

17.05.2019

Gains from Immigration

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Migration Research*



Agenda

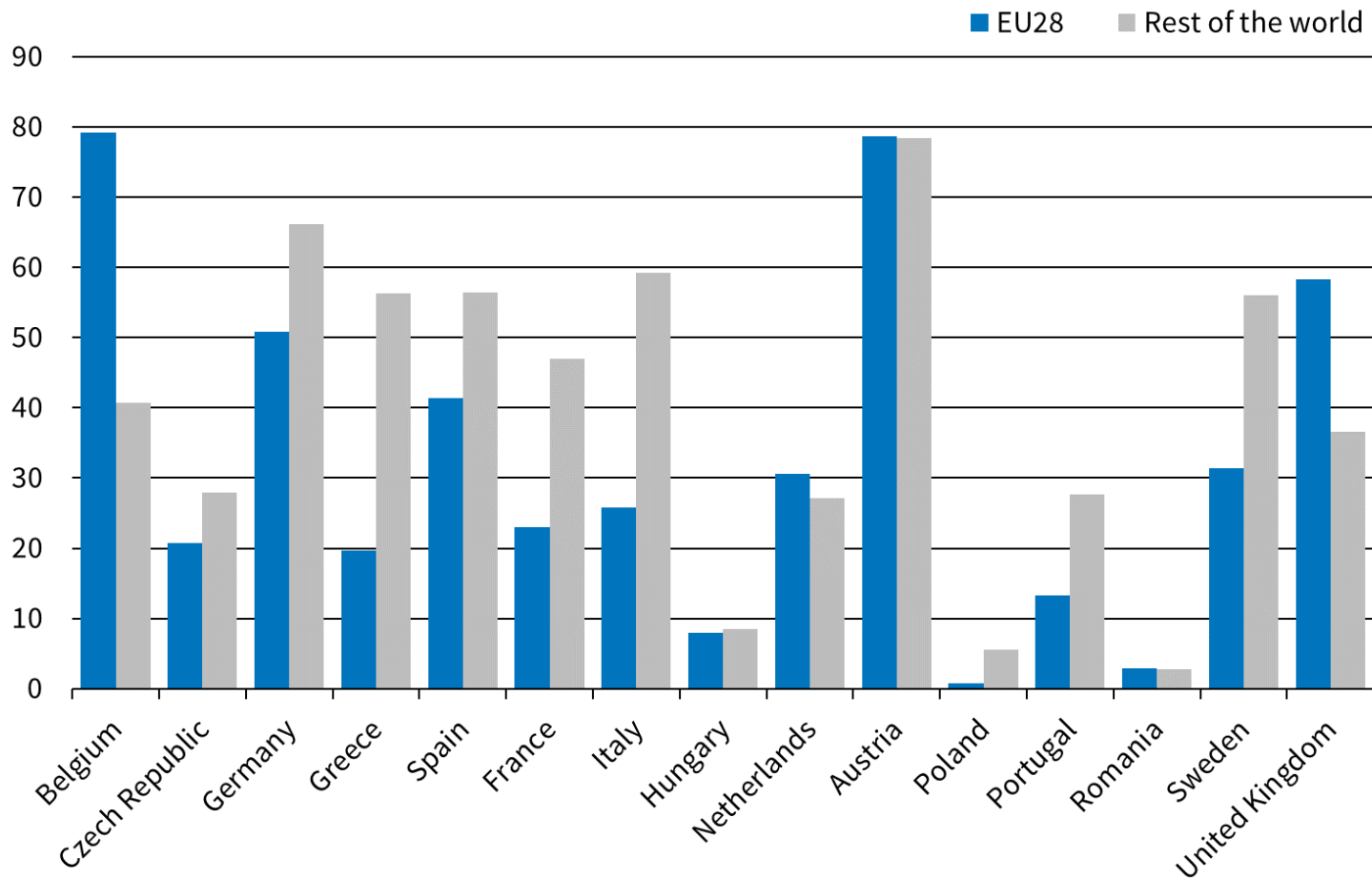
- Immigration into the EU
- Insights from Economics
- Proposal for a Two-Track Immigration System

01

Immigration into the EU

Immigrant Population in Selected Countries

Foreign Population per 1000 Inhabitants on 1st January 2018

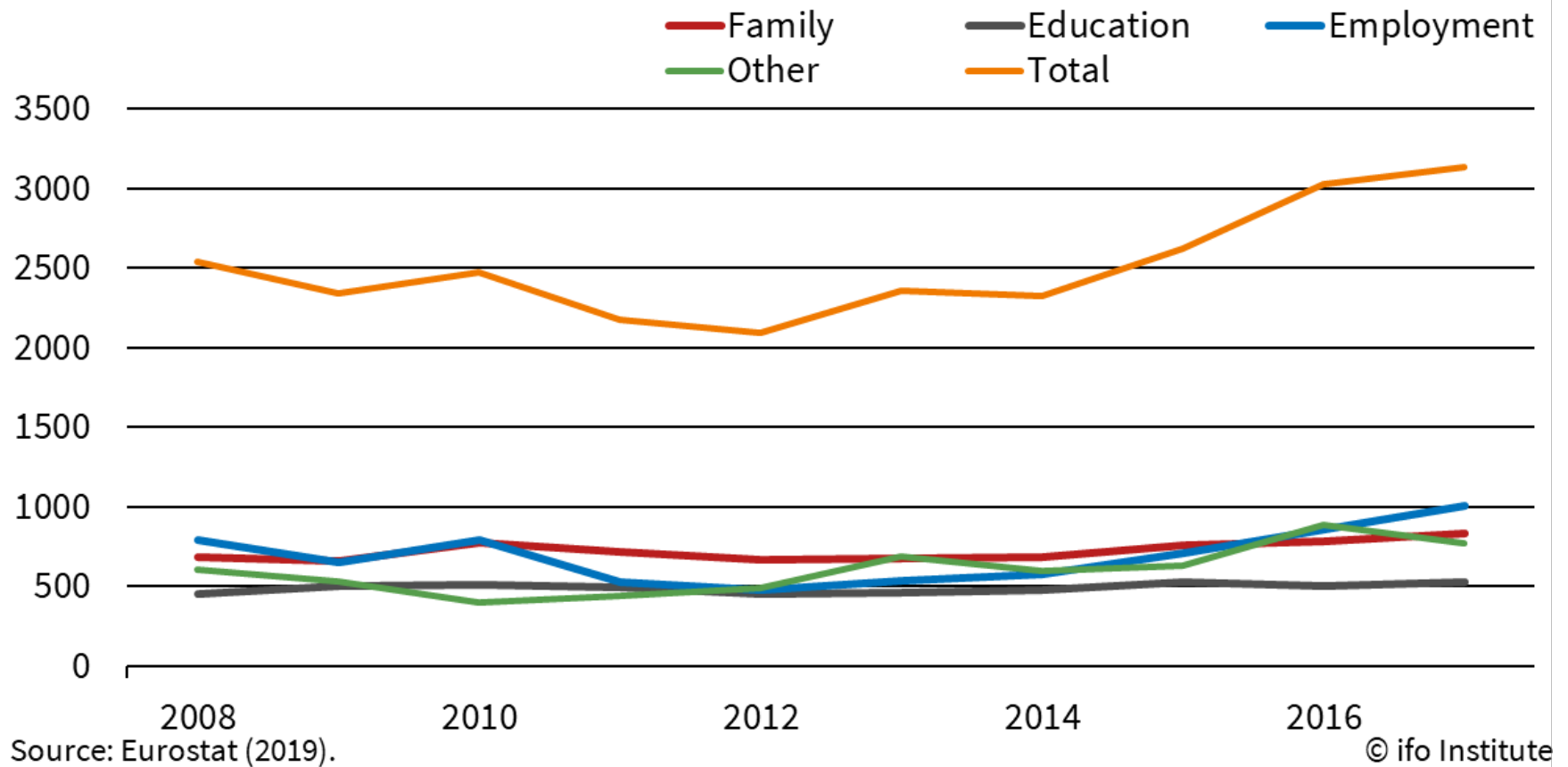


Source: Eurostat (2019).

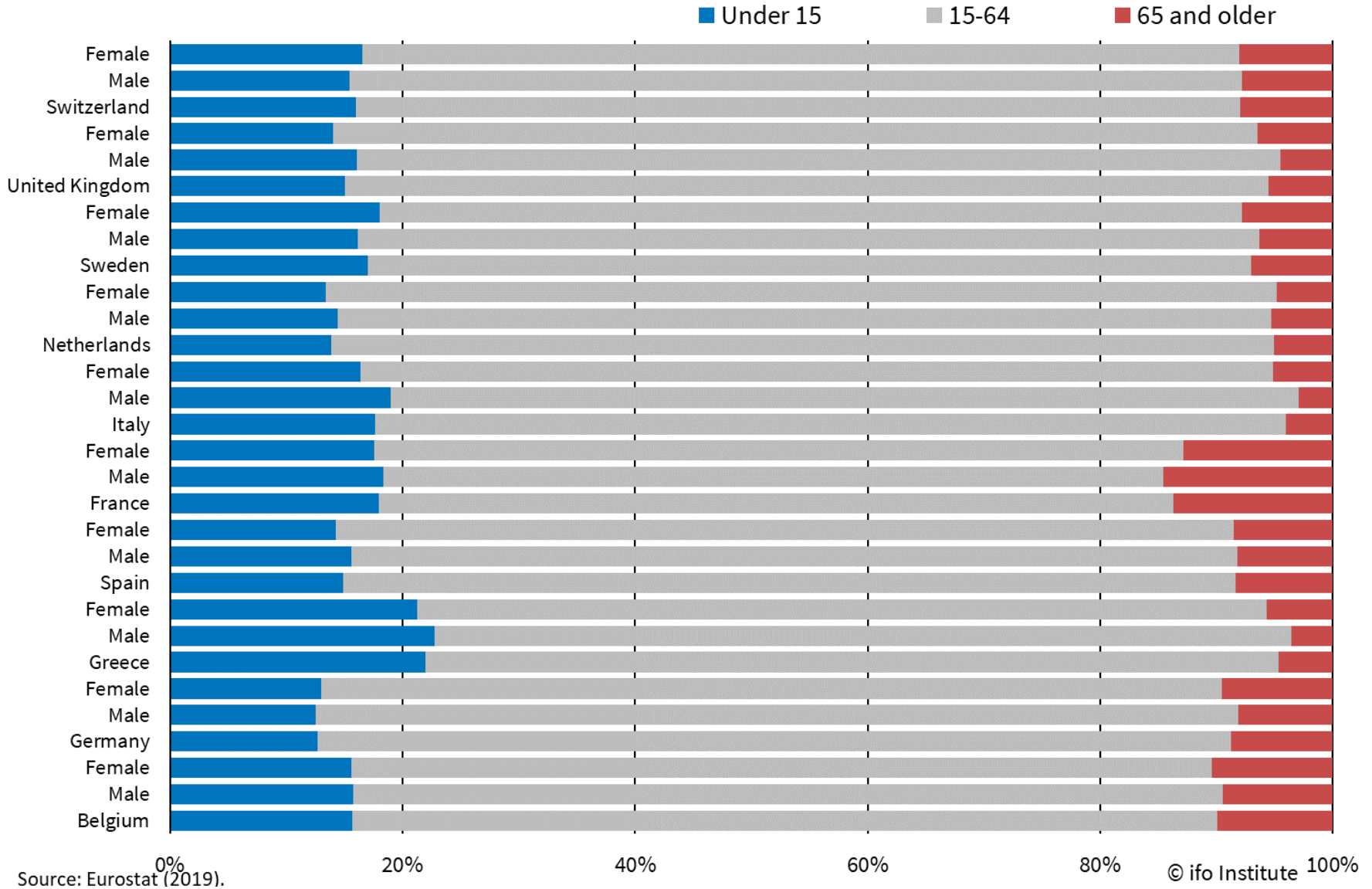
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First Residence Permits by Reason (in thousands of permits)

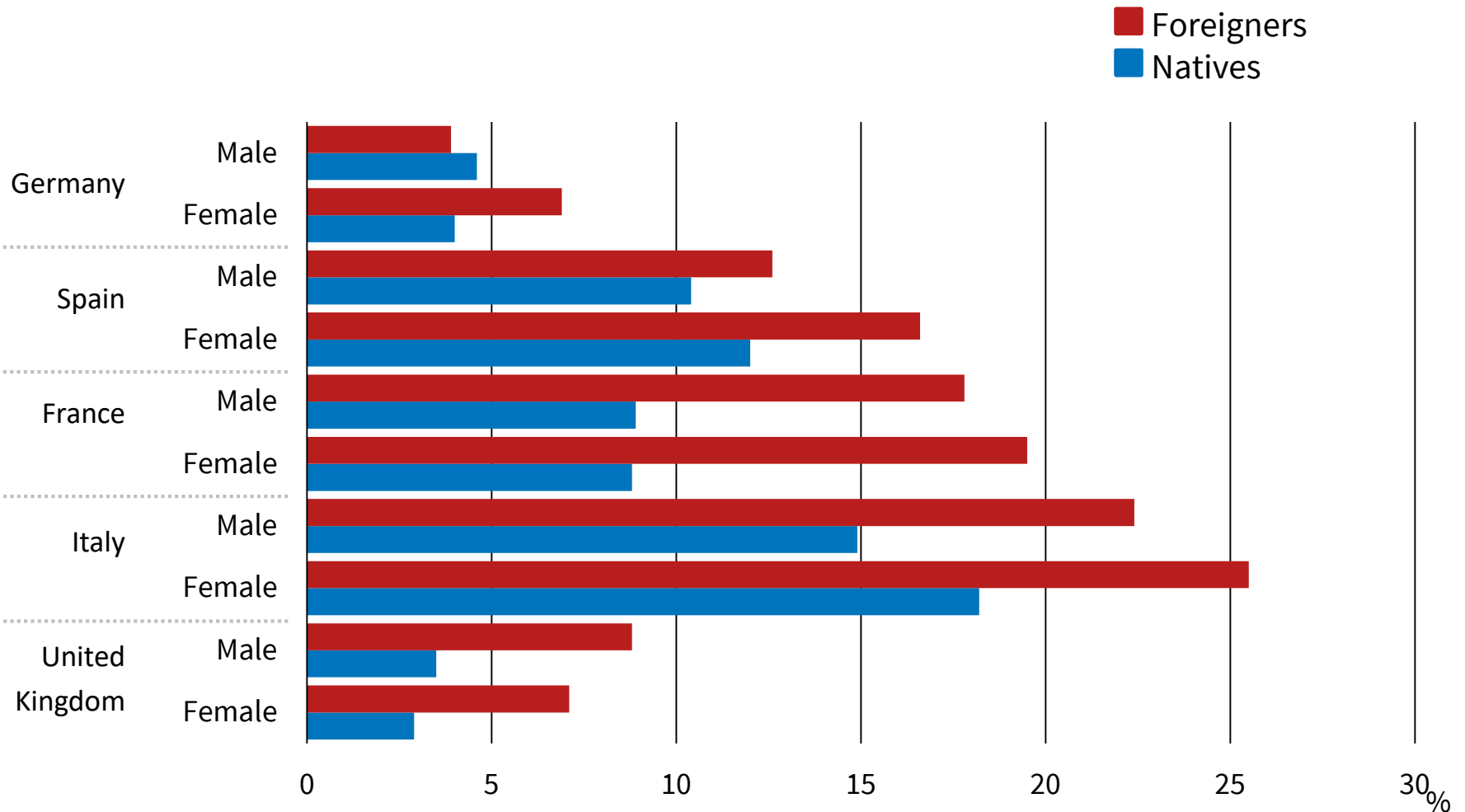
Number of First Residence Permits Issued by Reason (EU-28), 2008-2017



Population with Foreign Citizenship in Selected EU Member States on 01.01.2018 by Age Groups



Unemployment Rates in Selected EU Member States by Sex and Citizenship, 2017



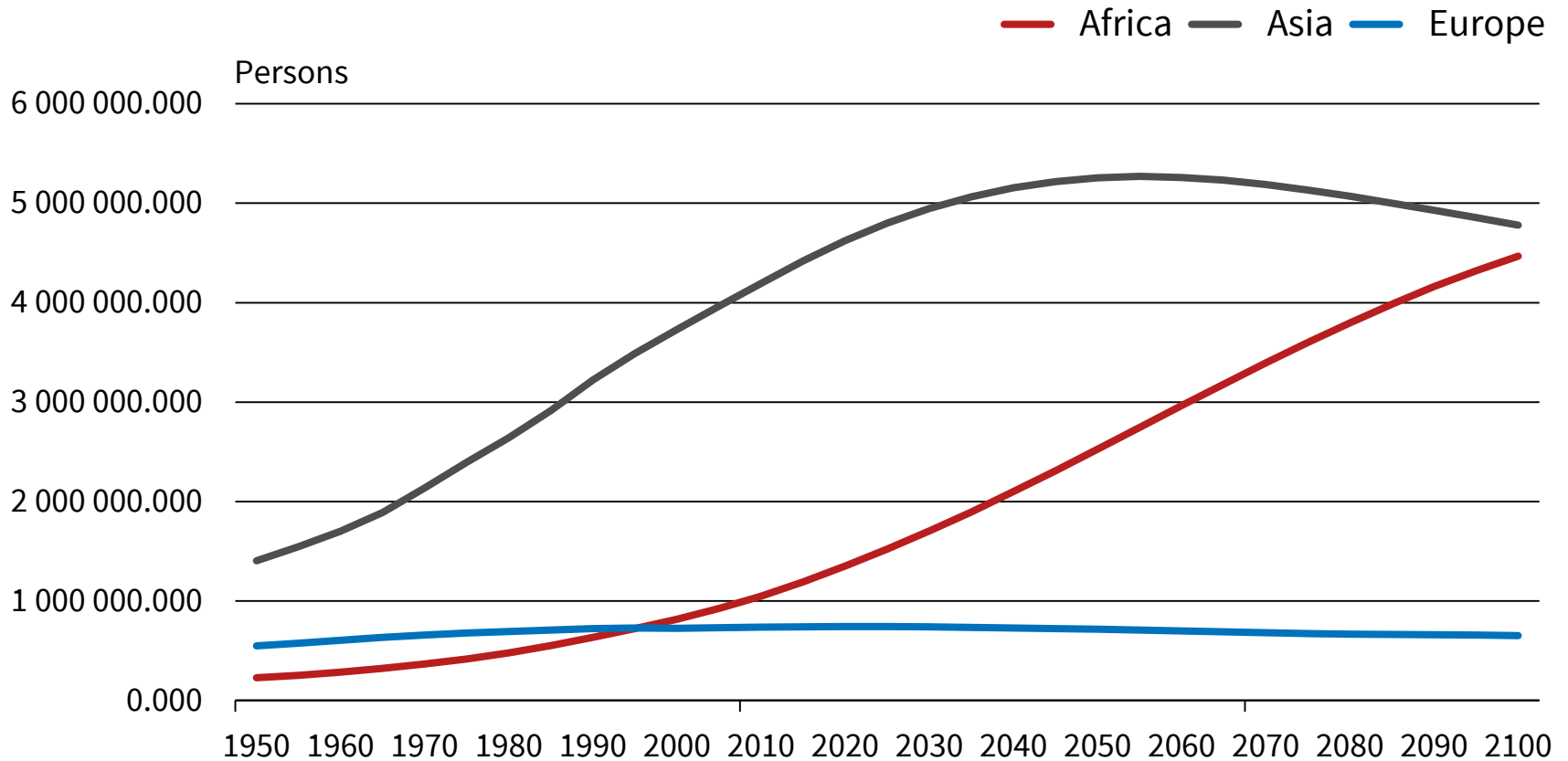
Source: Eurostat 2018.

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Push and Pull Factors

Population Development in Africa, Asia and Europe

UN Population Prognosis



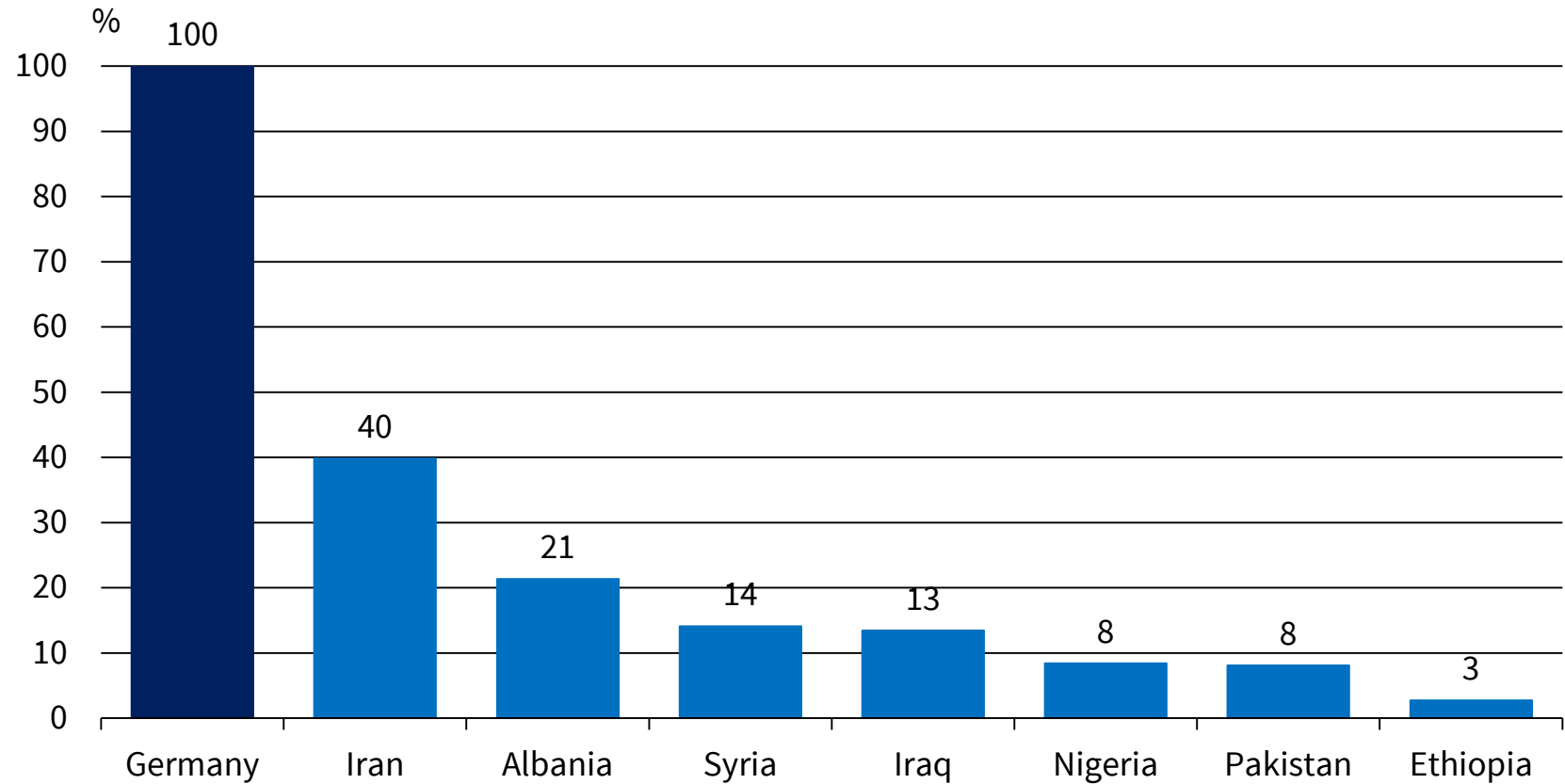
Source: UN World Population Prospects, Total Population, Medium Variant (2018).

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Development Gaps

Gross domestic product in purchasing power parity

USD 2005 Prices, Germany = 100%



Source: Penn World Tables 8.1, Expenditure-side real GDP at current PPPs (2015).

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Insights from Economics

General Insights from Economics

LABOR MARKET:

- If migration is based on productivity differences, it generally improves overall welfare.
- Minimum wage & other regulations which stop wage adjustment can destroy efficiency gains.

PUBLIC SECTOR:

- If migration is based on differences in taxes and social transfers, it may reduce efficiency.

DEMOGRAPHY:

- A country like Germany needs immigrants and immigration can ease the demographic burden – provided that immigrants work.

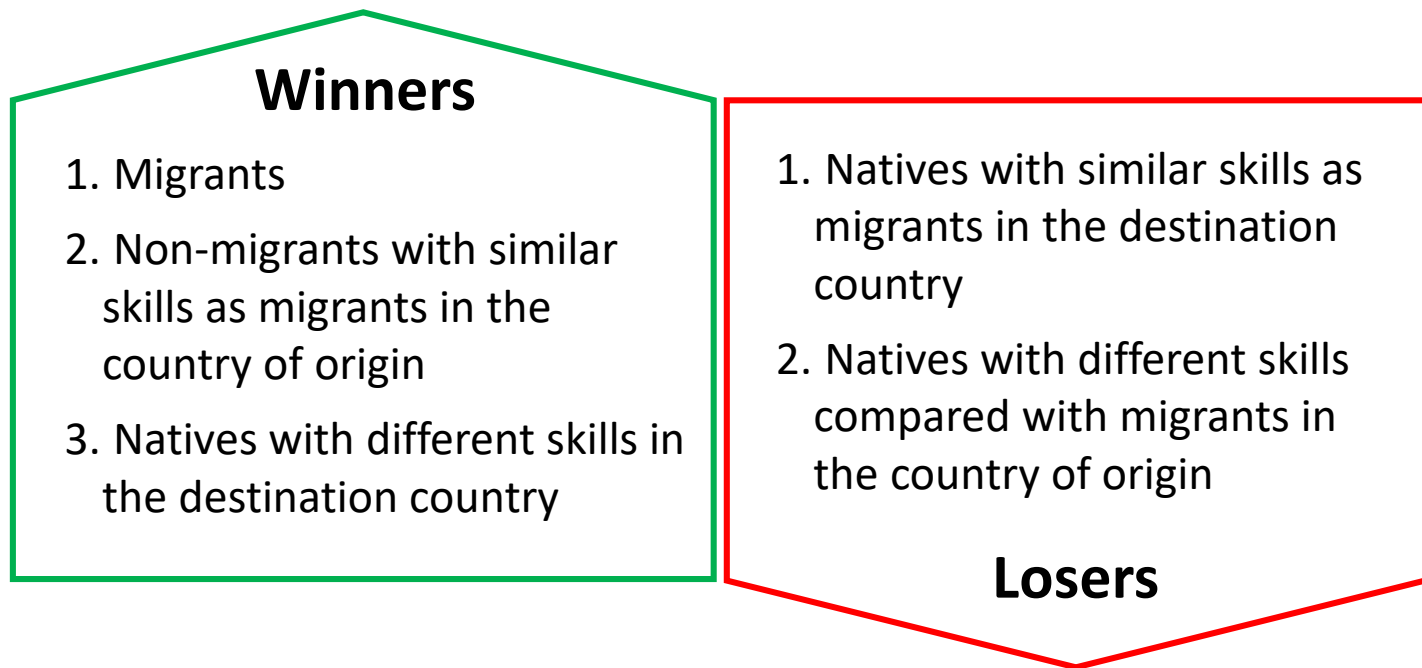
ALTERNATIVE GAINS:

- It is harder to measure gains from entrepreneurship and innovations (“Steve Jobs – a son of Syrian migrants”).

Immigration and Labor Market

Productivity Differences:

Even when migration is based on productivity differences and followed by labor market integration, it **generates winners and losers** in the labor market.



Immigration and Public Sector

Differences in Tax and Social Transfers:

→ An important question for natives in the country of destination:

*Are migrants **net payers** or **net recipients** from income redistribution & funding of public goods and services?*

- If migrants pay more in taxes than they receive in taxes and transfers, **natives gain.**
- If migrants pay less in taxes than they receive in taxes and transfers, **natives lose.**

Overall Assessment of Immigration

- Battisti, M., Felbermayr, G., Peri, G., and Poutvaara, P. (2018), “Immigration, Search, and Redistribution: A Quantitative Assessment of Native Welfare”, *Journal of the European Economic Association* 16 (4), 1137-1188.
- Takes into account both labor market effects in the presence of **search frictions** and **redistribution** (unemployment benefits and other public expenditures)



Presidential Address 2017: Firm Dynamics and Growth Measurement in France	Philippe Aghion Antonin Bergaud Timo Boppert Simon Bunel	933
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Model

- Perfectly mobile physical capital.
- Stock of international migrants exogenous.
- A single final output good and two intermediate goods.
- The government redistributes income through unemployment benefits and a lump-sum transfer with linear taxes.

Matching Process

- Firms post vacancies in skill-specific markets. At the time in which the firm pays the cost to open a vacancy, it cannot target immigrants or natives.
- When firms and workers meet and negotiate, immigrants and natives are distinguishable and may be offered different wages.
- The flow cost of an open vacancy must be equal to the expected profit from a job filled with either a native or a migrant

ifo Migration Model

INTEGRATED APPROACH

- Immigration surplus

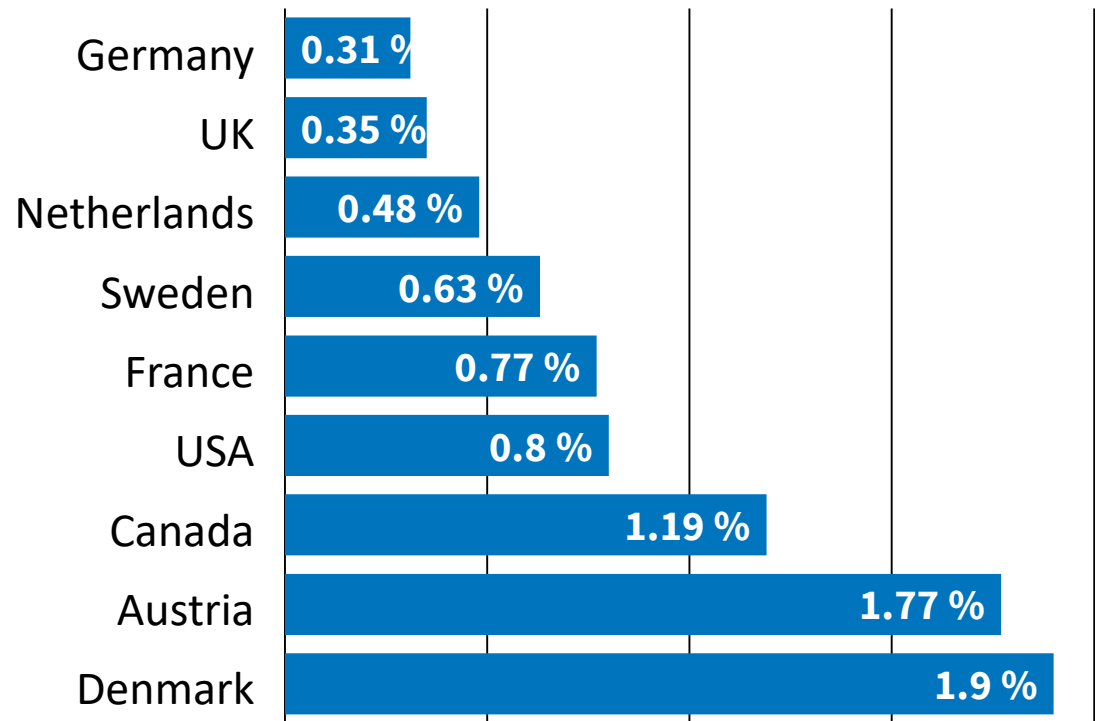
LABOR MARKET IMPERFECTIONS

- Unemployment
- Wage bargaining

WELFARE STATE

- Redistribution through transfers and public goods

NATIVE WELFARE, STATUS QUO VS. AUTARKY, 2014



Source: Battisti, Felbermayr, Peri, and Poutvaara 2018. © ifo Institute

The Effect of Recent Flows: 2014 versus 2011

Our simulation finds that 15 of 20 countries experienced **positive effects** on aggregate **native welfare**, and in three of these countries both **low- and high-skilled** natives benefited.

Summary

- When immigrant workers have inferior outside options, immigration boosts firms' incentives to create vacancies; this can benefit all workers (natives and incumbent immigrants) and can increase the immigration surplus.
- The benefits from immigration deriving from labor market imperfections tend to be quantitatively more important than the classical complementarity channel, or the public finance effects.
- Given that intergenerational transfers are large, populations of OECD countries are aging and immigrants are young, immigration could play a considerable role in alleviating the burden that aging populations will place on OECD countries in the coming decades. Our model does not include these additional gains.

Proposal for a Two-Track Immigration System

ifo Studies on Immigration of Qualified Professionals

PROPOSAL FOR A NOVEL „TWO TRACK“ IMMIGRATION CONCEPT

OPTIMISING THE RECRUITMENT AND RESIDENCE PROCEDURE

DEVELOPING A STEERING MECHANISM FOR POTENTIAL-ORIENTED MIGRATION



ifo-Proposal for a Two-Track Immigration System

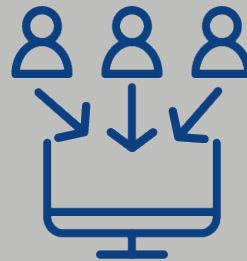


Market-Based:
Job offer with
salary above threshold



Potential-Oriented:
Without job offer or
salary below threshold

Online



Plattform

Market-Based Immigration Channel



Conditions for Market-Based Immigration
Existing binding job offer with a salary above
a pre-determined threshold (net contributor)

- ✓ Simplified immigration through market mechanisms
- ✓ Residence permit for the duration of the employment contract
- ✓ Fast and efficient process

Potential-Based Immigration Channel



Features of Potential-Oriented Immigration

Steered immigration for a limited time to search for a job within the recognised qualification

- ✓ Extension of entry and residence possibilities
- ✓ Permission to work during the job search (independent of qualifications)
- ✓ Steering via quota and criteria according to the "3 Plus Principle"
- ✓ Transparent and fair procedure

Steering According to the "3 Plus" Principle

Basic Prerequisites

Three conditions must be fulfilled before entering the country to search for a job:

- ✓ Recognised qualification
- ✓ Ensuring the means of subsistence (50%)
- ✓ Language skills of official language or English

Shortage occupations (priority)

Central control element, applicants in shortage occupations are prioritized

Integration criteria (yes/no criteria)

Identification of the best applicants if the number of applicants exceeds the quota

- ✓ Qualification-dependent professional experience (from 5 years)
- ✓ Age (up to and including 35 years)
- ✓ Previous stay in the EU for at least three consecutive months

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