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Migration in Ireland: Challenges, opportunities and policies

Alberto González Pandiella

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By Alberto Gonzalez Pandiella

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ABSTRACT/RÉSUMÉ

Migration in Ireland: challenges, opportunities and policies

The Irish labour market is exceptionally open to international migration flows, thus making labour supply highly responsive to changes in cyclical conditions. Immigration provides the skills that the Irish economy needs. The crisis triggered a sharp reversal in migration flows, with immigration suddenly halting and emigration increasing. A large proportion of emigration is highly qualified, as is a high proportion of immigration. This pattern of "brain exchange" can contribute to reducing skills mismatches, but also raises the challenge of remaining attractive for skilled workers. This paper examines how the crisis has affected migration, how related policies have evolved and proposes avenues to spread the benefits of migration beyond the scope of multinational enterprises, in particular to Irish SMEs. The proportion of Irish-born population living abroad is very large and the paper also analyses what role return migration could play, what policies are in place to maintain links with emigrant's communities abroad and how they can be strengthened. Ireland has recently experienced, for the first time in its history, large-scale immigration. As a result, it currently hosts a large and very heterogeneous immigrant community, with diverging challenges and needs. Getting integration policies right is therefore a complex, but crucial task. The paper identifies what are the key challenges in this area and proposes some avenues to foster the labour market integration of immigrants. Ireland is also starting to experience challenges associated with the integration of second generation immigrants. To respond to those challenges, the paper recommends early action in education and social domains.

JEL classification : E24, F22, J21, J24, J61
Key Words: Key words: migration; emigration; immigration; skills; integration; second generation; Great recession; brain drain; labour market; Irish diaspora; return migration; Ireland
(www.oecd.org/eco/surveys/economic-survey-ireland.htm).

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Migration en Irlande: défis, opportunités et politiques

Le marché du travail irlandais est exceptionnellement ouvert au flux migratoires internationaux, rendant ainsi l'offre de main-d'œuvre hautement sensible aux changements de conditions cycliques. Immigration fournit les compétences que l'économie irlandaise a besoin. La crise a déclenché une forte inversion des flux migratoires. L'immigration a soudainement arrêté et l'émigration a augmentée. Une grande partie de l'émigration est hautement qualifié. Une forte proportion de l'immigration est aussi hautement qualifiée. Ce modèle de «l'échange des cerveaux» peut contribuer à réduire l'inadéquation des compétences, mais soulève aussi le défi de rester attractif pour les travailleurs qualifiés. Ce document examine comment la crise a affecté la migration, comment les politiques connexes ont évolué et propose des pistes d'étendre les avantages de la migration au-delà de la portée des entreprises multinationales, en particulier aux PME irlandaises. La proportion de la population d'origine irlandaise vivant à l'étranger est très grande et le document analyse aussi le rôle que la migration de retour pourrait jouer, que politiques sont en place pour maintenir des liens avec les communautés à l'étranger et comment ils peuvent être renforcés. L'Irlande a connu récemment, pour la première fois de son histoire, l'immigration à grande échelle. En conséquence, il accueille actuellement une communauté d'immigrants vaste et très hétérogène, avec des défis et des besoins divergents. Obtenir les politiques d'intégration est donc juste une tâche complexe, mais crucial. Le document identifie quels sont les principaux défis dans ce domaine et propose quelques pistes pour favoriser l'intégration des immigrants au marché du travail. L'Irlande est également commence à éprouver des difficultés liées à l'intégration des immigrants de deuxième génération. Pour répondre à ces défis, le document recommande une action précoce dans l'éducation et les domaines sociaux.

JEL classification : E24, F22, J21, J24, J61
Mots-clés: migration ; émigration; immigration; compétences; intégration; deuxième génération; Grande récession ; exode des cerveaux; marché du travail; Diaspora irlandaise ; la migration de retour ; Irlande
(www.oecd.org/fr/eco/etudes/etude-economique-irlande.htm).

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MIGRATION IN IRELAND: CHALLENGES, OPPORTUNITIES AND POLICIES

By Alberto Gonzalez Pandiella[1]

1. The Irish labour market is exceptionally open, with large migratory flows relative to the size of the labour force (figure 1, panel A). Ireland has the highest share of nationals living abroad in the OECD (figure 1, panel B): more than 17% of Irish-born persons aged 15 and over lives overseas. The share of foreign-born persons living in Ireland is also very high, reaching 20% of the total population, following a sharp increase over the years 2001 to 2011 (figure 1, panel C). Foreign workers typically originate from other EU member states, as they benefit from free labour movement, as well as from other English-speaking countries.

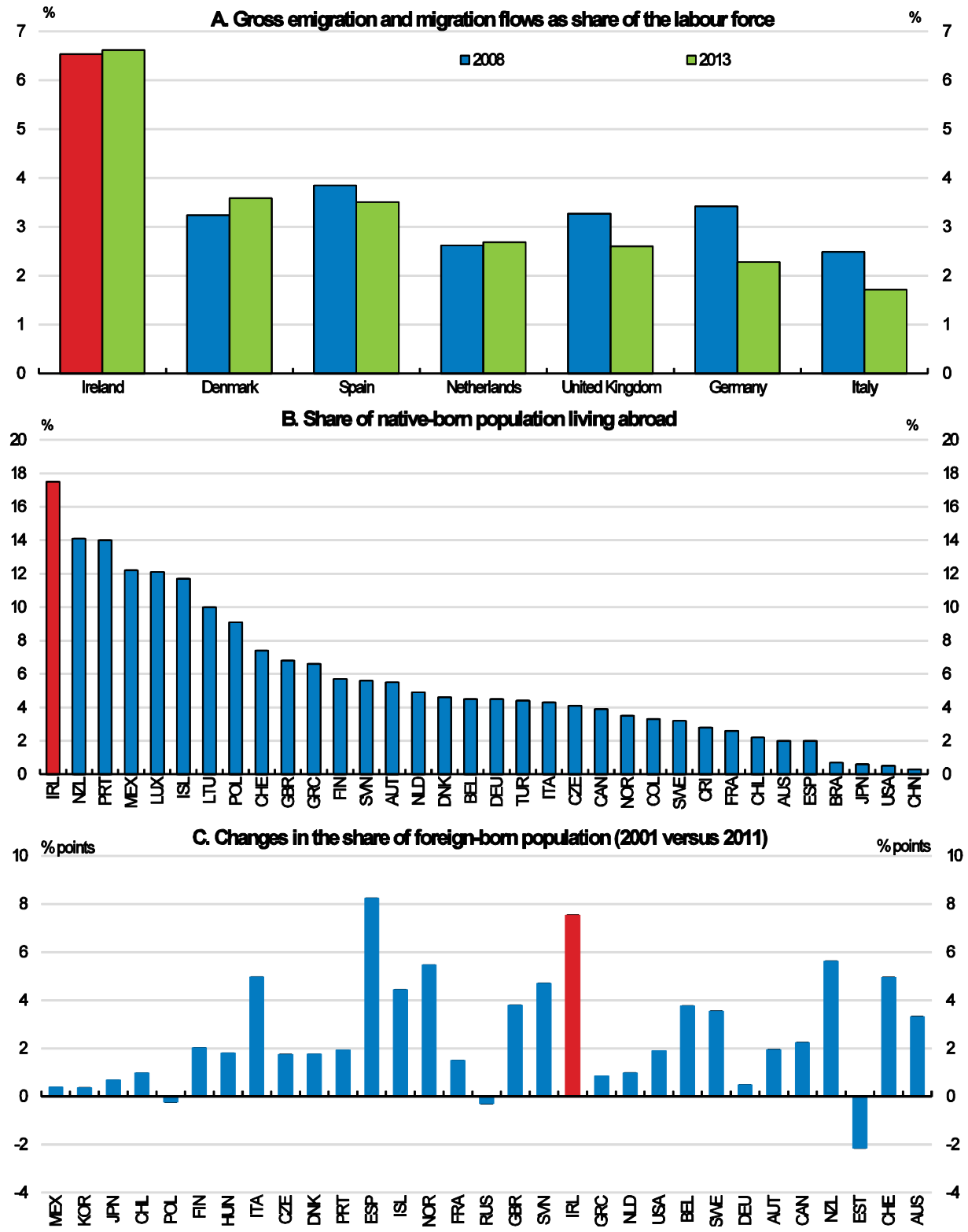
The patterns of migration

2. Ireland exemplifies how rapidly migration patterns may change. For most of its history Ireland has been a country of emigration. This changed in the mid-1990s when the economic boom during the Celtic Tiger years slowed emigration and brought a substantial pick-up in immigration. Inflows of workers also increased strongly in 2005 when Ireland was one of the first countries to open its labour market to nationals from the Central and Eastern European countries acceding to the European Union (EU NMS). The latest recession caused a new turn in migration flows. Emigration resurged strongly, initially driven by nationals from EU NMS countries (figure 2, panel A and C), followed as of 2010 by Irish nationals. The resulting population outflow has been large, both by international and Irish historical standards. More recent data show that emigration remains high, although the outflow of Irish and EU NMS countries nationals may have started to recede (figure 2, panel C). Conversely, the emigration by nationals from other EU countries continues to increase. The recession also caused immigration flows to fall sharply in 2009, with a very gradual increase afterwards triggered by workers from non-EU countries.

2. These migration estimates are compiled by Ireland's statistical office based on movements in other migration indicators such as the number of Personal Public Service (PPS) identifiers allocated to non-Irish nationals, and the number of visas issued to Irish nationals to a number of destinations including Australia, United States and Canada. Data on national insurance numbers issued to Irish nationals in the United Kingdom is also used. Migration flows occurring through other channels and not registered in those indicators will not be captured in migration estimates. As a result, migration estimates tend to be subject to large uncertainty, in particular emigration estimates.

[1] The author would like to thank Patrick Lenain, Alvaro Pereira, Bob Ford, Friedrich Poeschel, Jonathan Chaloff and David Haugh for helpful comments on this paper. Special thanks are due to Damien Azzopardi and Penelope Silice for statistical research assistance and Brigitte Beyeler for technical preparation. This paper is also available as a chapter in the OECD Economic Survey of Ireland which was published in September 2015 under the authority of the Economic and Development Review Committee.

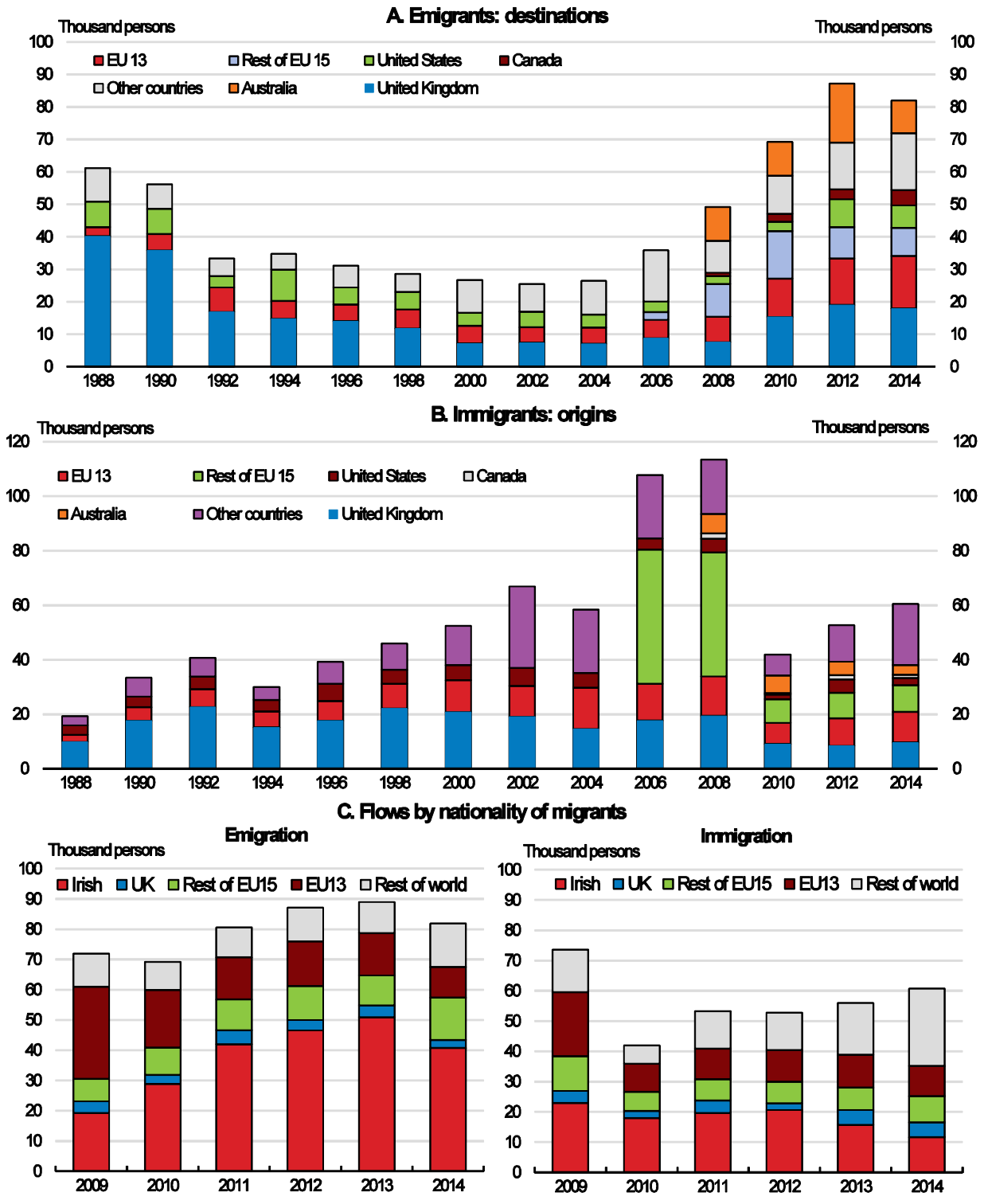
Figure 1 **The Irish labour market is exceptionally open to migration flows**



Note: Native-born refers to those with nationality at the time of birth, regardless of place of birth.

Source: Eurostat; Arslan et al. (2014); OECD (2014a)

Figure .2 **Destinations and origins have changed over time**



Note: Year ending in April. Rest of include those countries that accessed the EU after 2004. EU15 comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Spain, Sweden and Portugal. Other countries include Canada and Australia before 2008.

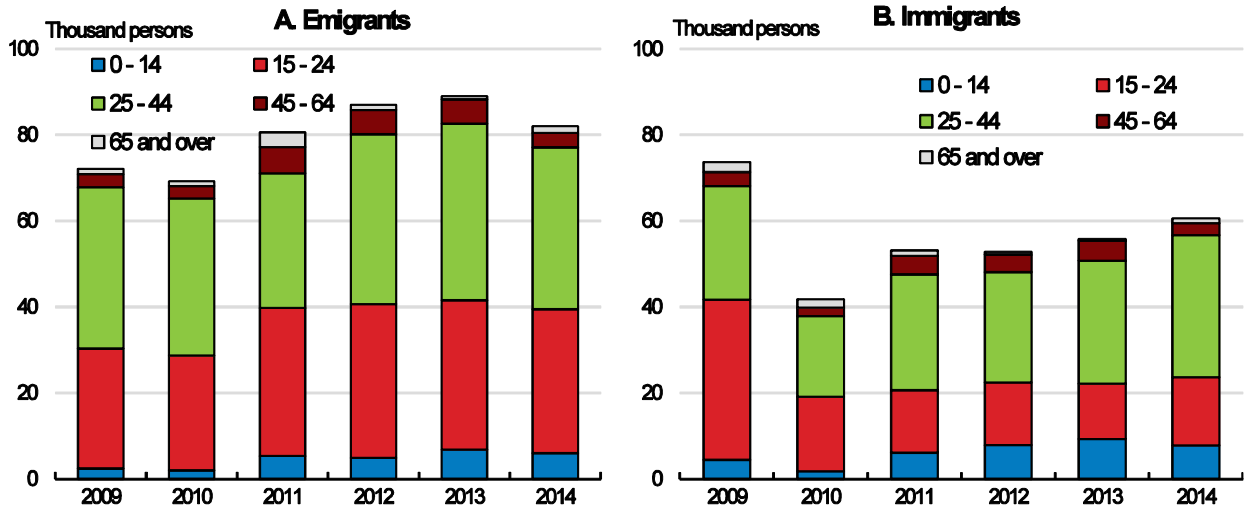
Source: Central Statistics Office (CSO).

Countries of destination and origin have changed

3. The latest migration wave differs from previous migration episodes in terms of countries of origin and destination, as well as in terms of age and economic status of the migrants. An important shift in destination countries has taken place. The United Kingdom was historically the main destination country, receiving around 70% of all emigrants. The United States and Europe were the other main destinations. Although the United Kingdom remains a key destination country, now nearly half of the emigrants move to other countries, especially Australia and Canada. Countries of origin have also changed over the recession. Prior to the recession, immigration from EU NMS had grown rapidly. Workers from those countries, who do not need work permits, tended to be concentrated in lower-skilled sectors of the economy, such as agriculture, other production industries, construction, and wholesale and retail trade. As economic growth stalled in 2008 and activity in those sectors contracted, immigration from those countries declined sharply. There was a 40% fall in emigration from EU NMS in 2009, compared with 2008 and this fall continued over recent years. By contrast the inflow of workers from other countries outside the EU, who are largely working in higher-skilled sectors that suffered less severely during the recession, has continued to increase. The pick-up in emigration levels to EU13 and15 destinations is likely to also reflect return migration of those who came to Ireland in previous years from those destinations.

4. Another important change concerns age. Previous emigration episodes were largely driven by individuals aged 15-24. Although emigration continued to be large in this age group, the latest emigration wave has been led by those in the 25-44 age bracket (figure 3, panel A). Immigration is also concentrated in youngest cohorts (figure 3, panel B). In net terms, via the migration channel, Ireland has been consistently losing population in the 15-24 and 25-44 age brackets. Prior to the recession, Ireland had one of the largest youth cohorts of the OECD. After the recession this age advantage has decreased (figure 4), especially in the 15-24 age bracket. Demographic challenges are not as pressing as in other OECD, but the existing cushion has diminished. Ireland has lower labour market participation rates than other advanced economies (OECD, 2015). Hence, Ireland should remain proactive in adapting its policies to its rapidly changing demographics.

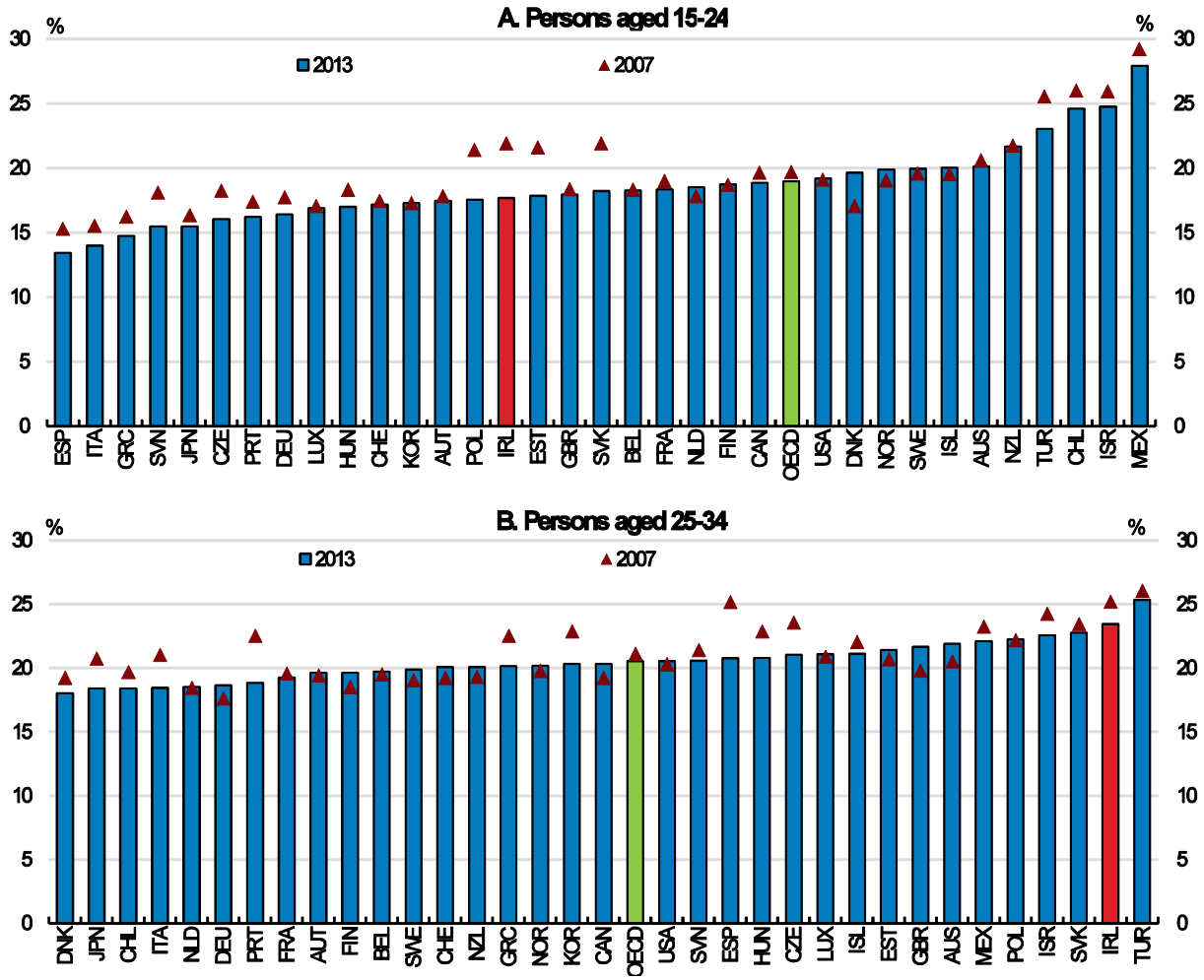
Figure 3 **Migration is concentrated in youngest cohorts**



Note: Year ending in April.

Source: Central Statistics Office (CSO).

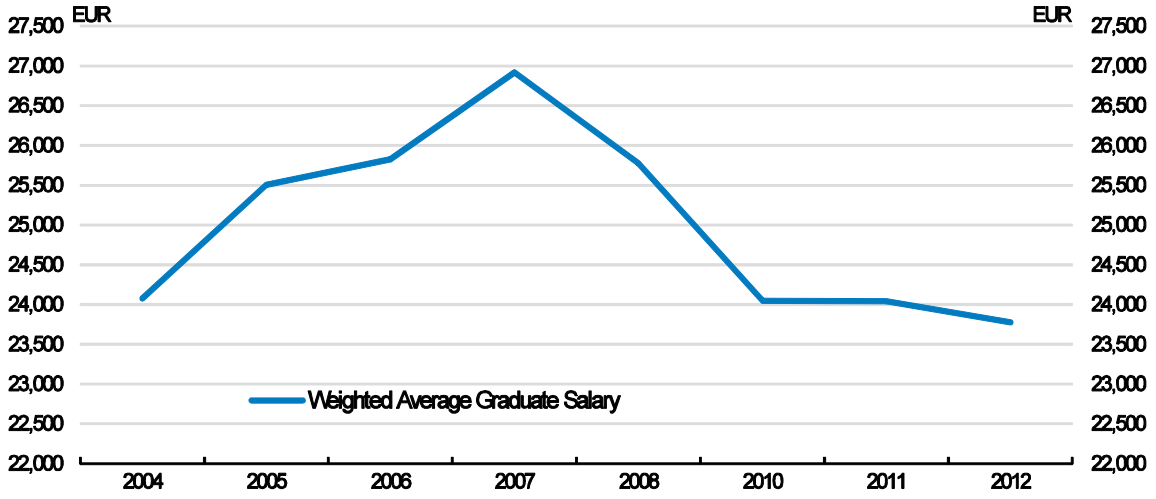
Figure 4 **The size of the Irish youth cohort has decrease**



Source: OECD Demography and Population database.

5. Most emigrants from Ireland were either employed or studying prior to their departure (Figure 6, panel A). Around 60% of those who left in 2009 were in employment, while 16% were unemployed. This has broadly continued over time. More recent data shows that around 40% of the people emigrating were in employment prior to their departure. This suggests that the unemployment situation may not be the only driver of emigration, but that better job rewards in other countries may drive emigration decisions as well. Salary levels for workers aged 36 to 50 seem, on average, relatively high in international comparison. But Ireland seems less competitive concerning median wages for tertiary educated persons aged 20-30 according to OECD's PIAAC wages data. This has probably become more pronounced recently, given the significant decline in starting salaries for new graduates (Figure 5). Comparable cross-country evidence on graduates' salaries is limited and for Ireland maybe biased downwards by under-sampling of higher paid graduate positions in the professions, but the available data suggests that the reduction in recent graduates' pay has been larger in Ireland than that experienced elsewhere (Conefrey and Smith, 2014).

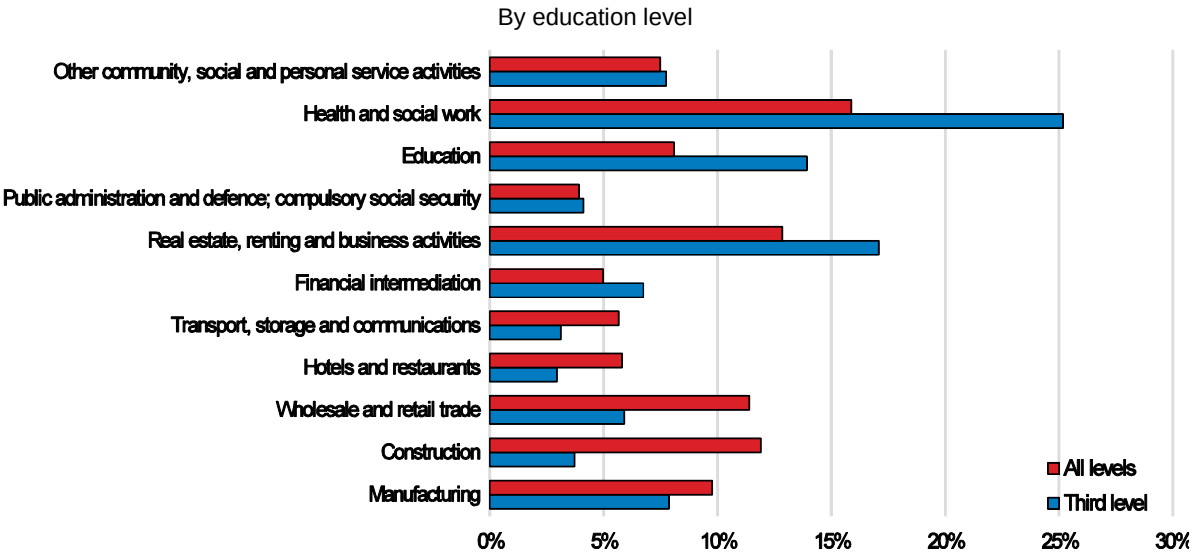
Figure 5 **Salaries for recent graduates have declined**



Source: Conefrey and Smith (2014)

6. In addition to unemployment situation or salary levels, poor career prospects may also be behind emigration decisions. Looking at sectors of employment of Irish emigrants in their destinations countries shows that the sectors with higher prevalence of Irish emigrants correspond to the sectors where career opportunities have been less promising in Ireland. Hence, one out of five Irish emigrants is employed in the health and social work sectors in their destination countries (figure 6). They are also significantly employed in the education sector. Career opportunities in these sectors in Ireland have been affected by the moratorium in public recruitment in place between March 2009 and October 2014. A significant proportion is also employed in real estate, renting and business services sector, which experienced a severe contraction during the recession.

Figure 6 **One out of five Irish emigrants is employed in the health and social work sector**

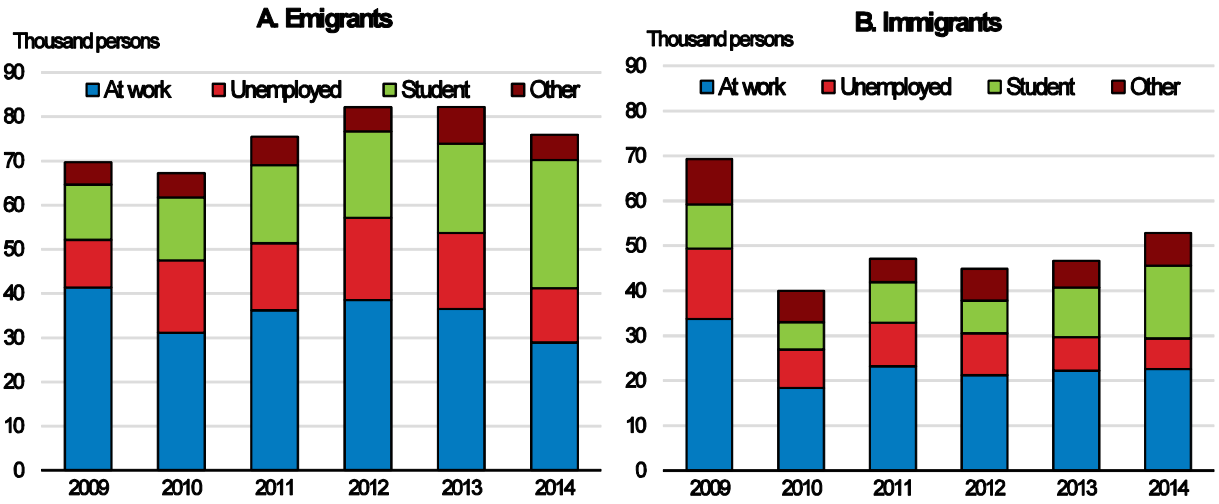


Source: OECD DIOC 2010/11

7. On the immigration side, a substantial proportion of immigrants in Ireland are in employment (figure 7, panel B). The proportion of those coming and staying unemployed has diminished over the recession. The share of immigrants who come to study has been relatively small, although it has increased recently, accounting for 16% all immigrants that came to Ireland in 2014.

Figure 7 **Many emigrants were in employment prior to their departure**

Persons aged 15 and over



Note: Year ending in April.

1. As a person's principal economic status can change over the course of the year, for immigrants this refers to their status in the quarter prior to the April of the year in question, while for emigrants it is their status in the period prior to departure.

Source: Central Statistics Office (CSO).

The economic impact of migration

8. Large migration flows have very wide economic implications and this paper focuses its analysis on two particular economic aspects. First, it assesses the interaction of migration and the housing market and infrastructure. Large migration flows are likely to be a permanent feature of the Irish economy, so it is important to assess how the housing market can be made resilient to sudden changes in population, and what parts of the infrastructure are more likely to be affected. Secondly, it examines the impact that migration is having on the size and composition of the labour force. Emigration has played an important role in Ireland as a macroeconomic adjustment mechanism, preventing unemployment rates above 20% seen in other crisis countries and limiting scarring effects of being out of work. But it also entails trade-offs and risks.

Impact on the housing market and on infrastructure

9. Fluctuations in migration flows have important repercussions in the housing market, both in Ireland and internationally. On the one hand, large migration inflows can affect significantly house prices by putting extra pressure on the existing supply. On the other hand, a ready supply of good quality and affordable housing is important for remaining attractive as a destination for workers. Booms in house prices can discourage potential migrants and damage Ireland's growth potential (Duffy et al, 2005). Building a more flexible and resilient housing market would help also avoid that large migration flows, which are expected to accompany Ireland's economic cycles, exacerbate cycles in the housing market and the economy.

10. A well-developed and efficient rental market would make the housing market more flexible, would help alleviate house price pressures and smooth housing market dynamics. It would serve as a more suitable and affordable option than ownership for migrants. The Irish housing market is characterised by a high ownership rate. Rental contract legislation is perceived to be complex and difficult to understand (DKM, 2014). The quality in some segments of the rental market, especially apartments in Dublin, is poor. This pushes many, including recent migrants, into the ownership ladder. There are regulations setting standards for rented properties but their implementation varies. Stepping up efforts to check the compliance with existing quality standards would contribute to improving the quality of the rented stock.

11. The supply of rentals is at historically low levels. This is particularly so in Dublin, where there are also upside pressures on rents caused by high demand of apartments in some specific locations in the inner city area. More professionalised private rental markets and a greater emphasis on increasing density within the metropolitan areas, as envisaged in Construction 2020 government strategy, are thus welcome.

12. Migration flows can also have important repercussions for physical and social infrastructure. In the past, migration and the resulting rapid increases in population contributed to infrastructure bottlenecks. A significant proportion of migrants tend to live in commuters belts around the main city centres and traffic congestion problems were significant before the recession. With the return to robust economic growth, congestions and infrastructure bottlenecks will become apparent again, especially in the Dublin area. Urban and housing planning are now more focused on increasing density than they were in the past, which will help to increase the viability of public transport options as well as other sustainable transport options (Assessment and Recommendations).

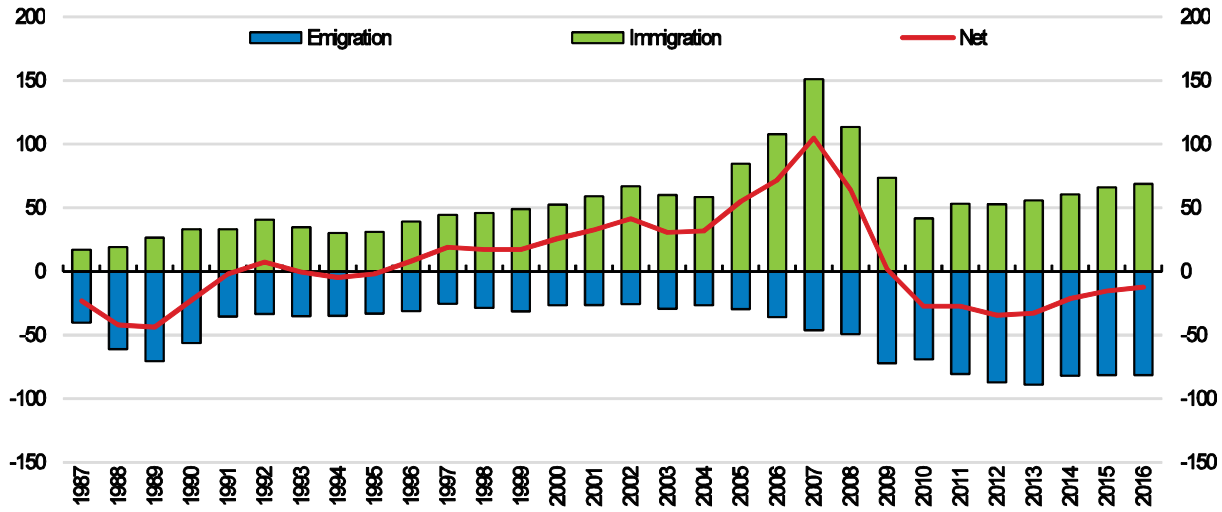
13. Migratory flows can also add to pressures on social infrastructure, such as schools or health centres. Irish schools have experienced a rapid increase in the inflow of immigrant students, with a large proportion of students for whom English is not their first language, which creates additional needs, especially in disadvantaged schools (more below). In healthcare, immigration has not translated so far into significant additional demands in terms of volume, although the need to treat patients with differing cultural and linguistic backgrounds raises new challenges.

Impact on the labour force

14. The recession triggered a surge in emigration, less immigration and a fall in participation among Irish workers, all of which made the labour force shrink by 5% from 2008 to 2014. Despite the improvement in the economy, labour market participation rates are expected to remain fairly low (Central Bank of Ireland, 2015). Hence, migratory flows will play a key role in labour force dynamics. These dynamics will depend on how responsive migratory flows are to the on-going recovery in Ireland and other advanced economies. In countries with a high proportion of jobseekers, changes in unemployment rates tend to be a good proxy to gauge how economic opportunities evolve over time and affect migration flows (Izquierdo et al, 2015). Bilateral migration equations suggest that migration flows both from and to Ireland are significantly affected by the unemployment rate differential between the United Kingdom and Ireland (Annex). This link, although weaker than in the 1990s, remains significant, especially on the emigration side. Both outflows and inflows are also found to be responsive to unemployment rate differentials with United States and the euro area, although to a lesser extent. The link with unemployment dynamics in other countries is weak on the emigration side, reflecting that emigration to countries such as Australia, Canada and New Zealand is heavily related to visa rules, which tend to be linked to skills needs in those jurisdictions. However, these host locations have not recently experienced a shock in unemployment rate dynamics of sufficient magnitude to test this relationship. Conversely, immigration from other countries to Ireland is found to be sensitive to unemployment differentials. This is largely driven by immigrants from EU NMS countries. A proportion of the workers that came from these countries during the boom years left when the crisis started and unemployment soared.

15. Forecasting migration flows is subject to significant uncertainty. Nevertheless, some indicative projections can be obtained using the elasticities from the bilateral migration equations and OECD forecasts for unemployment rates. These indicative projections provide an indication of how migration to and from Ireland is expected to evolve based on the expected macroeconomics developments in Ireland and in other economies. These projections suggest that migration outflows, while remaining significant, will continue a very gradual deceleration in the coming years in line with the overall improvement in the Irish economy (figure 8). In the same vein, immigration will continue to progressively pick up. As a result net migration is expected to decrease but still stay negative over 2016. Thus, its contribution to labour force growth would remain negative, although it will diminish and eventually become positive provided the improvement in Ireland's economy continues and strengthens. A return to its pre-crisis level seems more distant though, absent a large one-off factor such as further opening of the labour market to more EU countries as occurred in the early 2000s.

Figure 8 **Net migration is expected to remain negative in the short run**

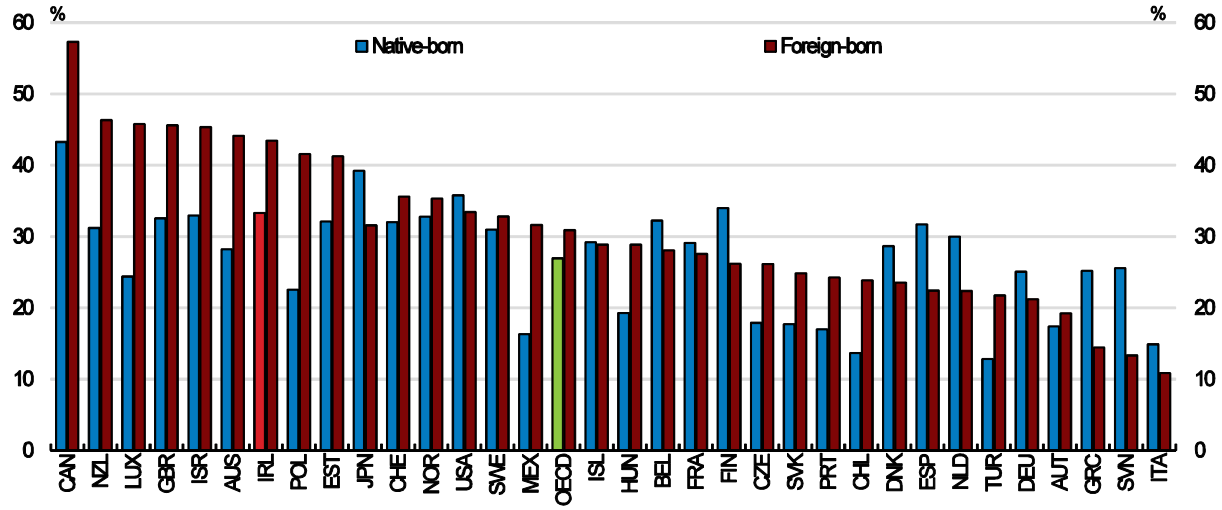


Source: CSO up to 2014. Projections for 2015 and 2016, based on equations described in Annex and unemployment rates as projected in OECD Economic Outlook EO96.

16. Migratory flows affect not only the quantity of the labour force but also its quality. Initiatives under the annual *Action Plan for Jobs* have expanded IT training places but these take time to bear fruit. Immigration has played a crucial complementary channel to extra training, providing the human capital that the multinationals sector requires, and that the local education and training system was unable to generate fast enough, especially in the IT sector. The share of the foreign born population in Ireland that is highly educated is particularly large (Figure 9). More than 40% of foreign-born workers have a university degree. This compares with just over 30% amongst native born workers net of migration outflows.

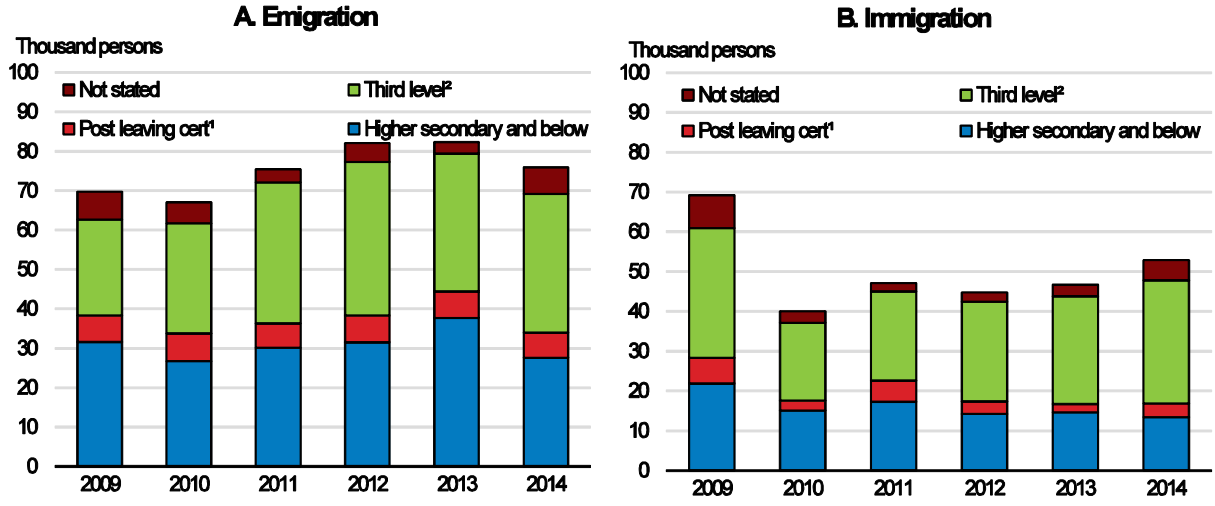
17. Overall, Ireland has been exhibiting a pattern of "brain exchange", whereby highly educated workers flow from and to Ireland. Even during the recession, despite its depth and severity, the inflow of highly educated workers continued (figure 10, panel B). At the same time, a significant proportion of emigration corresponded to individuals with tertiary qualifications (figure 10, panel A). More recent data shows that while total emigration has started to decline, emigration by individuals with tertiary education continues to increase. Thus, despite the general improvement in the Irish economy and its labour market, the outflow of university graduates continues to exceed the inflow. With lower post-crisis starting salaries (Conefrey and Smith, 2014), many of the young and educated may feel that prospects are brighter elsewhere.

Figure 9 **The share of the foreign born population that is well-educated is high**



Source: OECD (2014a).

Figure 10 **Migration is large among highly educated individuals**



Note: Year ending in April.

1. Technical or vocational, advanced certificate or diploma.

2. Pass degree and above.

Source: Central Statistics Office (CSO)

18. Productivity prospects of domestic companies, whose ability to hire workers abroad is limited, are more likely to be affected by the outflow of domestic qualified workers than multinationals, which are more successful in international recruitment. This risks that the already large productivity gap between domestics firms and multinationals will widen even further; it also highlights the need for Ireland to optimise policies to retain and attract qualified workers, and to facilitate that all companies can take full advantage of these policies.

Maintaining the attractiveness of Ireland as a destination for skilled workers

19. Ireland faces the challenge of continuing to retain and attract highly skilled workers with specific abilities. That task will become more acute, as wages in traditional source countries catch up (Westmore, 2014). Ireland competes not only with other EU countries but also with other English-speaking countries outside the EU, such as Australia, Canada and New Zealand, which have specific migration programmes for skilled migrants, a solid track record as attractive destinations for migrants, and a proven ability to retain them (OECD, 2014c). Other countries, such as those of the Persian Gulf, Singapore, and China, have also started to attract highly-skilled personnel (Docquier and Marfouk, 2006) and aim at increasing further the attractiveness of their jurisdictions for skilful workers as a way to support a diversification of their economies.

20. Multinationals play a central role in attracting the skilled to Ireland. The proportion of immigration that takes place through the organisational channels of these transnational firms (e.g. intra-company transfers) is not particularly high but multinationals are the main employers of those being granted employment permits. The presence of IT multinationals, such as Google, IBM, Microsoft and Apple, in Dublin acts as a powerful magnet for workers, especially from Europe. While these firms contribute to cementing Ireland's reputation as a destination country for migrants, Ireland could do more to improve its attractiveness as a destination for high-skilled workers and to facilitate that all companies benefit from the openness of the labour market. This concerns migration policy, and also the availability of affordable housing and a good provision of education and health.

Optimising labour migration policies

21. Effective and efficient migrant selection policies are important for ensuring that the full range of necessary skills is available swiftly and transaction costs are minimised. As a member of the European Economic Area (EEA), Ireland's labour migration policies aims at regulating the entry of individuals from non-EEA countries while maintaining safeguards for the local labour market. EEA nationals enjoy an unrestricted right to migrate and take up employment in Ireland.

22. The Irish employment permit system is demand-driven, and gives employers a large role in selecting workers from outside the EEA. This contrasts with more supply-driven systems in countries that use point systems, whereby potential migrants are selected on the basis of criteria such as education, languages proficiency or previous working experience. Those surpassing those criteria can then enter the country and search for employment, although the number of people accessing those countries without a job offer has become quite small (OECD, 2014a). The existing employment -permit system seems a suitable approach for Ireland given that the system is intended to regulate only the entry of non-EEA workers, which is a limited proportion of total immigration. The system should continue to be adjusted to the changing nature of immigration and to ensure that it is achieving its objectives. Ireland has recently made a number of changes to employment - permits to facilitate access for qualified workers (Box 1).

23. The framework should continue to be monitored, in particular to ensure that the salary thresholds, which are relatively high in international perspective for occupations not included in the Highly Skilled Eligible Occupations List, do not act as a barrier for recent graduates, especially as wages for tertiary educated workers aged below 30 have fallen considerably. Establishing a differentiated salary threshold for younger workers may be needed. Another aspect to closely monitor is the friendliness of the system towards SMEs, which tend to have more difficulties in recruiting internationally than larger firms. In such cases, providing SMEs with specialised support in international recruitment processes, via Enterprise Ireland, could help them to attract internationally the skills they need and are unable to find in the local labour market.

Box 1 **Employment permits in Ireland**

As of September 2014, Ireland's Employment Permit (EP) system comprise the following types of permits available to non-EEA nationals (DJEI, 2014):

- *Critical Skills EPs*. It replaced the Green Card permission and is targeted at highly demanded and skilled occupations that are in significant shortage of supply. It currently includes occupations such as ICT professionals, professional engineers and health professionals. A labour market test is not required and permit holders can apply for immediate family reunification. Critical skills permits are issued in respect of a job offer of 2 years' duration. Occupations should have a minimum annual remuneration of €30,000 for the occupations contained in the so-called Highly Skilled Eligible Occupations List (see below), or €60,000 otherwise.

- *Intra-Company Transfer EPs*. It is designed to facilitate the transfer of senior management, key personnel or trainees, who are non-EEA nationals, from an overseas branch of a multinational corporation to its Irish branch. The foreign employee must have worked for the foreign entity for at least 6 months..

- *General EPs*. Unlike Critical Skills EP, all occupations are eligible except those on the Ineligible Occupations List. Their issuance is contingent on a job offer from a bona fide employer. Minimum annual remuneration is generally €30,000. It is €27,000 for non-EEA students graduated in the last 12 months who have been offered a graduate position from the Highly Skilled Eligible Occupations List.

- *Dependent/Partner/Spousal (DPS) EPs*. It allows dependants, civil partners, and spouses of certain categories of EP holders to apply for an employment permit to work in Ireland.

- *Contract for Services EPs*. It caters to the situation where a foreign entity has won a contract for services at an entity in Ireland, and is sending non-EEA nationals to Ireland to carry out the contract.

- *Internship EPs.* It applies to students enrolled in a fulltime degree course or higher at an overseas institution, who take on an internship in Ireland as a mandatory part of their studies. It is issued with a maximum validity of one year, unrenewable, and the intern needs to return home to continue their study after completion of the internship.

Other existing EPs include *Reactivation EPs*, aimed at foreign nationals who entered the State on a valid Employment Permit but who fell out of the system, and *Sports and Cultural EPs,* for those going to work in the development, operation and capacity of sporting and cultural activities.

The *Highly Skilled Eligible Occupations List* is determined in line with the regular analyses of an Expert Group on Future Skills Needs. It is organised using the Standard Occupational Classification system (SOC 2010), an international system which classifies workers into occupational categories. Within these broad categories, specific capabilities or skills are also included in the list and should be met to become eligible for the Critical Skills EP. There is also an *Ineligible Categories of Employment List*, which includes occupations for which it is not possible to obtain an EP. These are mainly, but not exclusively, low skilled occupations, such as operatives, and service industry personnel. The list also includes a number of more highly skilled professions where skills surpluses have been detected such as physiotherapists.

Before a General EP or a Contract for Services EP can be issued to a non-EEA national, employers must satisfy a labour market lest to assess whether a job could be done by an available EU worker. The test "requires" that the employer advertise the vacancy with the Department of Social Protection Employment Services/EURES employment network for at least 2 weeks. The vacancy has to be announced also in a national newspaper for at least 3 days and in either a local newspaper or jobs website for 3 days.

EPs are not granted to companies unless 50% or more of the employees in the firm are EEA nationals at the time of application. This restriction may be waived for start-up companies within 2 years of their establishment and which are supported by the enterprise development agencies.

24. Employment permits could be further simplified through so-called trust-based schemes, which have been recently launched in Ireland, the so-called Trusted Partner Initiative. Under this initiative, the employment permit application is replaced by the insertion of a Trusted Partner Registration Number and a confirmation that there have been no changes to the details already provided during their Trusted Partner registration. Thus, participating employers benefit from shorter permit processing times, fewer supporting documentation requirements, and a waiver of labour testing requirements.. This sort of programme, operated also in some other OECD countries, works under the presumption that employers have sufficient

incentives to check themselves that their applicants meet all conditions. The scheme has potential to reduce administrative burdens significantly and to accelerate permits issuance. SMEs are more likely to have higher obstacles to benefit from these simplified schemes due to higher costs of meeting the requirements, as they do not have the advantages of larger firms to operate these schemes, such as human resources departments or economies of scale. In contrast to other countries, the registration as a Trusted Partner is free of charge in Ireland, which should facilitate SMEs participation. The authorities should monitor the scheme to ensure it continues to meet the needs of all enterprises including SMEs.

25. A swift and low-cost application process for employment permits is a key ingredient for an efficient migration policy. Significant progress has been made by Ireland in reducing processing times for employment permits. The average processing time was 74 days in 2010, but following changes to streamline the application process, the average wait time was reduced to 32 days in 2011 and to 18 days in 2014. This compares favourably with processing times in other OECD countries (OECD, 2014a). However, processing costs for permit issuance are high in international perspective (OECD, 2014a). High fees may not put employers off hiring needed highly skilled workers in significant demand, but might deter potential migrants. The principle underpinning the charging of fees for employment permits in Ireland is cost recovery, both processing and compliance costs. Making further use of IT in employment permits processes would deliver efficiency gains and savings, which should be passed on in lower fees. Ireland plans to upgrade the IT infrastructure underlying the application process, with the aim of setting up an online application facility that would include payment options. In the same vein, the swifter Trusted Partner Registration Scheme would also provide additional efficiency gains. These efficiency gains would offer some scope to reduce fees, in case the current structure proves to be acting as a barrier for migrants' entry.

The role of return migration

26. Return migration, i.e. emigrants returning to Ireland, could play a significant role in the recovery of Ireland's economy and in providing skills, relevant working experience and networks. Evidence shows that return migrants bring back skills, networks and financial capital, and can thereby help spur innovation and growth (OECD, 2008a). It can also be an important source of entrepreneurism for Ireland, as a significant proportion of return migrants tend to start a business or arrange independent employment after their return.

27. Beyond their economic impact, large emigration flows may have psychological and cultural effects on those staying in the country. In particular, international evidence shows that parents can suffer declines in mental health as a result of the emigration of their offspring (Antman, 2010). Emigration has also been found to reduce the happiness of the family left behind, and immigrants tend to be less happy than natives in the destination country (Simpson, 2011). Evidence of mental health declines in mothers and older fathers of emigrants has also been found for Ireland (Mosca and Barrett, 2014).

28. Return migration rates can be very significant. International evidence shows that between 20% and 50% of immigrants leave within five years after their arrival either to return home or move on to a third country (OECD, 2008a). The return rate does not generally vary much by gender, but it changes sharply over the life cycle of migrants, with higher rates for the young and for retirees. The return rate is higher at the high and low ends of the education spectrum.

29. Return migration made a positive contribution to the Irish economy in mid-1990s. But now competition for skills is global and fiercer and the return of Irish recent migrants cannot be taken for granted. Canada, the United States, Australia and New Zealand, countries that have recently received significant Irish emigration, have been found to be more successful than European countries in retaining immigrants (OECD, 2008a). In addition, existing communities of Irish emigrants in those countries make it

easier for their compatriots to integrate and stay abroad. Emigration has been large in the 25-44 age bracket, an age where people tend to start making longer-term commitments to careers and their location than those in younger cohorts.

30. There are many factors affecting return migration decisions. Availability of employment is a key factor, although most of the recent emigrants were in employment prior to their departure. Wage and tax differentials as well as housing and childcare affordability may also be key factors. The capacity of the Irish economy to raise its productivity level would determine to which extent Ireland will be able to pay higher wages in the future in a sustainable way. Ireland high public debt entails that tax burden is expected to be high in the coming years. Continuing efforts to reduce public debt would also render medium-term positive effects in making Ireland a more attractive destination for workers by reducing the need to raise taxes in the future.

31. The increased mobility of high-skilled workers has motivated many OECD countries to use the tax system via preferential schemes to try to attract or retain skilled workers (OECD, 2011). These preferential schemes aim to capture positive knowledge spill-overs (e.g. in Denmark, Finland, Italy, Korea and Sweden), particularly from workers engaged in R&D activities, or at addressing skill shortages.

32. Tax concessions for high-skilled workers reduce equity to the extent they diminish the progressivity of the tax systems. Other tax solutions might therefore be preferable. A number of countries provide tax exemptions from fringe benefits paid by employers to cover costs purely related to the relocation. Those payments are aimed at offsetting higher expenses that workers face when moving and they do not increase disposable income. Belgium, France, the Netherlands and Switzerland provide these exemptions. Lowering personal income tax rates for the entire population, migrant or not, and shifting towards less mobile bases such as consumption and immovable property may also make a country more tax competitive for high-skilled workers. Such reforms would also have positive effect on growth (Johansson et al., 2008) and, if well targeted, would not hamper the equality of the tax system.

33. Ireland has currently in place the Special Assignee Relief Programme ("SARP"), a tax relief designed to assist multinational companies in attracting key employees to Ireland. The employee must have been employed overseas by the firm for six months prior to arriving in Ireland and must not have been tax resident in Ireland for any of the five years preceding the arrival. He must have a minimum base salary of EUR 75 000. Then 30% of the employee's salary in excess of EUR 75 000 will be disregarded for income tax purposes. This scheme, which is similar to those available in some other EU countries, has the potential to harm the progressivity of the tax system, and it is not useful for domestic firms that would like to attract overseas talent. The government should consider scrapping it. Instead, tax deductions for expenses incurred in the relocation to Ireland, such as travel costs between the place of residence abroad and Ireland, would be preferable to attract skills, not only to the multinational sector but also to domestic companies, without damaging the progressivity of the tax system. If the employer pays these expenses, he would deduct them from its taxable corporate income. When the costs are borne by the employee, then the employee would benefit from the deduction against the personal taxable income. It would be a one-off deduction at the time of relocation, it would be granted on account of the cost actually incurred, and should be capped in amount.

Connecting with the Irish diaspora

34. Additional policies that could facilitate a smooth return to Ireland include setting-up systems of information and cultural outreach to expatriate communities. Ireland has explicit and elaborated policies to engage with its emigrants abroad. It has recently formulated its approach in a comprehensive diaspora policy review (DFA, 2015). The number of Irish nationals residing abroad is large and their needs vary from those facing vulnerable situations and in need of support to those requiring return counselling or

information about possible job opportunities in Ireland. The Irish diaspora policy review is comprehensive enough to cater for those different requirements and needs. Its full deployment could be facilitated by a more systematic effort to gather information concerning the situation of Irish emigrants residing abroad.

35. One aspect with significant room for improvement concerns emigrant's political representation and right to vote in Irish elections. Ireland is one of the few countries in Europe not to offer some form of suffrage to its citizens who live abroad (Honohan, 2011). The vast majority of countries have electoral systems allowing emigrants to participate in some ways in elections. Voting can allow states to build and retain highly productive connections with diaspora groups (Collier and Vathi, 2007). Political participation is positively associated with well-being (Frey et al., 2008 and Blais and Gelineau, 2007). Thus, civil and political engagement is one of the building blocks of the OECD's Better Life index. Allowing for the participating of Irish emigrants in domestic electoral process would reinforce their attachment to Ireland, would bolster the linkages that Ireland has been successfully building over the years and would make a positive contribution to emigrant's well-being.

Well-being and the quality of services can attract skills

36. With many OECD countries competing to attract skills, the overall quality of life and, more generally, a high level of well-being can differentiate Ireland from other competitors. Beyond ensuring a reasonable cost of living, including accommodation, it would entail ensuring good availability of childcare and good quality health and education.

37. The availability of reasonably priced quality childcare is important to attract families where both partners have careers. Childcare costs in Ireland are the second highest in the OECD for couples. At the same time the quality of childcare services is extremely variable (Hanafin, 2014). Further efforts to ensure a provision of more affordable and higher quality childcare services would contribute to make Ireland more family-attractive. A step in this direction has been taken with the publication of recommendations by the Inter Departmental Group on Future Investment in early years and school age care and education services on these issues.

38. Workers are also attracted by good quality healthcare services. Citizens are less satisfied with the quality of the healthcare in Ireland than in most of the EU advanced economies (Eurobarometer, 2014). As in other countries, foreign workers face problems to access and traverse the system. Some multinationals have set-up dedicated training for their personnel aimed at helping them navigate the Irish health system. Despite that, foreign workers tend to choose to travel to their countries of origin for their medical treatments when possible. Making the health system easier to access and more reliable would make an important contribution to Ireland's attractiveness.

39. In the same vein, access to good education is key to attracting workers, for whom it is important to be able to continue their children's education after relocating to another country. In that sense, Ireland has a deficit as concerns the availability of international baccalaureate programmes and of non-denominational school options (UN, 2014). Expanding their availability would be notably valuable in a strategy to make quality of life and services in Ireland an additional reason for workers to choose to move or return to Ireland.

Integrating migrants

40. Large-scale immigration is a relatively new phenomenon in Ireland. The proportion of foreign-born doubled in the last decade, which is a very rapid increase by OECD standards. Ireland's proportion of foreign-born individuals surpasses now the one observed in countries with long immigration histories such as the United States, United Kingdom, France or Netherlands. An additional distinctive

feature of Ireland's immigrant community is that it encompasses very heterogeneous groups, with different challenges and needs. Adequate integration policies are needed to help immigrants adapt to Ireland and to avoid that some of them suffer economic and social disadvantages. How well Ireland succeeds in integrating the recent inflows of immigrants will also have a positive effect on Ireland's attractiveness as a potential destination for migrants.

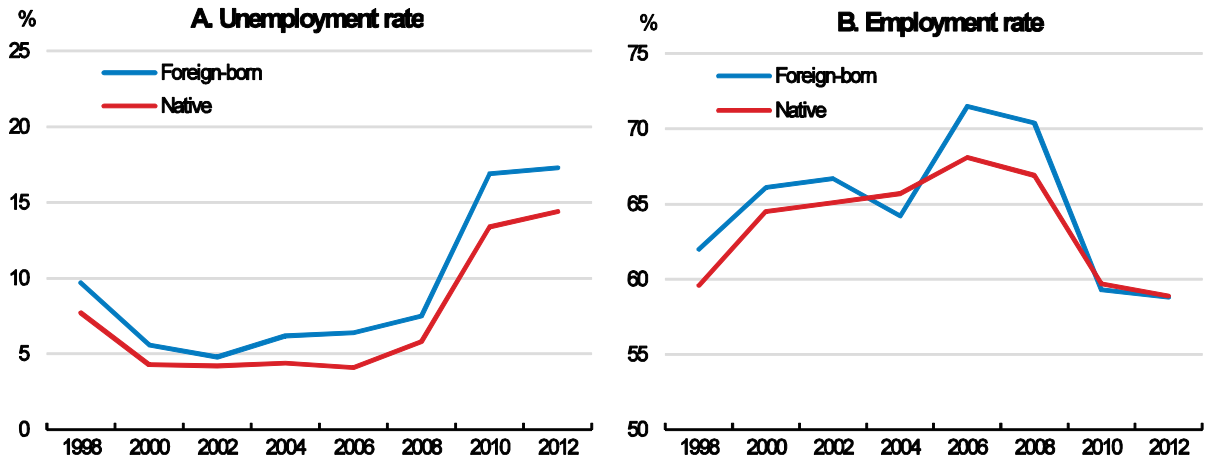
41. Ireland receives three broad groups of immigrants: returning Irish emigrants, migrants from other EU countries and migrants from the rest of the world. The first group tend to integrate smoothly into the labour market, but some experience difficulties such as social isolation (Barret and Mosca, 2013). Prior to the recession EU immigrants was largely dominated by workers from EU NMS countries. Those workers tended to be relatively well educated and had a higher activity rate than domestic workers, but tended to have low-skilled low-paid jobs. The challenge for this group is to fully utilise their skill levels, which requires that formal qualifications from their countries of origin be recognised. The "rest of the world group" is rather diverse, and includes skilled migrants entering via work permits, family members of immigrants and Irish nationals, and refugees. The number of refugees is relatively small but they are the most difficult integration challenge.

Immigrants were particularly hit by the crisis

42. Labour market engagement is the cornerstone of a successful integration. As in other OECD countries, the impact of the crisis has been also severe on immigrants. The increase in the unemployment rate has been larger for immigrants than for native's workers (figure 11, panel A), and the immigrant employment rate has fallen since the recession, declining from 75% to 60%, which is its historical minimum and well below the OECD average (figure 11, panel B). An analysis of labour market transitions in Ireland confirms that non-Irish individuals' likelihood of being unemployed increased sharply during the recession in comparison with Irish workers'. The size of the increase differed across education levels and nationalities, with low-educated and African individuals facing the highest difficulties to regain employment (Kelly et al., 2015).

Figure 11 **Immigrants were particularly hit by the crisis.**

Persons aged 15-64



Source: Eurostat.

43. As strong economic growth strengthens and translates into more job opportunities, it is important to analyse whether the recovery is translating into new jobs also for immigrants and whether any specific group may be facing special difficulties that may require targeted policy actions. Labour market transition analyses indicate that, as the economy recovers, the gap with respect to Irish nationals in terms of employment probabilities is receding to pre-crisis levels (Kelly et al., 2015). There are notable differences, however, depending on age, education or, especially, length of residence in Ireland. Recently arrived immigrants face employment probabilities similar to Irish workers'. Conversely, longer-resident immigrants' likelihood of unemployment rose over the recession. This suggests that this group of workers may have suffered from scarring effects and highlights the need that they receive assistance and support to increase their employability.

44. Access to support and activation services by unemployed immigrants are crucial to prevent this group becoming a permanent casualty of the recession and falling into social exclusion. Data on claims by immigrants for unemployment and other employment-related government assistance increased substantially during the recession. Nevertheless the administrative data on the proportions of Irish and non-Irish nationals in receipt of welfare payments, show, so far, no evidence of a large or systematic over-representation of non-Irish nationals among welfare recipients in Ireland (Quinn et al., 2014).

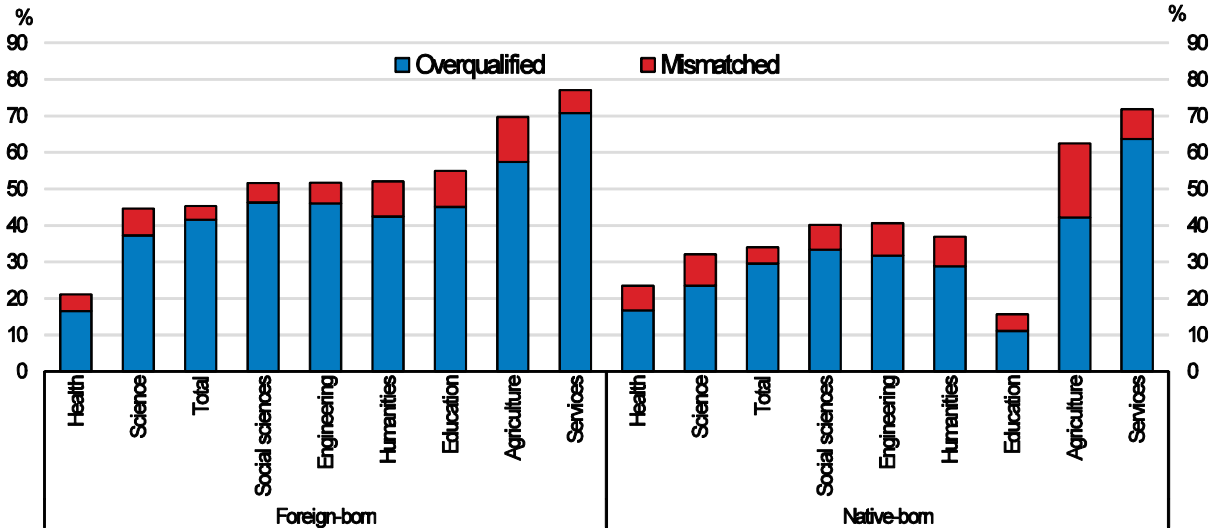
45. Some ambiguities concerning the accessibility of immigrants to social assistance have been identified and should be addressed. For example, access to most social assistance payments in Ireland requires claimants to meet the "habitual residence" condition. The term "habitual residence" implies "that a person has been here for some time, from a date in the past, and is intending to stay for a period into the foreseeable future" (DSP, 2013). This definition entails a significant degree of subjectivity that complicates ensuring consistency in decision making. A clearer definition of "habitual residence", based on more objective criteria, would facilitate its clear-cut application by caseworkers and provide more certainty to immigrants. There are also additional ambiguities concerning the iterations between immigration and social security policies (Quinn et al., 2014). Eliminating those ambiguities would provide more certainty to both immigrants and government officials concerning entitlements for social assistance and support.

Avoiding a cycle of brain gain, waste and drain

46. Across the OECD immigrants tend to be at a higher risk of being overqualified than native-born, i.e. they are more likely to be educated beyond what is necessary for a job, especially if they were born in a lower-income country and obtained their highest degree abroad (OECD, 2012). Ireland's immigrants are generally highly educated; however, not all of them are employed in occupations that fully reflect these high education levels. 41% of the tertiary-educated foreign workers have jobs below their formal qualification level (figure 12). This is above percentages observed in other advanced European countries and above the EU average, which stands at thirty-two percent. The high rate in Ireland is primarily driven by nationals of EU NMS countries (Barrett and Duffy, 2007). Conversely, workers from non-EEA countries are less-likely to be overqualified, being its immigration based on working-permits linked with qualifications with high demand.

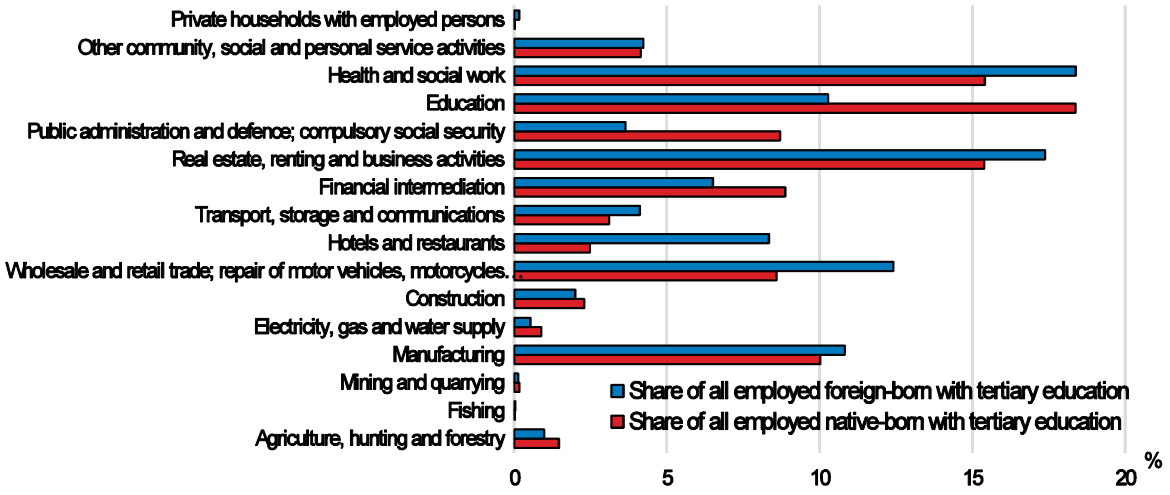
47. The prospects of accessing a well-matched job appeared to be strongly related to the field of study, both for foreign-born and native-born (figure 13). Foreign workers with a degree in health are less affected by over-qualification, which may reflect the strong outflow of medical graduates educated in Ireland and relative wage conditions in the sector. Although 20% of them still suffer some degree of miss-matching, this is similar to the rate observed among native-workers. For other fields of study, over-qualification is higher among foreign-born workers than for native-born workers. This reflects a high proportion of tertiary educated foreign workers employed in sectors such as hotels and restaurants and also wholesale and retail trade.

Figure 12 **Over-qualification and mismatches rates are higher for foreign-born**



Source: OECD

Figure 13 **Chances of having a well-matched job depend on field of study**



Source: OECD based on Census (2011)

48. High over-qualification rates imply risks of entering a cycle of brain gain, waste and drain, whereby Ireland could be initially successful in attracting highly qualified workers, but they are unable to fully utilise their human capital, which depreciates over time. Eventually those workers are likely to move to a third country or return home. Signs of cycles of brain gain, waste and drain have been observed in Ireland in some sectors such as health (Humphries et al., 2013). Comparable cross-country data on re-emigration rates is scarce, but the existing evidence indicates that re-emigration rates are relatively higher in Ireland. Workers coming to Ireland tend to leave the country after five years at higher frequency than in other countries (OECD, 2008).

49. Increasing support for language training for adults, facilitating on the job-training and expediting recognition of professional qualifications gained abroad would contribute to making the most of immigrant

workers and would facilitate smoother integration into the Irish labour market. Poor English can partly explain the high over-qualification rates among immigrants, and tend to translate into low-paid jobs. International experience suggests that, across countries, about one third of immigrant over-qualification rates can be explained by weaker linguistic skills (Bonfanti and Xenogiani, 2014). Evidence for Ireland with data prior to the recession confirmed that migrants from English-speaking backgrounds suffered from no earnings gap with respect to natives, while migrants from non-English speaking countries tend to earn a fifth less than comparable natives (Barrett and McCarthy, 2007). More recent data confirms this finding for migrants from EU NMS countries. Despite having a relatively similar educational profile to Irish workers, they disproportionally occupy jobs at the lower level of the occupational ladder and have much lower incomes (Roeder et al, 2014).

50. Ireland developed a strategy to improve language training for adult immigrants before the recession (OMI, 2008), reflecting that immigrant's ability to speak English was considered a critical and key factor to facilitate immigrant's integration. Nevertheless, fiscal difficulties experienced since then have not allowed the implementation of government strategies in this area (Sheridan, 2015). At the moment there is not a clearly defined strategy for English language training for adults (McGinnity et al. 2014). As more fiscal space becomes available, language training for adult migrants should be increased to help Ireland to get the most out of their immigrant workers.

51. Another potential barrier for immigrants are difficulties to get foreign qualifications recognised in Ireland. There is clear evidence that qualifications and skills acquired abroad are not transferred swiftly to the Irish labour market and that they translate into pay gaps. These gaps are larger the higher the level of education (Barrett et al. 2012). This suggests that immigrants, and the Irish economy, are not able to obtain a full return on their human capital endowments. This may relate to a lack of location-specific human capital, quality differences between education systems or insufficient knowledge about the quality of foreign qualifications by Irish employers. One way to acquire location-specific skills would be via on-the-job training. Nevertheless, immigrants are also less likely to receive training from employers. Immigrants from EU NMS States experience a particular disadvantage on this front (Barrett et al., 2013). It is critical to ensure a greater participation by immigrants in employer-provided training activities to improve their labour market prospects.

52. In Ireland recognition of foreign qualifications is facilitated by the state agency *Quality and Qualifications Ireland*. Recognition is made via comparative statements, which offer advice on the recognition of a foreign qualification by comparing it to a level on the National Framework qualifications (NFQ). It takes approximately twelve weeks for an assessment to be completed. The NFQ also provides the possibility for recognising professional qualifications. For the time being, only chartered accountants have made use of that opportunity. Those that have obtained a professional qualification outside Ireland and want to practise need to process the recognition through the relevant professional body. These bodies can act in a protectionist way. As a result, the timeliness, burden, and transparency of the recognition process vary across different professional bodies. Extending the use of the National Framework Qualifications for professional qualifications would provide a clearer and consistent framework, which would benefit both foreign-born and Irish-born that may have gained a professional qualification abroad and wish to exercise that profession back in Ireland.

53. Discrimination can also be an important obstacle for labour market integration. Discrimination is difficult to measure and cross-country comparable statistics are sparse. One way to detect and measure discrimination is to use field experiments, particularly "correspondence tests", in which fictitious written applications are sent in response to real job advertisements and discrimination is measured by comparing invitations to interviews among different groups. Most such experiments indicate that discrimination in the hiring process is common (OECD, 2008b). With strictly equivalent qualifications and working experience, international evidence signals that ethnic minorities receive about 30 percentage points less invitations for

interview than the rest of the population. Existing evidence for Ireland suggests that discrimination could be even higher, although experiments conducted in different countries are not fully comparable. Thus, job applicants with Irish names are estimated to be over twice as likely to be invited to interview as candidates with identifiably non-Irish names (McGinnity et al, 2009). Workers of black ethnicity have the highest risk of discrimination (McGinnity et al, 2012). Continuing vigilance with respect to possible discrimination practices seems therefore warranted.

Preparing for challenges associated with second generation immigrants

54. The second generation is large and diverse (Roeder et al, 2014). While its size is smaller than the one found it other OECD countries with a longer history of immigration, the second generation cohort is growing rapidly in Ireland. The share of children born in Ireland from a non-Irish mother was nearly insignificant at the beginning of the previous decade. Now one in four children born in Ireland has a non-Irish born mother. About half of the non-Irish mothers are made up by mothers from EU NMS countries. Children born in Ireland are also of increasingly diverse ethnic and religious backgrounds. Asian and African mothers accounts for 4% and 3% respectively of the total children and this is also growing rapidly. Experience in other countries indicates that integration outcomes among second generation immigrant's communities tend to be closely determined by ethnicity. International experience also suggests that early action is critical to prevent that native-born children of immigrants have lower outcomes than the children of natives and to avoid marginalisation and ghettoisation patterns observed in other countries.

55. First-generation immigrant students in Ireland, on average, achieve education outcomes similar to their Irish-born peers. However, the integration of second generation immigrants will imply new and additional challenges for the Irish educational system. One of them concerns English language ability, in particular of children from households with parents who do not speak English at home. Language disadvantage tends to occur in such contexts, impacting negatively on school achievement. Indeed, a gap in achievement between those who speak English at home and those who do not has already become apparent (OECD, 2009), especially concerning English reading abilities for 15 year olds (McGinnity et al. 2014). English language support has been merged in the budget with special needs education, which complicates the monitoring of the budget allocation for teaching English as an additional language (McGinnity et al. 2014). Providing students of foreign language background with appropriate English language acquisition support is crucial for the integration of immigrant communities.

56. Language disadvantages may be amplified by the very low-rate of childcare usage among those households more likely to speak another language at home, such as migrants from EU NMS countries. The cost of preschool childcare in Ireland is high in international perspective. While this affects all segments of Irish population, immigrants are likely to be highly affected, because some of them tend to be of low economic status and are less likely to have family around so they depend more heavily on non-family childcare options. The introduction of the Early Childhood Care and Education (ECCE) Scheme, which provides a free year of early childhood care and education for children of pre-school age, will help in this regard. Similar programs in other countries have been found to particularly benefit migrant communities (Magnuson et al. 2006). The scheme should be evaluated to guarantee that it is well targeted and that it reaches non-English-speaking families in lower income groups. In case of a positive evaluation, extending it beyond one year, particularly for low income groups, should be considered, in line with similar schemes in other countries.

57. In addition to language disadvantages, it is also crucial to assess the overall situation of immigrants in the educational system, especially concerning how the social background of schools may be affecting educational outcomes. There is evidence in Ireland that the school social mix has a strong effect on educational outcomes (McCoy et al, 2014). Young people from working-class backgrounds are less

likely to go on to higher education than their middle-class peers and are also more likely to be unemployed upon leaving school.

58. In addition, there are also incipient signs that the concentration of immigrant children in primary schools has increased significantly. According to the latest school census, 80% of children from immigrant backgrounds were concentrated in 20% of primary schools. In 15 schools, more than two-thirds of pupils are of non-Irish background. This is partly explained by geographical location of migrant communities. Migrant and minority ethnic students are more likely to be located in urban areas, translating into higher concentration of immigrants in schools in those areas. But admission procedures to schools are also contributing to the increasing concentration. Where there are more applicants than places, selection criteria are up to the schools, which tend to favour children whose parents had been resident in the area for some time. As a result, newer schools have much higher percentages of immigrant children than older schools. International evidence shows that immigrant concentration in disadvantaged schools has a negative effect on educational attainment (Portes and Hao, 2004). Policy options to avert such negative effects include investing more in disadvantaged schools, for example by offering higher teacher pay, reducing class sizes, and providing additional remedial or tutoring help. Another policy option would be to attempt to reduce concentration through school admission policies (OECD, 2012). Admission policies based on who lives nearest may result in excessive concentration of students of low economic background in disadvantaged schools and low chances for them to attend the best schools. An alternative to achieve a higher mix, in terms of socio-economic background, ethnicity and academic ability, would be to explicitly seek for a more diverse composition of students by establishing explicit targets. Another possibility would be to use as a tie-breaker when schools are oversubscribed other criteria than distance, such as a random draw. Both the provision of additional support to disadvantaged schools and changes to school admission policies would be more effective if implemented early on in the school trajectory.

59. There has been a rapid rise in the size of the naturalised population in the last few years, due to increased applications as well as improvements in the processing of applications This implies that relying exclusively on nationality to monitor the situation of immigrants and guide policies will become increasingly problematic. Ireland does not run immigrant specific surveys, and existing data sources, such as the Quarterly National Household Survey (QNHS) and the Census, have limitations. The definition of an immigrant is often based on nationality, and even though place of birth is recorded in the QNHS, this information is often missing for the non-Irish born, so that official statistics are often exclusively based on nationality, without any information on birthplace (O'Connell and McGinnity, 2008). The QNHS furthermore does not generally include ethnicity questions, with the exception of the equality module, which only give figures for EU NMS countries migrants as a whole, and not for individual countries of origin. Since immigrant integration varies significantly depending on country of origin and ethnicity, improving information available on those dimensions would contribute to better monitoring second immigration integration challenges and to better targeting immigration policies.

Adapting labour market, education and pension policies

60. Large waves of migration translate into changing population profiles and needs. This highlights the need to continuously adapt labour market and education policies. This requires a more systematic evaluation of policies and programmes, allocating resources to those found to be successful and closing down those no longer effective, as recommended in OECD (2013).

61. It is important that programmes are implemented to ensure that vulnerable groups are integrated and their skills needs targeted so they can also take part in Ireland's current recovery. Targeted labour market and education programmes that focus on providing equal employment opportunities, and offer retraining, education, and language and cultural supports, are vital for ensuring that legally resident immigrants have an equal chance to participate in the labour market and avoid long-term unemployment.

Efforts to ensure that immigrants are able to access the enhanced activation services and improved training opportunities that authorities are deploying should continue.

62. It is also important to ensure an adequate portability of old-age benefits, and in particular of retirement benefits. This is normally implemented via international social security bilateral agreements. Currently Ireland has bilateral agreements with around 20 countries, including the majority of countries that are traditional destinations of Irish emigrants such as Australia, Canada, New Zealand and the United States. The main purpose of these bilateral agreements is to protect the pension rights of persons who have paid social insurance contributions in Ireland and have accrued pensionable periods in the other country. Reflecting the increasing nationality mix of people residing in Ireland, bilateral agreements with non EU-countries from which Ireland has received significant immigration would be very beneficial and should be pursued. In that sense, OECD countries tend to have bilateral agreements with a large number of countries; Spain has agreements with 140 countries, Canada with 180, Italy with 112, and Portugal with 97.

Recommendations for getting the most out of migration

Maintaining and reinforcing attractiveness for skilled workers

- Increase the use of IT in employment permits processes and of simplified trust-based schemes. Pass the savings on to lower permit fees.
- Ensure that salary thresholds do no act as a barrier for recent graduates. Establish differentiated thresholds for recent graduates in case they do.
- Expand the availability of non-denominational school options and of international baccalaureate programs.

Facilitating that domestic companies also get the most out of labour market openness

- Consider scrapping the Special Assignee Relief Programme, granting tax rebates at multinational executives. Instead, provide tax deductions for relocation expenses incurred when workers move to Ireland.
- Encourage and facilitate that SMEs make use of trusted-based schemes.
- Provide SMEs with specialised support in international recruitment processes.

Connecting with the Irish diaspora

- Increase efforts to gather information on Irish emigrants on a more consistent manner.

Fostering labor market integration of immigrants

- Use the National Framework Qualifications for the recognition of professional qualifications gained abroad.
- Promote greater participation from immigrants in employer-provided training activities.
- Step up targeted language training to adult migrants.
- To guarantee clear-cut access to social assistance by immigrants, establish a clearer definition of “habitual residence” and avoid ambiguous criteria such as “burden on the state”.
- Establish bilateral social security agreements with non-EU countries from which Ireland has received significant immigration.

Preparing for challenges associated to second generation immigrants

- Increase availability and access to preschool childcare by immigrants families.
- Adjust school admission policies to avoid excessive concentration of immigrants in disadvantaged schools. Provide additional support to disadvantaged schools.
- Provide students with foreign language backgrounds English language support.
- Improve information available in official statistics concerning immigrant's country of origin and ethnicity.

Building a flexible housing market

- Step up efforts to check the compliance with existing quality standards for rental accommodation.
- Simplify rental contract legislation.

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ANNEX: ESTIMATION OF BILATERAL MIGRATION FLOWS

Equations

$$\textbf{Emigration : } \log(E_t^{DD}) = c + b * \log(E_{t-1}^{DD}) + d^* (UNR_t^{DD} - UNR_t^{IRL})$$

where E_t^{DD} is the emigration from Ireland to country of destination DD in time t, UNR_{IRL} is the unemployment rate in Ireland and UNR_{DD} is the unemployment rates in country destination DD.

	United Kingdom	United States	EU13[1]	Other countries
c	1.176 ***	0.93 ***	0.484 ***	0.718 ***
b	0.447 ***	0.264	0.221	0.669 ***
d	-0.086 ***	-0.052 ***	-0.039 ***	0.006
R-squared	0.87	0.52	0.69	0.92
Durbin-Watson	1.52	1.96	2.29	1.86

$$\textbf{Immigration : } \log(M_t^{OO}) = c + b^* \log(M_{t-1}^{OO}) + d^* (UNR_t^{OO} - UNR_t^{IRL})$$

where M_t^{OO} is the immigration from country OO to Ireland . UNR_{DD} is the unemployment rates in OO.

	United Kingdom[1]	United States	EU13[1]	Other countries[2]
c	2.09 ***	2.405 ***	1.10 ***	1.73 ***
b	0.419 ***	0.474 ***	0.353 ***	0.658 ***
d	0.038 ***	0.0626 ***	0.031 ***	0.073***
R-squared	0.81	0.59	0.76	0.97
Durbin-Watson	2.01	1.65	2.20	1.76

*** significant at 0.05% level

[1] Equation includes a linear time trend.

[2] Equation includes a dummy variable to capture the effect of accession to the EU of Central and Eastern Europe member states.

The sample covers 1988-2014. The lagged dependent variable captures dynamics of adjustment while the constant c (and trend when included) absorbs other omitted factors. The equations are estimated individually for each destination or country of origin. This is not a full structural model of migration and the results should be interpreted as a reduced form relationship between unemployment rates and bilateral migratory flows. EU13 comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Spain, Sweden and Portugal. "Other countries" include all other countries apart from United States, United Kingdom and those not included in EU13. For the "Other countries" category the OECD unemployment rate is used to gauge labour market developments.