



THE ECONOMIC AND SOCIAL ASPECTS OF MIGRATION

**Conference jointly organised
by
The European Commission and the OECD**

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Opening remarks

by

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Ladies and Gentlemen,

It is a great honour for me to open this conference on behalf of the OECD. I want to congratulate the Commission for taking the initiative to organise this Conference, in co-operation with us, at a time when international migration flows and policies have come to the forefront of the policy agenda in many of our countries. I believe that these issues will be a priority under the Greek presidency of the EU.

Migration is not a recent phenomenon. The positive impacts of migration are visible in many sectors. You only need to think how monotonous our restaurant culture would be if it had not been enriched by immigrants. In Iceland, my home country, your choice of food would be limited just to mutton, cod and potatoes. In fact, it was the Portuguese who showed us in Iceland what could be done with our fish. Immigrants enrich our art and literature and they keep our health care systems running. (Sometimes we do not even realise that we are dealing with immigrants, because they are fully integrated and speak our language fluently.) They have diverse backgrounds and had the courage to leave their home countries behind, face a new culture and start a new life, without knowing how they will be received. Why is it then, that we regard migration as a problem? Have we failed to address the issue with the right policies?

In these opening remarks, I would like to make some observations drawing on recent OECD work. I will focus on the two main themes of this conference: (i) the links between migration, demography and the labour market; and (ii) the integration of immigrants in the host country.

To give you a bit of context: OECD Ministers gave the Organisation a mandate in May 2002 to strengthen its work on migration. This relates to work to pursue analysis of the economic and social impacts of migration, both in host countries and in countries of origin. Now the most significant and visible output is undoubtedly our report *Trends in International Migration*. This annual report on international migration has been published since 1974. I am delighted to inform you that the 2002 edition will be released shortly.

Migrants, population ageing and labour shortages

United Nations demographic projections show that the population of the European Union will fall by 10% between 2000 and 2050. The projected decrease in Japan is 14%. Although the total population is expected to *increase* in the United States, this is accompanied by an increase in the share of elderly persons and the old-age dependency ratio (which refers to the number of persons aged 65 and over as a percentage of the population of working age, 20-64). These projections have potentially very serious implications for the sustainability of social protection systems and for the preservation of an equilibrium in labour markets.

Several recent OECD studies have considered the economic and fiscal impact of future demographic trends. Some of these have been undertaken in collaboration with the Working Group on Ageing of the Economic Policy Committee of the European Union. These studies show that urgent decisions are required to preserve the balance over the medium and long term in social protection systems. This is in particular with respect to the length of working life, the level of contributions and benefits, but

also in regard to productivity growth. The studies also show that we cannot rely exclusively on increased immigration to solve the effects of population ageing. **First of all**, this would require unrealistic increases in entry flows -- the current average annual inflow into the European Union would have to increase by a factor of ten in order to maintain the old-age dependency ratio at current levels. **Secondly**, experience has shown that i) the level of net migration and the age structure of inflows and outflows cannot be fully controlled; ii) the higher fertility of foreign women declines rapidly with the length of stay in the host country; and iii) the immigrant stock will itself be affected over time by population ageing.

International migration has played in the past and still plays a fundamental role in the demographic growth and economic development of many OECD countries. In Australia, the share of foreign-born is about 24%, in Canada 17% and in the United States 10%. In Switzerland it is about 20% ; and it is 9% in Austria, Germany and Belgium. In addition, in the recent years we have seen an increase in migration flows into some OECD countries, which are related directly to shortages of skilled workers. In Iceland, for example, the number of foreigners increased by 400% between 1995 and 2001.

In order to deal with such shortages of skilled workers, many countries have changed their laws to facilitate their entry. These legislative changes are described in detail in a recent OECD report entitled *International Mobility of the Highly Skilled*. In fact we are experiencing a heightened competition among our Member countries to attract from abroad the human resources they lack, and to retain those persons who might be tempted to emigrate. This raises the spectre of a zero-sum game for the OECD countries. At the same time, it is necessary to reduce the risks of brain drain for the countries of origin, while at the same time fostering brain exchange.

Integration challenges

Immigrants make a significant contribution to the social economic and political development of our Member countries. However, this may have negative consequences when immigration is higher than the capacity of the labour market to absorb the new entrants.

Personally I had the pleasure of participating in the work of the Council of Europe to review the member country legislation and policy measures to combat racism, xenophobia, antisemitism and cultural intolerance. In its work, ECRI took a country by country approach, which was both comprehensive and multidisciplinary.

In order to understand the challenges that migrants face, as well as the challenges for the receiving country, it is not sufficient to look only at the rules and regulations in the labour market. We need to look at education, the health system, housing, and so on.

It is indeed against my background in the Council of Europe that I warmly welcome this conference and hope that it can lead to not just to greater understanding of the issues, but also to raise awareness.

Many of our countries have serious difficulties in integrating foreigners or persons of foreign origin. The wider range in terms of nationalities and statuses under which immigrants enter have resulted in more heterogeneous migratory movements. This, in turn, places new demands on policies to foster integration. Certain categories of immigrants are more vulnerable and encounter serious integration problems. These categories include women, refugees and young people with low educational attainments.

For young foreigners, labour market integration is particularly problematic in Europe. The OECD organised with the help of the Belgian authorities a conference in Brussels in June 2002 on the integration of young migrants in the labour market. This conference highlighted that some young people looking for jobs lack the basic skills, including knowledge of the host-country language, that are essential for finding a

job. In some cases, a further barrier to labour market entry arose from the non-recognition of the diplomas, training and work experience received abroad. The conference recommendations emphasised the roles of the government, of the education system, of employment services, and of firms in overcoming these barriers. Sometimes even good qualifications are not enough, and a person may be discriminated against simply because the name reveals the foreign origins.

Women face specific difficulties in integrating to the labour markets. This gender difference usually holds as well for natives, but in some countries the gap between male and female participation rates is at least twice as large for foreigners as it is for natives. In France, for example, the gap between male and female participation rates is 12 percentage points for natives and 28 percentage points for foreigners.

Education

OECD work on education includes the Programme for International Student Assessment (PISA), which has information on the performance of immigrant students in reading, mathematical and scientific literacy. PISA results show that 15-year old native students do better than first-generation immigrants in reading literacy in ten out of 14 OECD countries, in which first-generation students represent at least 3 per cent of students (in PISA 2000). The pattern is similar for mathematical and scientific literacy. These are troubling differences that cannot be explained by educational history or place of birth. Concern about such differences is especially justified in those countries with significant performance gaps and comparatively large percentages of first-generation students, including Belgium (8 per cent), France (10 per cent), Luxembourg (18 per cent) and Switzerland (9 per cent).

Non-native students tend to lag even further behind native students than do first generation students. On average, in ten out of 16 countries included in the PISA comparison, native students outscore their non-native peers in reading literacy by at least 71 points, which corresponds to a full proficiency level. The differences range from 103 to 112 points in Liechtenstein, Luxembourg and Switzerland, and from 60 to 100 points in Austria, Belgium, Denmark, Greece, the Netherlands, Norway and Sweden. The smallest but still statistically significant differences are in Canada (27 points), New Zealand (30 points) and the United States (45 points). In New Zealand, the difference is about the same as between non-native and first-generation students.

Australia and Canada provide interesting exceptions to the general pattern. PISA work shows that there is an urgent need to improve our understanding of the way educational system deals with social differentiation.

Conclusion

It is clear that we need to improve our understanding of what works and what does not in terms of overcoming the integration challenge. To achieve this, the OECD intends to compare and evaluate policy measures used to facilitate the integration of immigrants in certain Member countries. The work will focus on both the labour market and on how immigrants are integrated into society. The local dimension of integration is important in this work. It will be undertaken in close collaboration with the Commission and other international organisations (e.g. the ILO, the Council of Europe and the International Organisation for Migration). The discussions at this conference should be extremely helpful to us in launching this work.

Finally I believe that we need to look at migration from both the perspective of the receiving and the sending country. While emigration may be good way for an individual to escape from poverty, it can be a major brain drain for the developing country. Our Member countries -- the industrialised ones -- may see migration as the best way to ensure the sustainability of the existing systems. But it can also be a source of

major political tension in our countries. It can lead to racism and intolerance. Our countries need to take a hard look at multiculturalism and decide what direction to take. We cannot expect immigrants to become totally assimilated in our countries. My personal view is that total assimilation would not even be desirable.

To conclude, I want to emphasise that migration is not just an economic issue. It is not sufficient to assess its impact without looking carefully into the social aspects of migration. I would now like to thank the European Commission for welcoming us today. I look forward to rich and fruitful debates over the next two days.