole of attraction for people from those countries, that primarily include Belarus and the Ukraine, but to some extent also Romania, Moldova, Mongolia, Vietnam and Armenia. Moreover, after the accession of Poland to the European Union, which is likely some time in 2003-2005, even in the event of the introduction of a transition period characterised by limited freedom of taking up jobs in the common labour market by Poles, more Poles might be seeking employment in the West. This may vacate more relatively unsophisticated jobs in Poland and create additional demand for foreign labour. Finally, around 2005 Poland will enter the period of a rapidly shrinking size of its working-age population, which will have a strong pull impact on workers from certain neighbouring countries.

A recent population projection published by the Central Statistical Office of Poland is consistent with these vague assumptions. According to that projection, immigration will systematically grow until at least 2007 whereas the number of emigrants will be on the decline until 2002, and will almost stabilise afterwards. In effect, in 2006 Poland will become a net immigration country, probably for the first time in its modern history (Boleslawski and Rutkowska, 2000)³⁷.

³⁷ We mean a tendency here, rather than an exception which happened from time to time in the past (e.g. in 1952 when a very small number of immigrants, i.e. 3.7 thousand still exceeded the number of emigrants because of a total ban on foreign travelling imposed on the population).

4. Conclusions

After 1989 Central and Eastern Europe very quickly changed its political configuration. Also, the ongoing transformation and many countries' dynamic economic growth have caused the area to stop being economically homogenous. Such transformations reinforced the hopes of the fastest developing countries, which may, thanks to their economic successes, link their futures to the institutional structures in western Europe (i.e. the EU). An implication of the analysis presented above is that it is exactly this substantial self-remaking among CEE countries that has created a new situation in the international mobility of the population. Unlike the time when the Soviet empire imposed isolation over the region, which at times was very effective, the movement of people is now virtually unfettered. As well, the mobility of people within CEE is of importance and the most highly developed countries of the region, including Poland, have become magnets for immigrants from elsewhere.

The socio-economic transformation has also altered the shape of Polish residents' emigration processes. The processes are gravitating toward temporary (often circular) migrations connected with doing work abroad that does not require specific qualifications. This kind of economic strategy is being used most of all by the "losers" of the transformation as a way to minimise the costs associated with it. That does mean, however, that any substantial increase in Polish residents' international mobility in the near future would be quite surprising.

At the same time, the lifting of barriers to mobility and Poland's continuously high rate of economic growth has made the country an attractive destination to potential immigrants, in large part from other countries in the region. The situation is not confined to people bound for Poland out of economic reasons, as there are also people compelled to migrate and transit migrants who often extend their stay in Poland. It seems that we may today speak of a historic change in the status of Poland, from being up until recently one of the most important lands sending out migrants to its current beginnings as a country fulfilling an immigration function. The situation is acting as confirmation of previous observations and axioms. The up-coming accession to the EU will probably accelerate the rate of economic change, lead to improvements in the standard of living, strengthen the currency and permit the local labour force to find work in western European countries practically unhindered. Poland's approaching accession is also leading to a stronger impetus for an inflow of immigrants from third countries (especially the Ukraine, Belarus, the Balkans). This is especially so since one may expect an increase in the demand for low-skilled workers and further development of secondary labour markets within Poland.

That, in turn, means that Poland will, perhaps sooner than had been foreseen, begin to play a role as a local immigrant attraction pole. That is also why the positive aspects of the free movement of people, including of the labour force, have been emphasised. It is worth remembering that international mobility is tied not only to difficult social and political issues, but also brings a long list of positive economic effects. This should be kept in mind during the inevitable discussions centred around the growing presence of foreigners in Poland.

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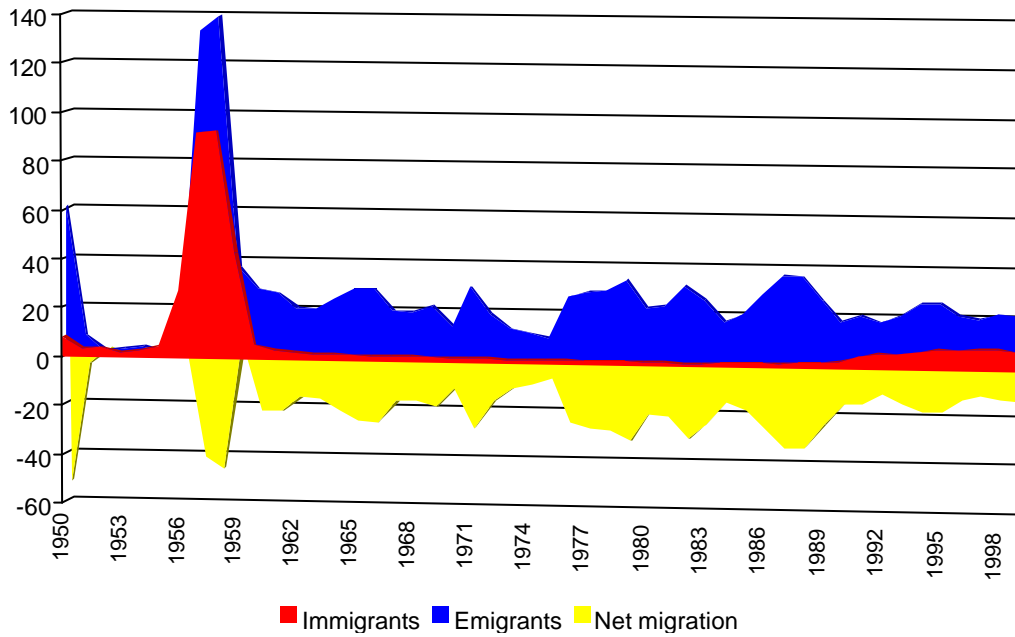
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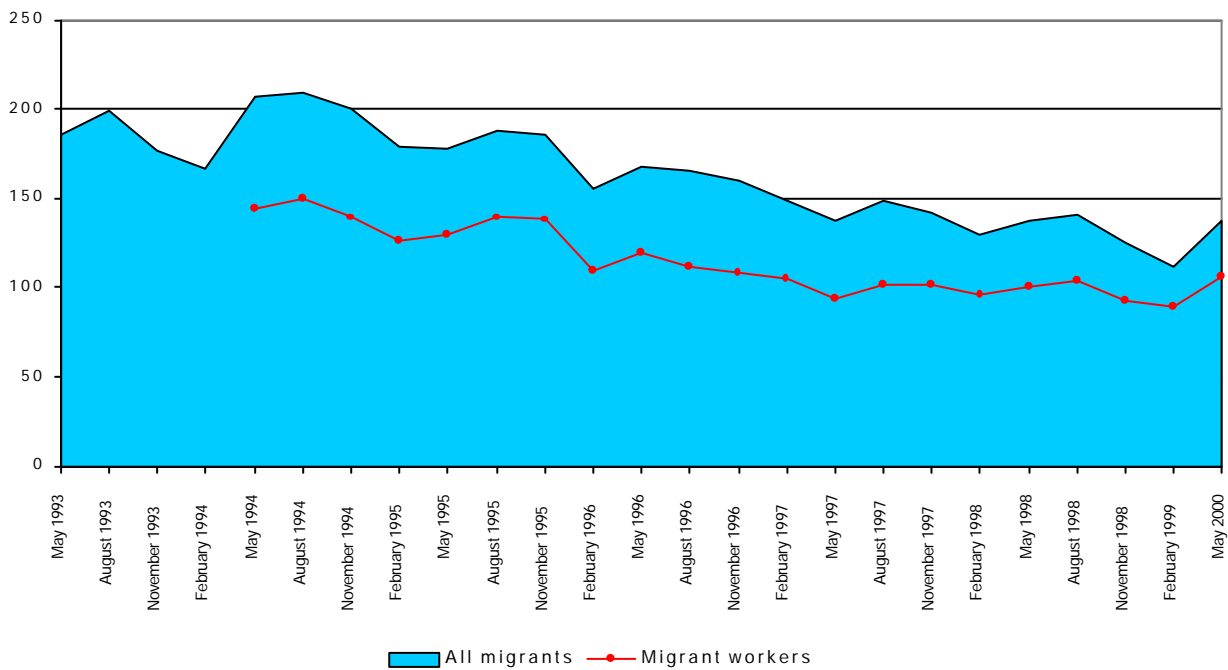
Appendix

Figure 1: International migration in Poland, 1945-1999 (official data, in thousands)



Source: Central Statistical Office.

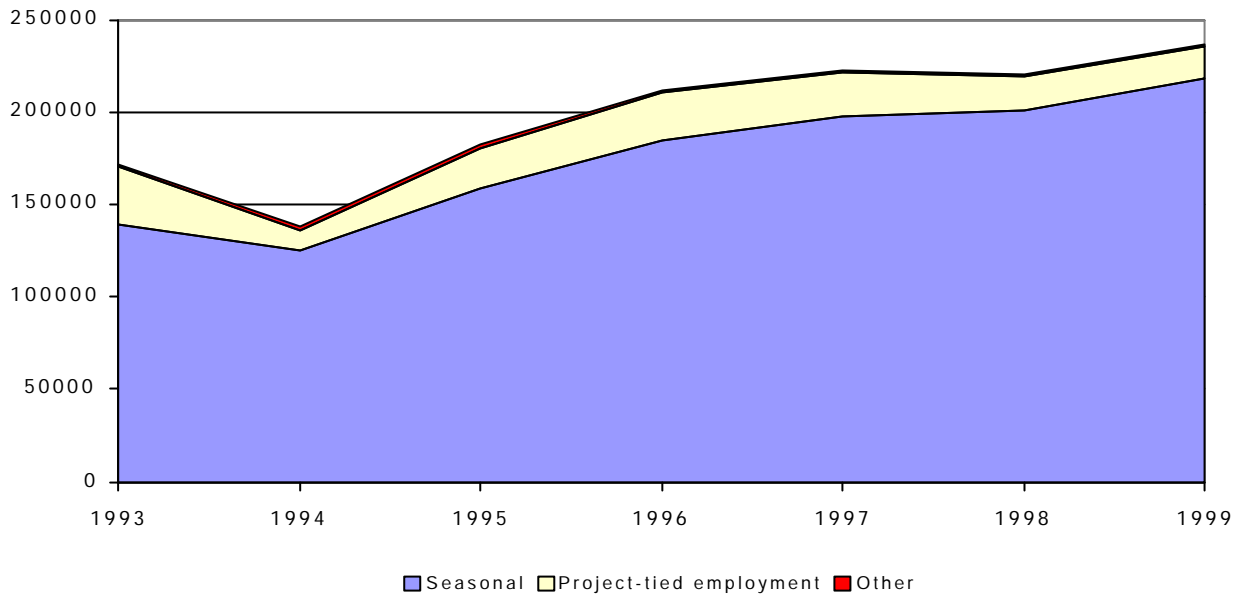
Figure 2: Polish citizens staying abroad for longer than 2 months who at the time of each Labour Force Survey (LFS) were members of households in Poland, 1993-1999 (in thousands) (a)



a) no data on migrant workers available before May 1994

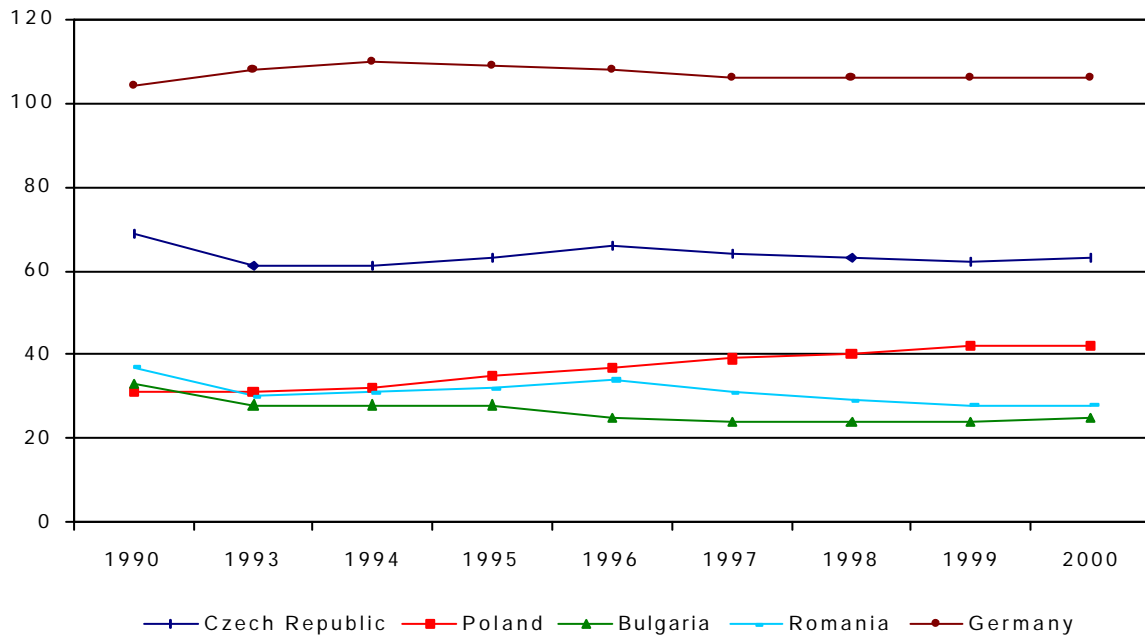
Source: Central Statistical Office.

Figure 3: Polish migrants employed in Germany (on the basis of bilateral agreements), 1993-1999



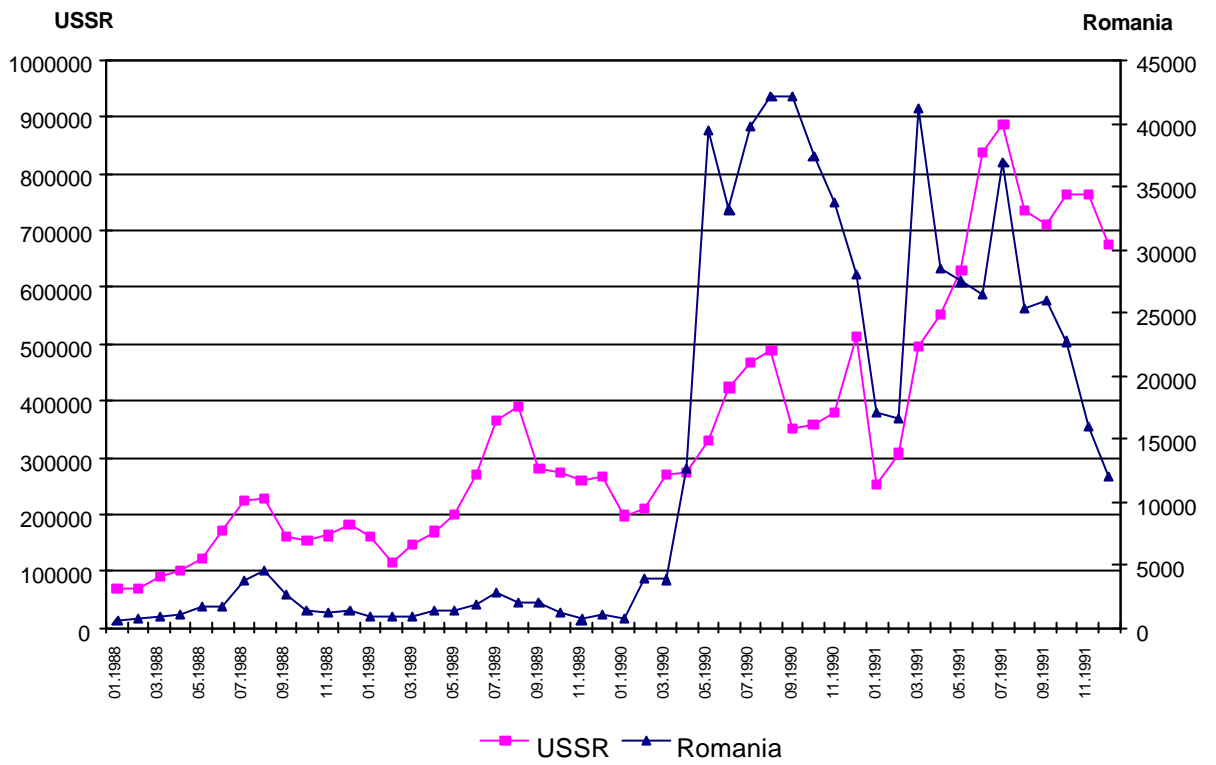
Source: Okólski, 2000 (SOPEMI).

Figure 4: GDP per capita at current PPPs in selected European countries (ECU, European Union (15) average = 100)



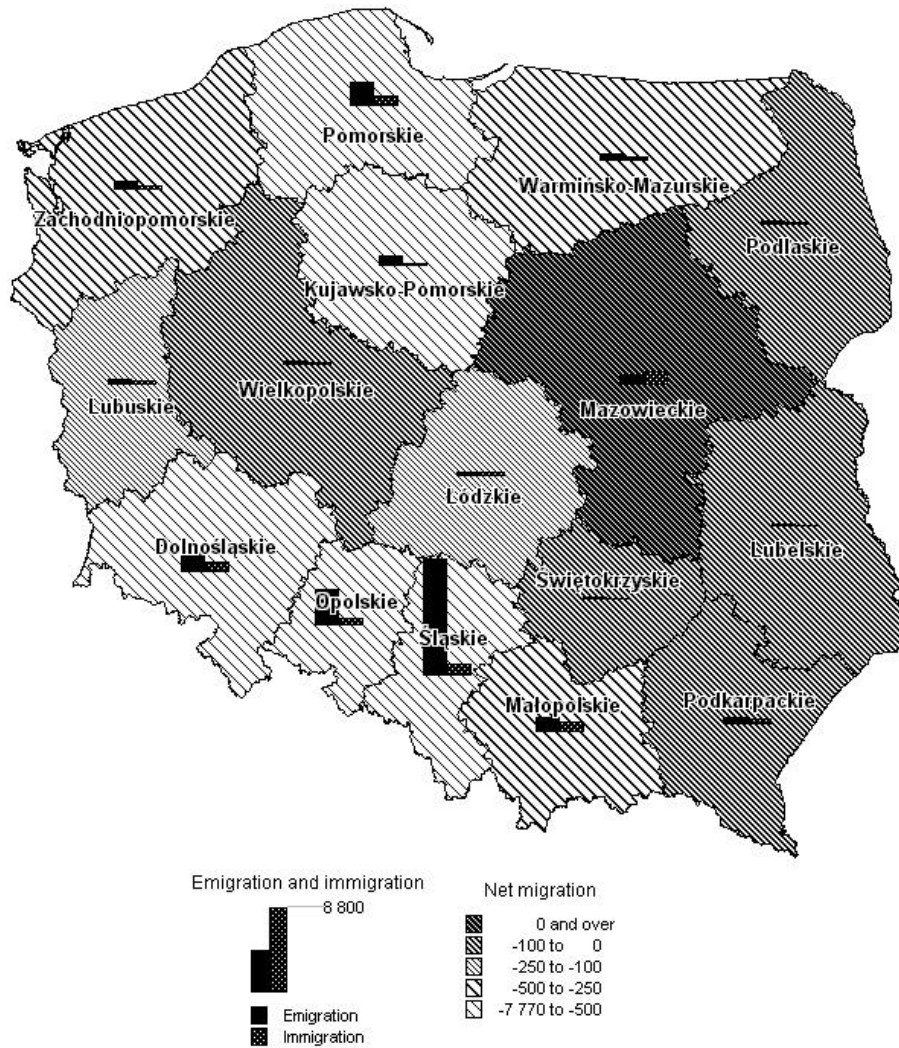
Source: OECD.

Figure 5: Immigration citizens of USSR and Romania, 1987-1991



Source: Ministry of Interior.

Figure 6: Emigration and immigration in Poland (official data, by regions), 1999



Source: Central Statistical Office.

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