International Migration Outlook

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SOPEMI 2009

Special Focus: Managing Labour Migration Beyond the Crisis

International Migration Outlook

SOPEMI 2009

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Foreword

This is the thirty-third edition of the annual report of the Continuous Reporting System on Migration (known by its French acronym SOPEMI). It is a special edition prepared for the first-ever OECD High-Level Policy Forum on Migration, held in Paris, June 2009. This forum was designed to address the economic crisis and migration, the management of migration to support economic growth and the integration of immigrants and their children in the labour market.

In the editorial "Addressing the present, preparing the future", the OECD Secretary General, Angel Gurría, invites OECD member countries to implement policies to control and manage migration movements today, in order to be better prepared to respond to the increase in international migration that is expected to come with economic recovery.

This year's SOPEMI is designed to help countries do just that. The first part of this publication concerns international migration and the crisis, analysing its impact on the labour market outcomes of immigrant workers. This is followed by the presentation of the changes in immigration policy to limit entries and to encourage the return of unemployed immigrants. This part also emphasizes the expected medium and long-term impact of the crisis on migration flows and the integration of immigrants, as well as its likely effects on origin countries. Finally, a series of recommendations are proposed to attempt to give a strategic response, taking into consideration both short-term adjustments as well what is at stake over the longer term.

The second part of the publication presents a road-map for the management of migration flows to support economic growth. It begins with a historical overview of migration flows and in particular, of labour migration. It reviews policies put in place to recruit labour migrants. Following this is a discussion of the evolution of irregular migration and its causes, as well as its impact on migration policies. This is followed by a number of measures aimed at a better management of labour migration, temporary or permanent, skilled or less skilled. Particular attention is accorded to the integration of immigrants and their children in the labour market, as well as on the links between migration and development. This work is the main result of an OECD project lasting two years, with financing from the Secretary General's Central Priorities Fund, and which involved, in addition to the Directorate for Employment, Labour and Social Affairs, the Directorates for Science and Technology, for Education, and for Development Co-operation; the Development Centre; the Centre for Entrepreneurship, SMEs and Local Development; and the Policy Coherence for Development Programme.

Country notes, trend analysis and a statistical annex – traditionally an integral part of the SOPEMI – are, exceptionally, available only on line this year and are scheduled to return to the print edition in 2010. Readers can access them at www.oecd.org/els/migration/imo from October 2009.

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Addressing the Present, Preparing the Future

Not long ago, many OECD countries were looking to labour migration as one way to address labour shortages and the expected declines in the working-age population as a result of ageing. This was to be the new age of labour migration. High levels of migration were being recorded in the new migration countries of southern Europe and more widely, in the European Economic Area, following EU enlargement. At the same time, the traditional settlement countries (Australia, Canada, New Zealand and the United States) were also seeing their highest immigration levels in recent decades.

The economic crisis, however, has put a brake on these recent trends. OECD countries now find themselves in the deepest economic downturn since the Great Depression. Latest projections show GDP plummeting by an average of 4.3 percent in the OECD area in 2009; by the end of 2010, unemployment rates in many countries could reach double-digit levels for the first time since the early 1990s.

The drop of economic activity is affecting local and migrant workers, but the latter are more vulnerable. Indeed, immigrant populations in OECD countries are feeling the full force of the downturn. Employers are often more reluctant to hire immigrants and more ready to fire them. And, with rising unemployment, there is more competition for jobs from local workers. As a result, unemployment rates among immigrants have risen more than among native-born workers. Additionally, the environment for migration policies is getting tougher. Numerical limits and lists of occupations in shortage have been reduced and employment tests are being applied more strictly. Programmes to encourage immigrants to return to their home countries have been introduced and measures to combat irregular migration reinforced.

However, not all labour shortages disappear during a downturn, nor do family and humanitarian migration come to a standstill. Some labour migration will continue to be needed. Migration is not a tap that can be turned on and off at will. In tackling the jobs crisis, governments need to make sure that immigrants do not fall prey to increasing xenophobia and that discriminatory practices do not worsen an already difficult situation for them. Integration programmes need to be maintained, if not strengthened. Equality of opportunity is not a principle to be applied only during good times.

With the onset of economic recovery, which may take some time, the pressures in the labour market will reassert themselves and international migration flows are likely to rebound as part of the solution to addressing these. International migration will remain a prominent feature of the global economy. And the difficulties in managing it that were present before the downturn will still remain to be tackled. That is why governments that have factored in longer term issues in addressing the recession will be in a better position to mobilise labour migration and the skills of immigrants in support of renewed growth and prosperity. Among other things, this means a migration system that can respond efficiently to labour market needs, can reduce irregular migration and employment – or redirect it into legal channels –, and can ensure better outcomes for new immigrants and for their children.

This year's edition of the *International Migration Outlook* presents a road map for managing labour migration to achieve these goals. It will be discussed, in Paris, at the first-ever OECD High-Level Policy Forum on international migration at the end of June. The road map rests on five key observations:

- First, labour needs exist at all skill levels and the failure to acknowledge this has contributed to a climate in which irregular migration and employment have found fertile ground. The large wage differences between origin and destination countries are clearly the major drawing card for immigrants, but the ability to find employment, generally in low-to-medium-skilled jobs, makes irregular stay possible. Migration regimes thus need to address the issue of the recruitment of lesser skilled immigrants, so that legal channels can replace off-the-street hiring of irregular immigrants by employers.
- Second, many labour needs in OECD countries in the future will be of a long-term nature. It is therefore illusory to believe that such needs can be filled through temporary migration. Indeed, many migrants do not have a preference for temporary migration. Governments therefore need to plan in terms of long-term migration and effective integration strategies for immigrants and their families.
- Third, managing labour migration necessarily involves a greater role for national stakeholders, in particular employers, in identifying and selecting potential immigrants. It also involves incentives for both employers and immigrants to follow the rules, and safeguards to protect immigrant as well as native-born workers. In countries where irregular migrants have become especially numerous and visible, there are few alternatives to large-scale regularisations. Such regularisations, however, should not be carried out without ensuring, in parallel, that the policies which have favoured the development of large irregular migrant populations are corrected.
- Fourth, managing labour migration is not incompatible with measures that provide benefits for origin countries so as to minimise fears of a brain drain. Among these are facilitating remittances, encouraging diaspora involvement in development efforts, removing obstacles to return migration, fostering increased international student enrolment and funding pre-migration training in origin countries.
- The fifth and final observation is that the premium on developing and implementing successful labour market integration strategies for migrants and their children remains as high as ever.

We should aim for a world in which immigrants, as a group, have favorable labour and integration outcomes as opposed to one in which many are unemployed and perceived as a drain on public budgets. This can be achieved with the right policies. As economic recovery takes place, international migration can be expected to increase again. To be able to benefit from it, the right policies to oversee and manage the process have to be in place. Now is the time to prepare that future.

Angel Gurría
Secretary-General
OECD

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PART I

International Migration and the Economic Crisis: Understanding the Links and Shaping Policy Responses

Note: This part was written by Jonathan Chaloff, Jean-Christophe Dumont and Gilles Spielvogel (OECD).

Introduction

While it is too early to have a clear view of the full impact of the unfolding economic crisis on net migration flows, the expected consequences on labour market outcomes of immigrants are unambiguous: past experience has shown that immigrants are among those hardest hit in the labour market during a downturn.

In most OECD countries, immigrants have made an important contribution to employment growth during the past decade. In some cases, relatively easy access to labour through international recruitment has contributed to limit wage increases and to fuel the expansion phase. The big rise in the construction sector in several OECD countries is illustrative of this phenomenon. This means that the deterioration in labour market conditions will probably be stronger in countries which have recently witnessed the most rapid increase in migration flows (*e.g.* Ireland, Spain, the United Kingdom or, to a lesser extent, the United States). More generally, given their characteristics and distribution across sectors, migrant workers are expected to be particularly vulnerable to changes in the labour market due to the economic downturn.

The crisis is also likely to have a significant impact on labour migration policies. Some countries have already taken action to curb inflows but the responsiveness varies according to the characteristics of the management system and the legislative framework. Some countries are thus better equipped than others to adjust their labour migration to short-term economic shocks. However, not all the needs for international recruitment will vanish with the economic slowdown and longer-term considerations also come into play (OECD, 2009a). The balance between these two objectives might be difficult to strike, especially under the pressure of public opinion to reduce controlled migration flows.

How are immigrants faring in the labour market? What are the likely short-term effects of the economic crisis on labour migration and other categories of migrants? What are the recent and expected changes in migration policies? How will migration flows change, quantitatively and qualitatively, in the medium term? What are the main long-term challenges in terms of integration of immigrants? Through which channels, and to what extent, will origin countries be affected by the impact of the economic crisis on migration?

These are the main questions that this paper attempts to answer by identifying the lessons to be learnt from comparable historical events, by analysing the most recent available data on migration trends and on labour market indicators and by reviewing current and possible policy responses in terms of labour migration and integration.

It begins with a review of the labour market outcomes of immigrants in the context of the current economic crisis (Section 1). The next section analyses the sensitivity of migration flows to the business cycle and reviews the main changes already visible in migration trends. It also analyses recent changes in migration policy. Section 3 deals with the expected medium to long-term impacts on migration flows and on the integration of immigrants. The final section looks at the likely impacts on origin countries.

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Summary and recommendations

The economic crisis is damaging labour market conditions in OECD countries more rapidly and severely than initially thought. It is likely to hit immigrants and their families particularly hard, threatening most of the progress accomplished in recent years in terms of labour market outcomes.

- Countries where the crisis started sooner show large increases in unemployment rates and decreases in employment rates of immigrants both in absolute and relative terms *vis-à-vis* the native-born.
- Immigrants are generally more vulnerable during an economic crisis because: *i)* they tend to be overrepresented in sectors which are more sensitive to the business cycle; *ii)* they have less secure contractual arrangements, with more temporary and part-time jobs; *iii)* they are overrepresented in less skilled occupations; iv) businesses owned by immigrants may be more at risk of bankruptcy; and v) they face potential discrimination in hiring and layoffs.
- In the medium to long-term, previous experience has shown that immigrants arriving during a recession face long-term handicaps in integrating into the labour market and fully utilising their skills. Immigrants displaced from declining industries are also at high risk of long-term exclusion from the labour market. Special attention should be paid to these two specific groups.

❖ **Delaying or cutting back on integration measures during an economic downturn may have negative long-term implications for integration of immigrants and social cohesion.**

❖ **OECD governments should consider: *i)* maintaining, if not strengthening, their integration programmes; *ii)* reinforcing their effort to fight discrimination; and *iii)* ensuring that active labour market policies reach new entrants into the labour market, including recent immigrants, and workers displaced from declining industries.**

Changes in the business cycle are likely to affect migration in- and out-flows and merit specific labour migration policy responses.

- Historical experience shows that the relationship between *net* migration and the business cycle is not straightforward. It depends both on the nature and the scope of the crises, as well as the actions taken by the different stakeholders involved, including the migrants themselves.
- In the current context, evidence is still limited but we observe declining flows in free-mobility areas and in some countries which have been hit first by the crisis. Declines in illegal migration are also visible in a few countries but in the medium-term there is a risk of increasing irregular migration through overstay. Several OECD countries have already adjusted their policies to reduce labour migration. They have done so by *i)* reducing numerical limits; *ii)* cutting back shortage occupation lists; or *iii)* reinforcing the role of labour market tests.
- These measures will be effective to some extent but, in most OECD countries, discretionary migration is only a small part of total flows and there are additional considerations – economic, geopolitical, etc. – which might affect the capacity to adjust migration flows through policy change.

- Past experience has shown that trying to "turn off the tap" of labour migration may dry up legal routes and induce more abuse of the system in the medium term during the recovery phase.

❖ **Management of labour migration should be sufficiently responsive to short-term labour market conditions, without denying the more structural needs.**

❖ **While policy reform undertaken during a recession necessarily responds to public concerns about the impact of immigration, it is important to avoid making changes which leave a country unable to respond quickly to changing labour market needs in the recovery phase.**

❖ **During an economic downturn, trying to increase controls on non-discretionary migration, including family reunion, may induce unwanted effects on irregular migration or integration.**

❖ **Reducing hurdles to return migration, for example by ensuring portability of social rights or offering an option for re-entry, may lead to more returns than financial support through assisted voluntary return programmes.**

❖ **Special attention should be paid to the economic situation in less developed countries as remittances are falling during the economic crisis. More generally, efforts to prevent the crisis from spreading to less developed countries should be reinforced, in part to prevent the current economic downturn from adding to the push factors driving irregular migration.**

1. Labour market outcomes of immigrants during the economic crisis

1.1. After a period of sustained employment growth…

During the past five years, the OECD area has experienced a period of sustained employment growth, with the creation of more than 30 million jobs between 2003 and 2007 (20 million in OECD Europe). Over that period, annual employment growth reached 1.5% (2.5% in OECD Europe) and the unemployment rate decreased from 6.9% to 5.6% (from 9.1% to 6.9% in OECD Europe).

In this context, the contribution of immigrant labour to employment growth has been significant and largely exceeded its initial share in total employment (Figure I.1). In the United Kingdom for instance, employment has risen by more than 2 million since 1997, of which almost 1.5 million was accounted for by persons born abroad (71% of the total). In the United States, according to CPS data, employment increased by nearly 15 million between March 1997 and March 2007, while immigrant employment rose by 8.7 million (58% of the total). Immigrant employment has represented at least 40% of total employment growth in Austria, Denmark, Italy and Spain. In recent years, large labour migration flows were recorded in Ireland, Portugal, Spain and the United Kingdom and, in the case of Denmark, impressive progress has been accomplished in recent years in terms of labour market integration of immigrants, which contributed to explain the noteworthy impact of migration on employment growth.

Two factors explain the dynamics of immigrant employment: better integration into the labour market (reflected in higher employment rates) and the entry of new migrant workers to the market. OECD (2008a) analysed the relative contribution of the components of immigrant employment growth. It appeared that even if the dominant effect is generally

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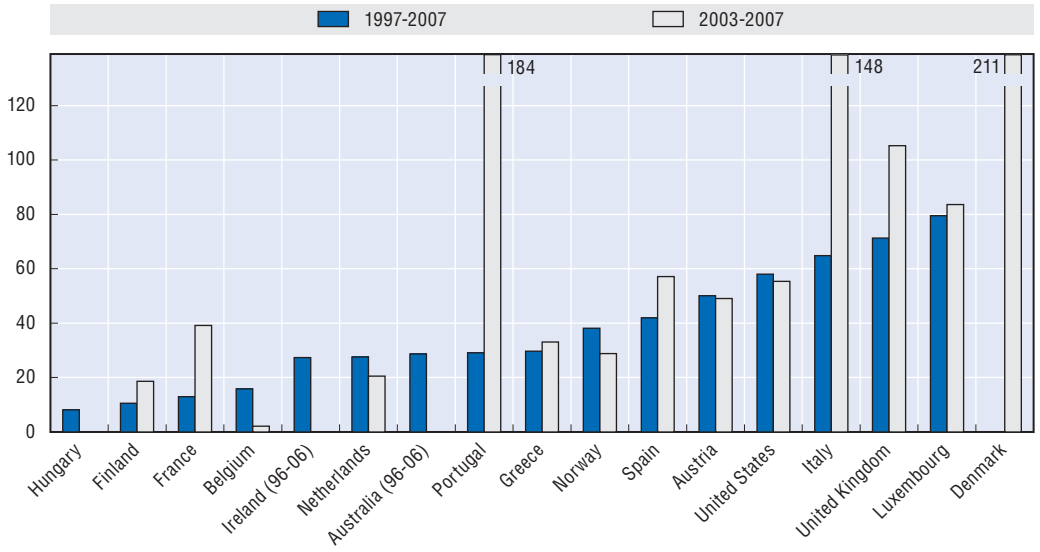
Figure I.1. **Immigrants' share in net job creation, 1997-2007 and 2003-2007**

Percentage



Source: European Labour Force Survey (Eurostat) for European countries, except Denmark (StatBank), Current Population Survey for the United States and Labour Force Survey for Australia.

StatLink http://dx.doi.org/10.1787/635511303812

that associated with the immigrant population trend, labour market outcomes of immigrants have also improved significantly both in absolute terms and *vis-à-vis* the native-born in most OECD countries.[1]

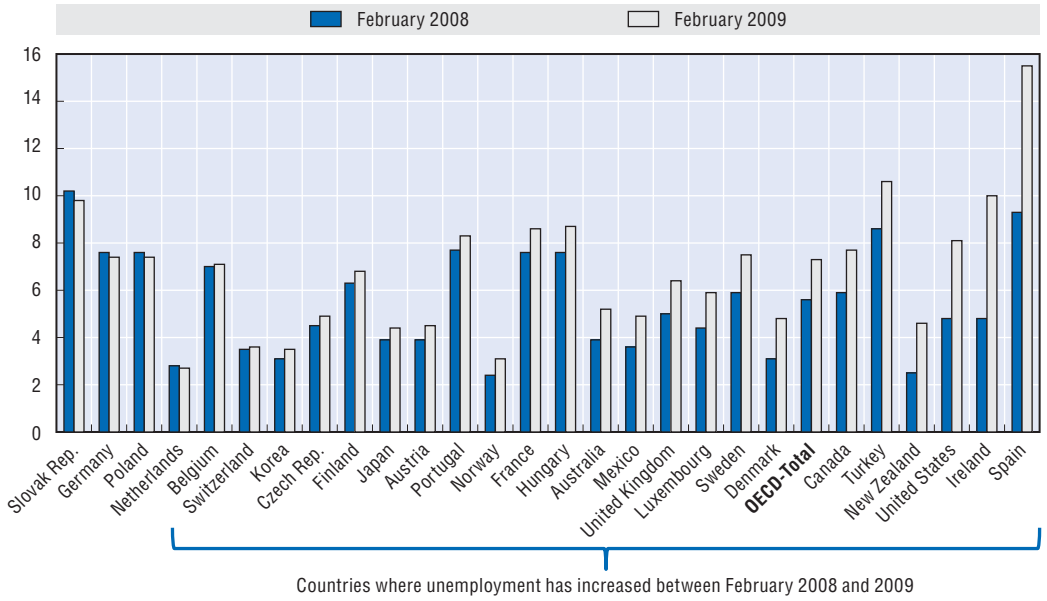
1.2. … the economic downturn is damaging labour market conditions in most OECD countries…

The recent economic downturn has put a halt to these trends and labour market conditions have been deteriorating rapidly in most OECD countries. Indeed, in the United States and Japan total employment has decreased between 2007 and 2008. The latest available labour market statistics (April 2009) show that the average unemployment rate reached 7.3% in the OECD area in February 2009 compared with 5.6% one year earlier (Figure I.2). In the United States, the unemployment rate increased by 3.3 percentage points in the past 12 months to reach 8.1% in February 2009. In total, the US economy shed 2.6 million jobs in 2008, the largest decline since 1945 (–2.45 million). In the United Kingdom, the unemployment rate in December 2008 was 6.4% compared with 5% one year earlier. By February 2009, the number of unemployed people exceeded 3.6 million in Spain and the unemployment rate reached 15.5%, up almost 6.2 percentage points from the previous year. Between February 2008 and 2009, unemployment also increased significantly for example in Ireland (+5.2 percentage points), New Zealand (+2.1), Canada (+1.8) and Denmark (+1.7).

Nonetheless, worsening labour market conditions are not yet identifiable in all countries because the labour market reacts with a lag to the short-term economic trend. In Germany, the Netherlands, Poland, the Slovak Republic and Austria, for example, there was no visible impact on employment and unemployment rates as of January 2009. In some of these countries however part time work has increased significantly. In Germany for instance, hours worked have declined by almost 11% in the last 12 months to January 2009.

Figure I.2. **Unemployment rates in selected OECD countries**

Percentage



Note: December 2007 and 2008 for New Zealand, Switzerland, Turkey and the United Kingdom, January 2008 and 2009 for Norway.

Source: OECD Key Economic Indicators, standardized unemployment rate.

StatLink http://dx.doi.org/10.1787/635545406517

The latest OECD projections available (March 2009) show that in the OECD area the unemployment rate will increase further until end 2010 to reach 10% compared to 6% in 2008. Overall, these projections suggest an increase in the number of unemployed persons in the OECD area from 34 million in 2008 to more than 56 million in 2010. This is the deepest and most wide-spread recession for more than 50 years in the OECD area.

The economic slowdown is affecting workers in certain industries disproportionately. Construction is among the most affected sectors in countries such as Ireland and Spain, where there had been a large boom in residential construction. In Ireland, for instance, the dramatic slowdown in the construction sector in 2008 (–25 000 jobs compared to 2007) explains most of the decline observed in total employment. In Canada also, employment in the construction sector decreased steeply between October 2008 and February 2009 (–6.4%). In February alone 43 000 jobs were lost in that sector, corresponding to more than a third of all employment losses. In the United States, at the end of 2008, the impact of the economic crisis had already spread to most sectors but it was particularly noticeable in construction (–900 000 jobs lost since the peak in September 2006), in manufacturing (–790 000 in 2008), in retail trade (–522 000) and in financial services (–150 000). During the first two months of 2009 employment declined further by more than 3% in construction (–222 000 jobs) and manufacturing (–425 000 jobs). In the United Kingdom, the finance and business services industry has suffered the most (in the 12 months to December 2008, it lost 220 000 jobs), while in France food processing and manufacturing industries, particularly the car industry, have been the most affected so far.

1.3. … and challenges the progress recently recorded in terms of labour market outcomes of immigrants

If the evidence remains too limited to draw a comprehensive overview of how immigrants are faring in the labour market in the current economic crisis, there is ample sign that immigrants and their families may be especially hard-hit. Up to the third quarter 2008, labour market outcomes of immigrants had deteriorated only in a few countries; yet, the foreign-born ceased to close the gap with the native-born in terms of employment almost everywhere. Annex I.A1, which presents the quarterly changes in immigrant employment and unemployment rates by place of birth over the past two years, provides a preliminary illustration of this trend reversal.

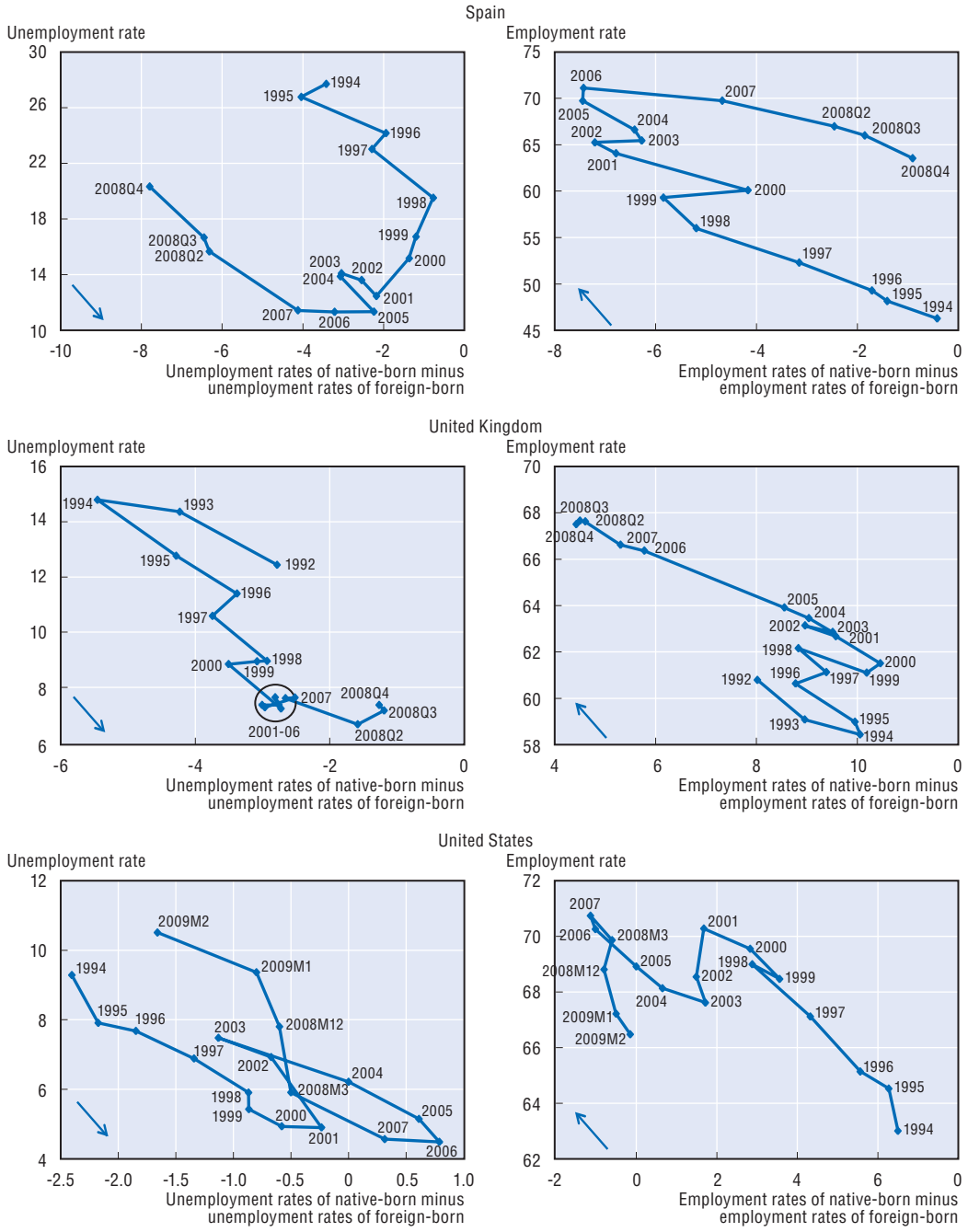
The impact on immigrant labour is much more visible in some countries where the crisis began earlier (*e.g.* Ireland, Spain, the United Kingdom and the United States), but also because immigrant labour has played a key role in the recent expansion period in these countries. Figure I.3 shows the evolution over the past 15 years and the last quarters of 2008 of the employment and unemployment rates of the foreign-born, as well as the changes in the gap with the native-born. In the case of Spain for example, after at least 10 years of continuous improvement, in 2007 the labour market situation of immigrants suddenly deteriorated, and more significantly than for the native-born. In the fourth quarter of 2008, the unemployment rate of immigrants reached 20.3%[2] and the gap with the native-born increased to 7.8 percentage points. The number of foreign workers registered in the social security system decreased by 13% between July 2008 and February 2009, falling back to its January 2007 level.[3] During the same period the total number of people registered in the social security system fell by 6.5%.

For the United States, since March 2008, the employment rate of the foreign-born decreased rapidly and their unemployment rate increased. In February 2009, the unemployment rate of immigrants increased to 10.5% (more than twice the unemployment rate recorded in March 2007). Differences by ethnic background and gender indicate that some groups of people with a foreign background may be disproportionately affected, suggesting that other factors beyond immigrant status, like educational deficits, language fluency or duration of stay are at play to explain labour market outcomes. In the past 12 months to February 2009, the unemployment rate of Blacks and African Americans rose from 8.4% to 13.8%, while that of Asian Americans increased from 3.0% to 6.9%. Corresponding figures for Hispanic workers were 6.9% and 12.1%, respectively.

In the case of Ireland, the crisis is proving to be particularly damaging to those sectors which had been responsible for the economic boom which begun in the 1990s, and where the labour supply of recently arrived EU8 migrant workers has been concentrated. In this context, and given the high proportion of those working with temporary contracts, recent immigrants from new accession countries are more likely to experience redundancy and suffer from the growing shocks in the labour markets than native workers and previous waves of immigrants. The latest data available show that the number of foreign nationals signing onto the Live Register has more than doubled in 2008, from 26 500 to 54 500 (Figure I.4). As of March 2009, almost 75 600 foreigners were registered with the live register, accounting for 20.3% of all registrants (15.7% in February 2008 and less than 9% in December 2004). The increase in people coming from new EU member states is particularly noticeable as it increased from less than 500 people in April 2004 to more than 43 500 people in March 2009. This would suggest that not all EU nationals who lost their jobs have returned to their origin country to look for new employment opportunities. In the

Figure I.3. **Employment and unemployment rates of the foreign-born in Spain, the United Kingdom and the United States**

Absolute level (y-axis) and gap (x-axis) with the native-born, 1993-2009



Note: When the evolution follows the arrow, it indicates a progress for immigrants (increase in employment rate or decrease in unemployment rate) both in absolute terms and *vis-à-vis* the native-born. For the United States, data refer to March from 1994 to 2007 and to various months for 2008 and 2009. For Spain and the United Kingdom, data refer to the second quarter from 1992 to 2007 and to various quarters in 2008

Source: European Labour Force Survey data (Eurostat) for Spain and the United Kingdom, Current Population Survey data for the United States.

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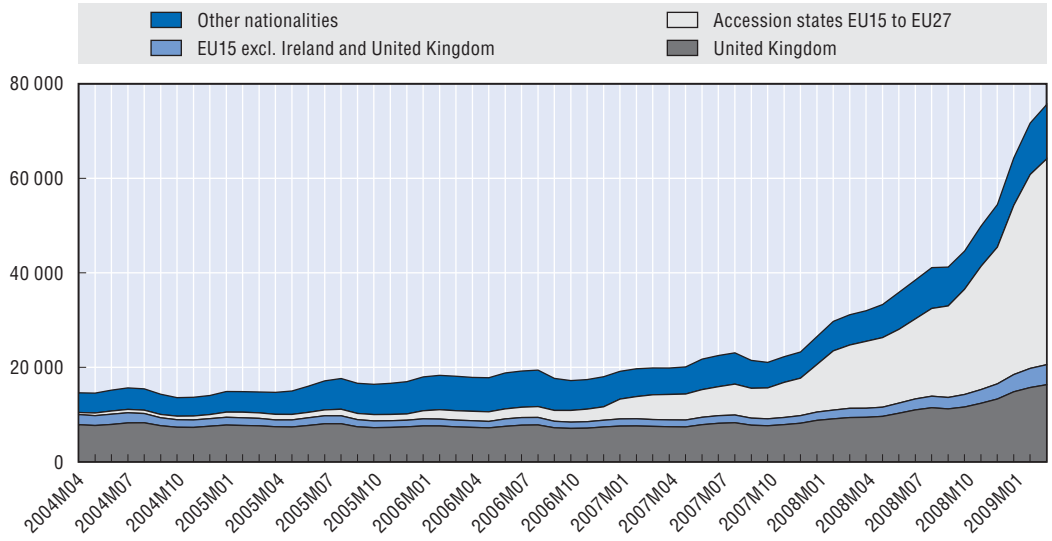
Figure I.4. **Non-Irish people on the Live Register[1] by month and nationality, 2004-2009**



1. The Live Register is an administrative count of people registering for unemployment assistance/benefit or for various other statutory entitlements at local offices of the Irish Department of Social and Family Affairs.

Source: Irish Live Register.

StatLink http://dx.doi.org/10.1787/635633126876

case of the United Kingdom, the fourth quarter 2008 shows a much smaller increase in foreign-born unemployment to 7.4%, compared to 6.9% one year earlier (1.3 percentage points more than for the native-born in the fourth quarter 2008).

The fact that immigrant labour is more vulnerable to economic shocks is not specific to this crisis[4] but results from a number of structural factors. These factors relate to the characteristics of immigrants who may be concentrated in sectors which are more sensitive to business-cycle fluctuations and have on average less secure contractual arrangements. Foreigners employed illegally, but also temporary migrants with a legal status, may be more exposed to tough labour market conditions. Finally, one cannot rule out the fact that selective layoffs and discrimination in the labour market will have a detrimental impact on migrant workers. The next sections explore the main factors which may explain the rapid setback of immigrant employment outcomes.

1.4. Immigrants tend to be overrepresented in sectors which are the most sensitive to the business cycle

If employment distribution by industry of immigrants tends to converge towards that of the native-born (OECD, 2000a), important differences, however, remain as illustrated in Annex I.A2 for selected OECD countries in 2007.

With very few exceptions, notably for Spain and the United States, immigrants are not overrepresented in agricultural employment but they traditionally play a key role in a number of *manufacturing industries* and *construction*. Manufacturing still accounts for 30% of immigrant employment in Germany and Turkey and for more than 20% in Italy and Austria. *Construction* accounts for about a third of immigrant employment in Greece and a fifth in Spain. In all other OECD countries, *services* account for at least 60% of immigrant employment (up to 80% in Norway, Sweden and the United Kingdom).

A common belief is that immigrants are concentrated in sectors which are more sensitive to the business cycle. This is true if one considers the share of immigrants employed in *construction*, *wholesale* and *hotels and restaurants* (up to about 50% in Greece and Spain for instance), three industries which are subject to big swings in employment, but in many countries a large share of immigrants are also working in sectors such as *health and social work* or *education* where employment is much more stable (usually at least 30% of immigrant employment in Nordic countries for instance). In more than two thirds of the countries for which detailed data are available, immigrants are also overrepresented in *food processing, security activities, industrial cleaning* or *private households*. During a recession, employment in these sectors would also tend to be more resilient.

Preliminary calculations made by the Secretariat provide an evaluation of the business-cycle sensitivity of industries using the per cent standard deviation of employment by sector (and country)[5] (OECD, 2009 forthcoming). *Mining and quarrying* and *construction* followed by *real estate and business activities* are on average the most sensitive sectors. A high sensitivity is also observed in *hotels and restaurants* in Portugal and Ireland as well as in *financial intermediation* in the United Kingdom.

These results can be compared to the distribution of recent or older immigrants (*i.e.* less or more than 10 years of residence) in employment by industry. In the case of prior migration waves, the distribution of employment more or less mimics that of the native-born but this is not necessarily the case for recent immigrants.[6] Figure I.5 shows the distribution of native-born and recent immigrant employment by sector sensitivity to the business cycle. It reveals a mixed picture: in some countries, but not in all, immigrants are concentrated in sectors which are more sensitive to the business cycle. This seems to be the case for instance in southern European countries as well as in Luxembourg, Finland, France, the Netherlands and to a lesser extent the United States. However, even in these countries, except Luxembourg, less than a third of immigrants are employed in industries which are the most sensitive to the business cycle. In most Nordic countries (except Finland), however, as well as in Austria, Belgium and Germany, the distribution of immigrant employment by sector sensitivity to the business cycle is more comparable to that of the native-born.

In the case of the United States, for example, the relative concentration of immigrants in industries which are sensitive to the business-cycle can only partly account for the large drop in foreign-born employment (Box I.1). Other factors are at stake, which may be related to individual characteristics of immigrants in each sector and/or selective layoffs. Furthermore, the current recession in the United States appears to be different from previous ones in that employment losses are more widespread across industries.

1.5. More temporary and part-time workers among immigrants

Typically, during economic downturns employers initially try to avoid firing permanent workers when adjusting their workforce because of short-term and long-term financial costs. A recession is generally expected to be initially associated with a cutback in working hours while conversely employers increase the hours of their workers during recovery before hiring new employees (Rones, 1981). At the same time, temporary employment is expected to decline during the initial phase of the recession followed by a rise from the trough to the end of the recession (Holmlund and Storrie, 2002).

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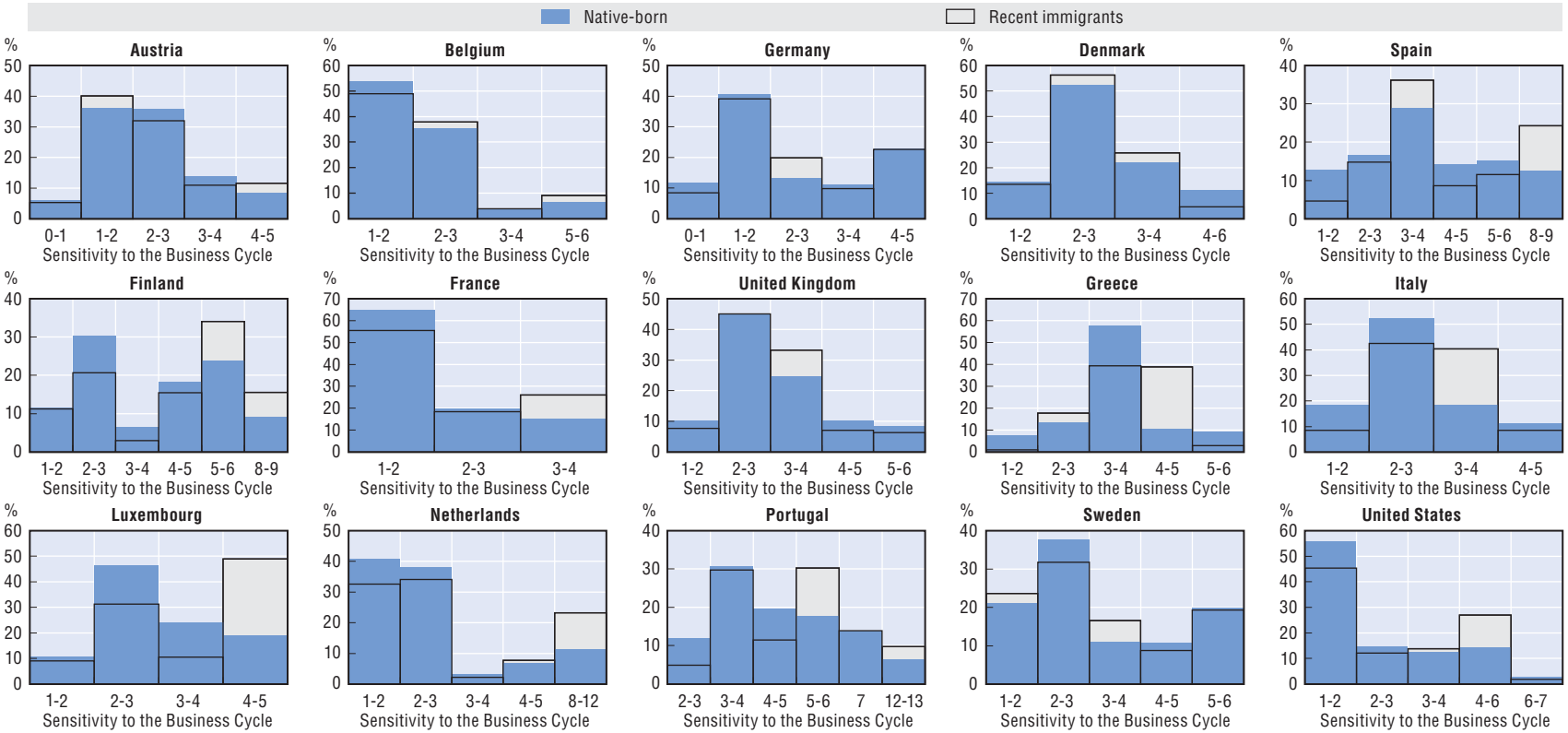
Figure I.5. **Distribution of native-born and recent immigrants (less than 10 years of residence) employment by sector sensitivity to the business cycle in selected OECD countries, 2007**



1. The sectors of industry used in this Figure are the following: A: Agriculture and Fishing, B: Mining, C: Manufacturing non-durable – food products, D: Manufacturing non durable – other products, E: Manufacturing durable products, F: Electricity, gas and water supply, G: Construction, H: Sale, maintenance and repair of motor vehicles, I: Wholesale trade and commission trade except of motor vehicles, J: Retail trade, except of motor vehicles, K: Hotels and restaurants, L: Transport and communication, M: Financial intermediation, N: Real estate and renting, O: Computer, research and development, other business activities, P: Public administration and extra-territorial organisations, Q: Education, R: Health and social work, S: Other community services and private households.
2. Industries which are more sensitive to the business-cycle have higher sensitivity indexes.
3. Due to different levels of sector sensitivity to the business cycle in the different countries, the classification of the sensitivity varies among the countries. The most sensible sectors for each country are mentioned below: Austria (4-5: N, O), Belgium (5-6: G), Germany (4-5: A, B, E, G), Denmark (4-5: B, G, H,N), Spain (8/9: G, N), Finland (8/9: G, H), France (3-4: B, G, O), United Kingdom (5-6: G), Greece (5-6: B, N), Italy (4-5: B, N, O), Luxembourg (4-5: B, G, M, O), Netherlands (8/12: B, O), Portugal (12/13: N, O), Sweden (5-6: B, G, O), USA (4-6:E, G; 6-7: B, H). For further information see Annex I.A3.

Source: European Labour Force Survey 2007, population aged 15-64. United States: Current Population Survey, March Supplement 2007.

StatLink http://dx.doi.org/10.1787/635637175782

Box I.1. **The role of employment distribution by industry in immigrant employment changes in the United States (November 2007 – November 2008)**

In the case of the United States, we have estimated the share of the observed variation in foreign-born employment which can be related to the initial distribution of immigrant employment by industry. In order to do that we apply the growth rate of employment by industry observed for the native-born between November 2007 and November 2008 to immigrant employment by industry at the beginning of the period. The estimates are then compared to the observed variations of immigrant employment by industry in the 12 months before November 2008 (Annex I.A4).

The difference between the observed and the counterfactual figures is highest in the *construction* sector: 548 000 jobs have been lost by immigrants in this sector, almost twice the counterfactual estimate (–286 000 jobs). The gap is also important in *transportation and warehousing* (–117 000) and to a lesser extent in *food manufacturing* (–54 000). The reverse is true in *Agriculture* where employment of immigrants has declined less rapidly than for the native-born. In *Education* and *Health* foreign-born employment grew over the last 12 months while native-born employment declined slightly.

If foreign-born employment in each sector had followed the same dynamics as for the native-born, total foreign-born employment would have decreased by 423 000 jobs instead of 940 000. This counterfactual estimate puts the drop in immigrant employment to 1.7%, a figure which is almost identical to the observed decline for the native-born (–1.6%) but which is significantly lower than what has been actually observed for immigrants (–3.6%).

There is already ample evidence of increasing involuntary part-time work and decreasing temporary employment in OECD countries. Between early 2008 and 2009, involuntary part-time employment increased by 8.6% and temporary employment decreased by 4.4% in the United Kingdom. Employment in temporary work agencies decreased by 33.3% in France in the past 12 months to February 2009. Likewise, between January and September 2008, temporary employment fell by 8% in Spain. In most OECD countries immigrants are overrepresented in temporary jobs (Table I.1). This is notably the case in Belgium, the Czech Republic, Greece, Finland, Hungary, the Netherlands, Norway, Portugal, Spain and the United Kingdom, where the share of immigrants in temporary employment exceeds that of the native-born by at least 50%. In all these countries, the short-term impact of the economic crisis on immigrant labour is likely to be significant. A decrease in temporary jobs and/or fixed-term contracts is also an additional hurdle for *new* entrants into the labour market, notably for the young and recent immigrants, as these have become a stepping stone to permanent employment.

In the United States, in February 2009, 8.6 million persons were employed part-time for economic reasons (6% of total employment), up 4.7 million from a recent low of 3.9 million in April 2006 (BLS, 2008). This phenomenon is accentuated in *retail trade*, *food services* and *construction*, three sectors which account for more than 30% of immigrant labour. In Germany, the number of people working short-time increased from February 2008 to February 2009 from less than 20 000 to 700 000.[7] Large manufacturing firms, notably in the *vehicle industry*, have announced their intention of reducing working hours. The rise in part-time employment could continue as the federal government has extended state subsidies for short-time work pay from 6 to 18 months. In Canada, the

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Table I.1. **Share of different types of employment in total employment by place of birth (15-64 years old), 2007**

Percentage

	Self-employed		Temporary		Permanent		Part-time		Full-time	
	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born	Native-born	Foreign-born
Australia	16.3	18.8	. .	. .	. .	. .	29.0	26.4	71.0	73.6
Austria	9.3	8.4	9.1	8.1	90.9	91.9	22.0	20.8	78.0	79.2
Belgium	12.1	15.5	8.1	14.0	91.9	86.0	21.9	22.2	78.1	77.8
Canada	14.5	17.5	9.2	7.9	76.2	74.4	22.3	18.9	77.7	81.1
Czech Rep.	15.3	19.6	7.6	17.7	92.4	82.3	4.3	6.1	95.7	93.9
Denmark	7.0	9.6	8.4	12.3	91.6	87.7	23.2	26.7	76.8	73.3
Finland	9.6	14.1	16.1	30.7	83.9	69.3	13.8	15.1	86.2	84.9
France	8.1	10.8	14.7	15.2	85.3	84.8	16.6	19.5	83.4	80.5
Germany	10.0	9.5	14.4	14.5	85.6	85.5	24.7	29.3	75.3	70.7
Greece	26.4	10.6	10.1	16.7	89.9	83.3	5.2	7.4	94.8	92.6
Hungary	10.8	16.4	7.2	11.3	92.8	88.7	3.8	5.2	96.2	94.8
Ireland	16.8	9.3	8.2	12.9	91.8	87.1	18.1	15.1	81.9	84.9
Italy	23.6	17.5	13.1	14.7	86.9	85.3	13.0	17.6	87.0	82.4
Luxembourg	5.4	6.5	6.9	6.8	93.1	93.2	17.8	17.8	82.2	82.2
Netherlands	11.0	11.0	15.7	24.8	84.3	75.2	46.3	41.1	53.7	58.9
Norway	5.8	6.9	9.6	14.7	90.4	85.3	27.0	29.3	73.0	70.7
Poland	11.2	29.2	28.2	32.7	71.8	67.3	8.4	14.5	91.6	85.5
Portugal	15.6	12.1	21.2	34.0	78.8	66.0	8.9	7.6	91.1	92.4
Slovak Rep.	12.6	26.4	5.0	. .	95.0	95.7	2.4	. .	97.6	88.4
Spain	16.0	11.7	26.8	47.5	73.2	52.5	11.5	13.7	88.5	86.3
Sweden	8.5	10.0	16.5	21.9	83.5	78.1	24.2	24.1	75.8	75.9
Switzerland	12.4	9.1	13.4	11.6	86.6	88.4	34.1	27.5	65.9	72.5
Turkey	21.5	18.2	12.7	6.9	87.3	93.1	8.3	6.9	91.7	93.1
United Kingdom	11.9	13.4	5.2	8.9	94.8	91.1	24.7	20.4	75.3	79.6
United States	9.9	10.2	. .	. .	. .	. .	16.7	12.0	83.3	88.0

Note: Self-employed excludes agriculture. For Canada, persons still in education are excluded.

Source: European Labour Force Survey data (Eurostat) for European countries, Current Population Survey data for the United States, 2006 Census of Population for Australia (except for part-time full-time employment for Australia: Labour Force Survey), 2008 Labour Force Survey for Canada.

StatLink http://dx.doi.org/10.1787/636357350652

decline observed in December 2008 in full-time employment (–71 000) was partly offset by an increase in part-time employment (+36 000). The situation is comparable in the United Kingdom where in the 12 months to November-January 2009 part-time employment increased by +60 000 while full-time employment fell by 90 000. What the impact of this trend will be on immigrants remains uncertain, but their share in part-time work could increase notably in sectors such as *construction* where they represent an important share of the workforce.

1.6. Self-employment: a blessing or a curse for migrant workers

Another characteristic of immigrant workers is that, in some countries, they are overrepresented in self-employment (Table I.1). This is notably the case in Belgium and France as well as in most Nordic and Central and Eastern European countries. To some extent, this is also true in the United States and the United Kingdom. The relative importance of immigrants in self-employment could reflect a good integration in the host country or a willingness to take advantage of ethnic business opportunities, but it could also be an illustration of the fact that, to cope with difficulties in entering the labour market (insufficient social capital, language difficulties, problems with the recognition of

qualifications, etc.), some categories of immigrants are using self-employment as a fall-back solution (Clark and Drinkwater, 1998; Fairlie and Meyer, 1996).

Evans and Leighton (1989) find that, in the case of the United States for males, entry into self-employment is positively correlated to working in a relatively low-wage job and having experienced relatively frequent and long spells of unemployment. This tends to support the hypothesis that self-employment may be a way to circumvent difficulties in the labour market. Constant and Zimmermann (2004) specifically test this hypothesis for native and immigrant workers in Germany. They also find that self-employment is an important channel to escape unemployment and that it is a relevant strategy especially for migrants. There is, however, little supporting evidence that this type of behaviour is likely to be successful during economic downturns. With restricted access to credit and adjustments in household consumption, business opportunities and the capacity to finance them are certainly reduced during a recession. It is therefore unlikely that immigrants, who have limited assets, would find here a way to mitigate the negative impact of the weak labour market situation.

In fact, it is possible that, on average, small businesses owned by immigrants may be more at risk of bankruptcy in the current context that those owned by the native-born. This is due *inter alia i)* to the fact that immigrants tend to have smaller businesses; *ii)* that they are largely overrepresented in *hotel, restaurants* and *wholesale* which are hit first during a crisis; and *iii)* those who provide services or trade products which are geared toward their communities may be adversely impacted by a decrease in their clients' income. In Spain, between June 2008 and February 2009, the number of self-employed immigrants declined by 24 400 (almost –10%).[8] In Italy, the number of individual businesses owned by those born outside the EU rose by 15 079 in 2008, a smaller increase than in 2007.[9]

Furthermore, it is possible that false self-employment of migrants in subcontracting chains is non-negligible in specific sectors such as *construction*. In this case, the current economic outlook threatens this sort of employment, which is part of the wider phenomenon of illegal employment of foreigners (Box I.2). In the context of the European Union, concerns were raised that this phenomenon may have been exacerbated by the fact that restrictions on the free movement of workers under transitional arrangements only apply to people who want to take a job as a dependent employee but not as self-employed. Recent evidence provided by the European Commission, however, seems to contradict this hypothesis (European Commission, 2008).

1.7. Fighting discrimination and selective layoffs

During a recession hiring tends to decline and job losses to increase. The timing and the relative importance of these two phenomena, however, varies between groups of workers.[10] In any case, even during a downturn job creation does not stop.[11] One might hypothesise nevertheless that selective hirings are more common during a recession as protection of local employment gains importance. Evidence of hiring discrimination on racial and ethnic grounds is supported by numerous studies applied to a wide range of OECD countries (OECD, 2008b). Much less analysis has, however, been carried out on selective layoffs.

Gibbons and Katz (1994) provides a theoretical framework to illustrate the fact that if firms have discretion as to whom to layoff they will chose to fire low-productivity employees first. When re-employed, these workers will receive a lower wage, as their

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Box I.2. **Illegal employment of foreigners during an economic crisis**

Previous work carried out by the OECD (OECD, 2000b, 2004) has shown that the relative importance of illegal employment of foreigners was related to the size of the underground economy in general, which may expand during a strong economic downturn. This could be due, for instance, to increasing unpaid overtime, as employees face rising pressure to increase their work effort, or to growing undeclared employment, in some service sectors notably.

The impact of business-cycle fluctuations on current illegal employment of foreigners is *a priori* ambiguous. On the one hand, immigrants employed illegally are less protected and thus easier to layoff when employers are trying to adjust their workforce. On the other hand, employers may prefer to cut back first on higher paid legal employment, everything else being equal. In any case, much will depend on the distribution by industry of unauthorized foreign workers.

In the case of the United States, for instance, Passel (2007) shows that unauthorized workers are not especially concentrated in specific sectors, except in *construction* (20% of illegal employment of foreigners) and in *the leisure and hospitality industry* (17%). In southern European countries, recent regularization programmes have shown that unauthorized migrants were most likely to be in *private household services*. In Italy, for instance, half of the 700 000 applicants during the 2002 regularisation were domestic workers. In Spain during the last regularization of 2005, about 32% of the applicants were domestic helpers; 21% worked in *construction* and 15% in *agriculture*.

earlier layoff is used as a signal by future employers.[12] Statistical discrimination occurs when employers use race, gender and other "external signals" as a predictor of productivity.[13]

Experience in the job is generally a key determinant to explain dismissals. Recent entrants into the labour market, including recent immigrants, face *ceteris paribus* a higher risk of losing their job during an economic downturn. Countries with the highest share of recent immigrants among employed immigrants in 2007 are therefore more likely to witness a strong deterioration of immigrant labour market outcomes. Such countries include Ireland, Spain and the United Kingdom (Table I.2).

Two specific Swedish studies, however, identify a significant and strong effect of place of birth on unemployment risk. Controlling for education, seniority and sector, Arai and Vilhelmsson (2004) show that during the early 1990s economic crisis, non-European immigrants faced an unemployment risk twice as large as natives. This has occurred despite the fact that the Swedish Security of Employment Act stipulates that the order of dismissals in case of layoffs should be based on seniority.[14]

This calls for maintaining scrutiny as well as reinforcing prevention and sanctions against discrimination during an economic downturn because the risk of ethnic stereotyping or exclusion is higher, with a potential negative impact on the long-term integration of immigrants.

Further analysis is, however, required to better identify the relative importance of individual characteristics, including the place of birth, on the risk of unemployment in the current economic crisis.[15]

Table I.2. **Distribution of employed immigrants by duration of stay in selected OECD countries, 2007**

Percentage

	Duration of stay (years)	Distribution of employed immigrants	Share of total employment		Duration of stay (years)	Distribution of employed immigrants	Share of total employment
Austria	1-4	16.3	2.6	Italy	1-4	12.9	1.2
	5-10	15.9	2.5		5-10	40.5	3.7
	>10	67.8	10.8		>10	46.5	4.2
Belgium	1-4	15.3	1.5	Luxembourg	1-4	17.0	7.8
	5-10	20.7	2.0		5-10	23.8	10.9
	>10	63.9	6.1		>10	59.2	27.2
Czech Rep.	1-4	24.1	0.5	Netherlands	1-4	4.7	0.5
	5-10	24.7	0.5		5-10	16.7	1.8
	>10	51.2	1.0		>10	78.6	8.4
Denmark	1-4	17.9	1.1	Norway	1-4	18.7	1.5
	5-10	29.7	1.8		5-10	21.4	1.7
	>10	52.4	3.1		>10	59.9	4.9
Finland	1-4	9.7	0.3	Portugal	1-4	13.4	1.1
	5-10	23.4	0.7		5-10	22.6	1.9
	>10	66.9	1.9		>10	64.0	5.3
France	1-4	8.4	0.9	Spain	1-4	23.6	3.9
	5-10	13.4	1.5		5-10	51.1	8.4
	>10	78.3	8.8		>10	25.3	4.2
Germany	1-4	6.8	0.9	Sweden	1-4	7.8	1.0
	5-10	15.2	1.9		5-10	16.1	2.1
	>10	78.1	10.0		>10	76.1	9.9
Greece	1-4	12.1	1.1	Switzerland	1-4	16.4	4.0
	5-10	37.1	3.3		5-10	18.2	4.5
	>10	50.8	4.5		>10	65.4	16.1
Hungary	1-4	12.2	0.2	United Kingdom	1-4	28.3	3.4
	5-10	18.9	0.3		5-10	21.9	2.6
	>10	68.9	1.2		>10	49.8	5.9
Ireland	1-4	51.0	8.0	United States	1-4	14.7	2.5
	5-10	21.9	3.4		5-10	16.0	2.7
	>10	27.1	4.2		>10	69.3	11.9

Source: European Labour Force Survey (Eurostat) for European countries and Current Population Survey for the United States.

StatLink http://dx.doi.org/10.1787/636371422757

2. Impact of the economic crisis on migration flows and policy responses

Faced with a sharp slowdown in economic activity, employers have started to revise their plans in terms of recruitment and some governments have already taken action to adjust labour migration to the changing labour market needs. At the same time, immigrants, both in the receiving country and in the origin country, are reconsidering the "opportunity differential" associated to emigration and return. The overall impact of changes in the business cycle on net migration flows is indeed complex and depends on the nature and the severity of the crisis, on the scope of the actions taken by the main stakeholders involved as well as the economic and social conditions in origin countries. This section tries to get a sense of the very recent migration trends based on the latest data available and describes the changes in migration policy made by OECD countries in reaction to the crisis. To better understand how the current economic crisis might affect migration flows it is, however, useful to turn quickly to history to estimate the potential correlation between net migration and the business cycle.

2.1. Business cycles and net migration are related, but the relationship is not universal…

In recent decades, migration flows in many OECD countries have been closely correlated with economic cycles (OECD, 2000a). Figure I.6 shows the co-evolution of net migration rates and the growth of the employment-population ratio in selected OECD countries for which time-series data are available back to the 1960s. It indicates the extent to which migration flows have matched the economic cycle and fluctuations in labour demand. In most cases, there is a visible correlation between the business cycle and net migration, downturns being marked by a rapid reduction of migration and recoveries by an increase, the correlation being particularly noticeable during the most severe slumps. There are only a few cases (Germany and Switzerland) where net migration became negative during an economic downturn. This was also the case in the United States during the Great Depression (Box I.3).

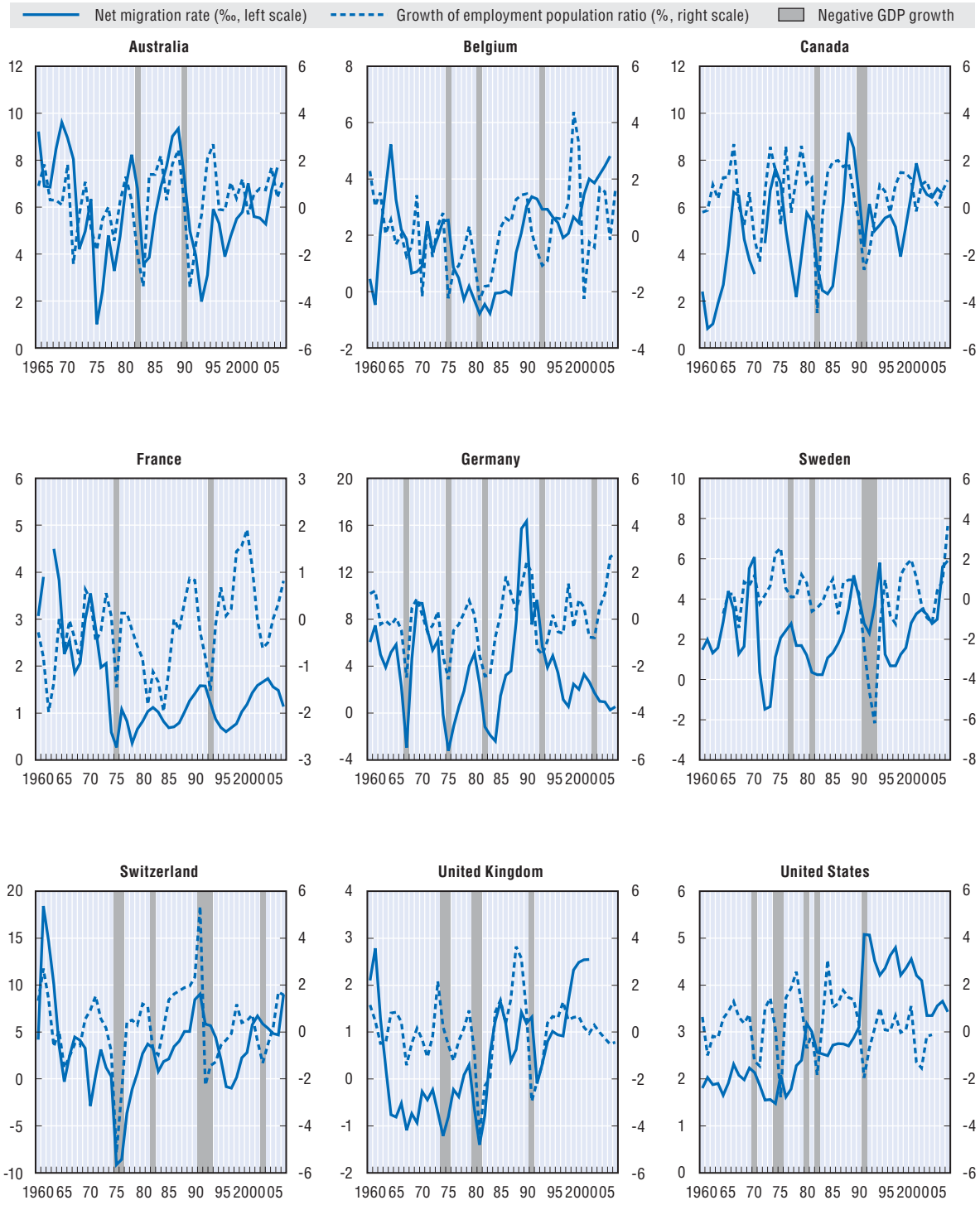
This relationship is, however, not universal, nor it is constant over time. For example, in the United States and Sweden, net migration rates appear much less connected to the economic cycle than in countries such as Australia, Germany and Switzerland. From the early 1980s – or the early 1990s in some countries – the correlation between the two series weakens. This is particularly striking when comparing the impact of the 1993 recession on net migration in European countries to that of 1975. For some countries, a lag appears between the business cycle and the change in migration flows (Australia, Canada and Switzerland after 1990), while for others, the correlation disappears almost entirely (France after 1980 or Germany after 1993).

A first factor explaining the positive correlation between the business cycle and net migration rates is the reaction of immigration flows to economic demand: when labour demand increases, part of the additional supply comes from abroad. While these "foreign recruits" might go through very different institutional arrangements from one country to another, potential migrants will usually manage to find an entry channel provided the pull effect is strong enough. In a downturn, demand for foreign labour drops and the incentive to migrate lessens. This is what drove migration flows in Western European countries before the mid-1970s crisis, through temporary labour migration programmes (*guestworker* programmes) aiming to supply labour to the economy during the post-war reconstruction and subsequent economic expansion.

A second important explanation is that net migration also includes *outmigration*, *i.e.* exits of nationals or foreigners. While immigration is subject to policies restricting inflows, there is no control on exits. A poor economic situation might therefore push residents to leave the country (not necessarily permanently) to seek a job abroad. Among OECD countries, this mobility is particularly strong between countries sharing a common language and/or within a free-circulation area. A typical example is the case of Australia and New Zealand, where relative geographical proximity is an additional factor.

Migration policy also contributes to shape the relationship between the business cycle and net migration. Governments have the possibility to reduce labour migration inflows in reaction to the labour market situation or the state of public opinion during a crisis. This occurred during the mid-1970s crisis in several Western European countries: labour immigration was suspended in Germany at the end of 1973, and in France and Belgium in 1974. There was even a suspension of family migration in France from July 1974 to July 1975.[16] These restrictions led to a significant drop in net migration rates (*e.g.* Belgium, France, Germany, Switzerland; see Figure I.6).

Figure I.6. **Net migration rate and the business cycle in selected OECD countries, 1960-2007**



Source: Annual Labour Force Statistics (OECD), National Accounts Statistics (OECD).

StatLink http://dx.doi.org/10.1787/635707821768

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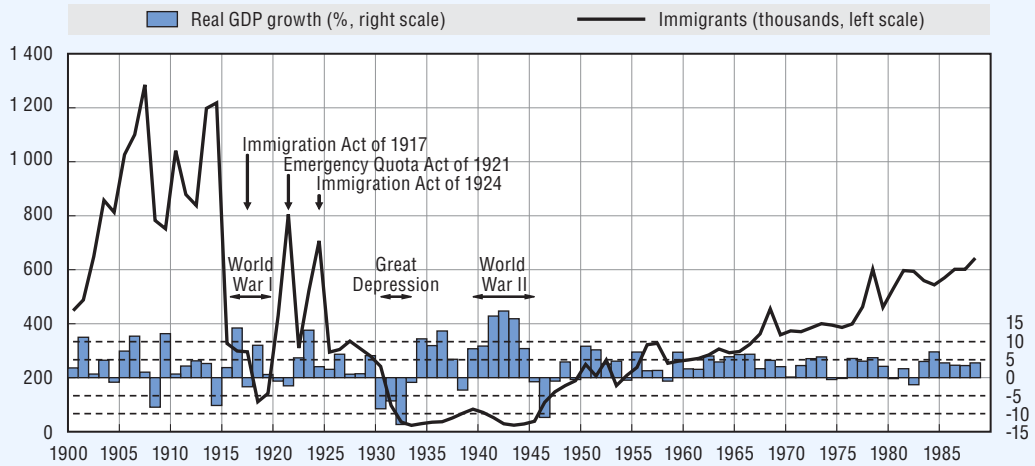
Box I.3. **Immigration and the Great Depression in the United States**

When the Great Depression started in 1929, the United States had been enacting restrictive immigration policies for more than ten years, and migration inflows before the crisis were much lower than they had been in earlier periods (Hatton and Williamson, 2008). Despite this, the crisis had a very significant impact on migration flows to and from the United States.

Following more than 20 years of political debate, the first major restrictive immigration law was passed in 1917 (Immigration Act of 1917). The two main provisions were the exclusion of illiterate aliens from entry and the creation of the Asian "barred zone", natives of which were declared inadmissible.[1] The Emergency Quota Act of 1921, which was voted in reaction to rising concern over the economic impact of immigration, established national-origin quotas, with entries being limited based on the distribution of the foreign-born population in 1910.[2] Under this Act, about 350 000 aliens were permitted to enter each year as quota immigrants, almost exclusively from Europe.[3] The Immigration Act of 1924 made the quota system permanent and further reduced the national quotas, setting them to 2% of the total number of people of each nationality in the United States as of the 1890 national census. The Act of 1924 also extended the Asian migration restriction to Japan.

These anti-immigration policies resulted in a dramatic reduction of inflows to the United States in a relatively short time (Figure I.7). During the decade 1919-1929, an average of 400 000 new permanent immigrants were admitted each year, half the pre-war flow (on average 800 000 per year during the period 1900-1914). However, the United States was still viewed as a very attractive destination. Between 1923 and 1929, immigration flows subject to national quotas reached an average of 93% of the overall authorised quota, with some major origin countries filling their quota almost every year. Immigration from Canada and Mexico was not constrained by quotas. While it represented only 13% of inflows in 1921, it rose to an average of 45% of inflows for the years 1925-1928.

Figure I.7. **Immigration and economic growth in the United States, 1900-1988**



Note: The number of immigrants corresponds to the number of immigrant aliens admitted for permanent residence. Immigration data are on a fiscal year basis.

Source: GDP growth: A. Maddison (2008), *Historical Statistics for the World Economy: 1-2006 AD* for 1900-1929 and US Bureau of Economic Analysis for 1930 onwards. Immigration: US Immigration and Naturalization Service (2003), *2001 Statistical Yearbook of the Immigration and Naturalization Service*.

StatLink http://dx.doi.org/10.1787/635718468863

Box I.3. **Immigration and the Great Depression in the United States** *(cont.)*

As the economy contracted, unemployment rose sharply and earnings declined, which made immigration to the United States less profitable and more costly (including for immigrants already living there and considering family reunification). Starting in 1930, quotas were no longer filled and immigration subject to quota dropped by 62% between 1930 and 1931 and again by 76% the year after. As a result, there were less than 10 000 new immigrants admitted from quota countries in 1933, representing only about 5% of the total numerical limit. With the exception of southern and Eastern European countries on the eve of World War II, no source region sent more than 40% of its annual quota in the 1930s.

Immigration from countries exempt from quotas (mainly Canada and Mexico) also decreased dramatically. Migration from Mexico was the first to decline, with inflows falling 69% between 1929 and 1930, and 76% the year after. Inflows from Canada declined by 64% between 1930 and 1931, and further by 62% between 1931 and 1932. As a result, total inflows from both countries were about 20 times smaller in 1932-1935 than in 1925-1928 (7 000 vs. 140 000).

The economic crisis also increased emigration from the United States, typically by foreign-born people returning to their countries of origin. The overall rate of net migration of aliens to the United States dropped sharply in 1931 and became negative for the years 1932-1935. Mexico experienced significant return migration flows from the United States. Meanwhile, emigration was also much more prevalent among US citizens themselves. In 1932 and 1933, for instance, there were almost as many native-born US citizens who departed permanently as immigrant aliens who arrived in the country (US Department of Commerce, *Statistical Abstract,* various years).

1. A law to exclude illiterates from entry was first discussed in 1897 in Congress and almost passed; it was debated again several times before 1917, but was either not supported by a majority or was vetoed by the President (Goldin, 1993). Chinese people were already excluded from immigration since the Chinese Exclusion Act of 1882. The "barred zone" extended the restriction to many other Asian countries, a notable exception being Japan (under the Gentlemen's Agreement of 1907).
2. Entries were limited to three per cent of the population of each national origin in the 1910 census.
3. No quota was established for immigrants from the Western Hemisphere.

In most European countries, legal labour migration channels remained closed or limited for a long time after the 1980s. This led to an important change in the composition of migration inflows, with family and humanitarian migration channels becoming much more important. Since these non-discretionary inflows are much less sensitive to the business cycle, these policy changes led to the disconnection between net migration and the business cycle that can be observed for several countries in Figure I.6.

This disconnection has persisted in the past decade for several Western European countries where labour migration policies are still very restrictive. Nonetheless, for several other OECD countries, such as the United States and some European countries (*e.g.* Spain and Ireland), the positive relationship between employment growth and net migration has been very visible since the 1990s. As noted in Section 1 immigration has been an important factor in the recent economic expansion of several OECD countries; if the same relationship holds during the current downturn, one can therefore expect a stronger decrease of net migration in these countries.

2.2. Impact of the current crisis on labour migration flows

It is still too early to see changes in flows…

Some limited evidence of declining labour migration flows can be found in some OECD countries when comparing entries during 2007 and 2008. However, in most countries, the time it takes for the economic shock to affect the labour market and the lag between

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application and authorisation of entry mean that the drop in labour demand will result in declines in entries only with some delay, probably in the course of 2009.

… but a few countries show signs of a decline in inflows…

Among the countries which were first affected by the economic downturn, some indication of diminishing flows are available.

In the United States, some decline occurred in Fiscal Year 2008. The number of H-1B visas, which are the main employment-related temporary visas issued, declined by 16%, from 154 000 to 129 000. In addition, in 2009, for the first time in years, the 65 000 cap for H-1B visas was not reached in the first week of filing applications. There is further evidence of changes in the inflows of undocumented migrants; according to the Pew Hispanic Center (Passel and Cohn, 2008), since 2007 annual inflows have dropped to about 500 000 rather than the 800 000 during the first half of the decade. While sectors employing undocumented immigrants – especially construction – began to suffer in 2007, it is however impossible to link the lower inflow of undocumented migrants exclusively to changes in the labour market in a context of increased workplace and border enforcement.[17]

According to the Mexican labour force survey, emigration (primarily to the United States) has been falling since 2006 (Figure I.8) while inflows – including returns from the United States – have been relatively constant. The net annual outflow of Mexicans declined by 55% to 204 000 people between August 2007 and August 2008. 127 000 Mexicans went abroad in the last quarter of 2008, down 12% from 2007 and 37% from 2006.

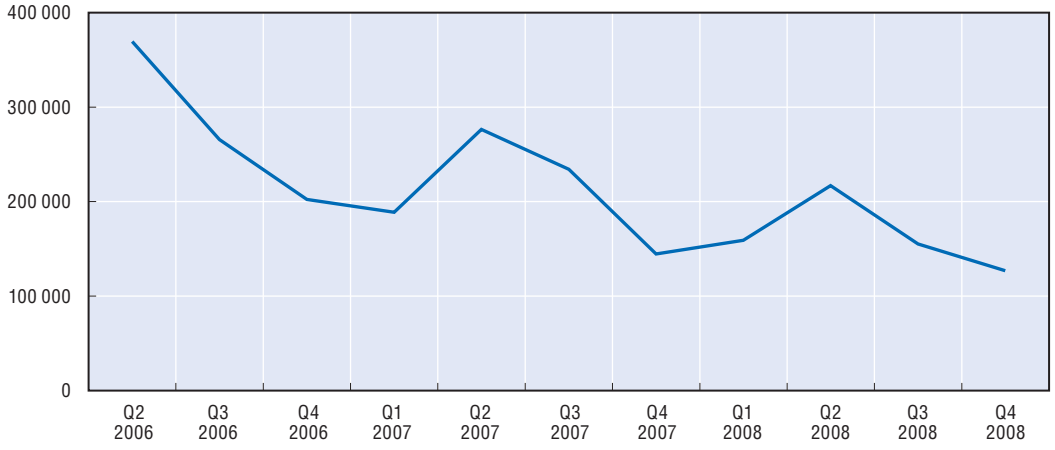
In Spain, total immigration flows continued at the same rate in 2008, according to the population registry data.[18] However, entries seem to be on the decline. New entries under the employer-nominated system (Regime General) fell from more than 200 000 in 2007 to 137 000 in 2008. In Catalonia, which leads Spain in terms of resident foreigners, applications for all categories of permits (first work permits, renewals, family reunification and residence) fell by 15% in 2008. New work permits in Catalonia declined from 58 800 to 42 300 in January-November 2008, compared with the same period of 2007. In the Balearic Islands, work permits issued in the first half of 2008 fell to about 8 000 compared to almost 14 300 for the first half of 2007. Family reunification fell significantly in 2008: less than 100 000 in 2008, compared to 128 200 for all of 2007.

In Italy, the downturn may have led some employers to abandon applications they had filed when the business outlook was better.[19] In 2008 about 10 000 employers (5.6% of processed applications) withdrew requests they had filed in December 2007.

Australia has witnessed a decline in the monthly number of lodgements for temporary skilled migrants. In the 12 months before February 2009, employer applications were down 11%. The declines were most pronounced in the construction, mining and manufacturing sectors. In parallel, Australia recorded an increase in working holiday makers (long-stay temporary migrants with working rights) from countries whose economic conditions have deteriorated more quickly (*e.g.* United Kingdom and Ireland).

Within the European free-movement area, some lessening of the rate of new entries has been seen in the United Kingdom and Ireland. Fourth-quarter 2008 Worker Registrations[20] in the United Kingdom were down 45% (from 53 000 to29 000) compared to the corresponding quarter of 2007 (Figure I.9). Approvals and first permissions for other workers in the first three quarters of 2008 were down 3% compared with the previous year.

Figure I.8. **International migration from Mexico, by quarter, 2006-2008**



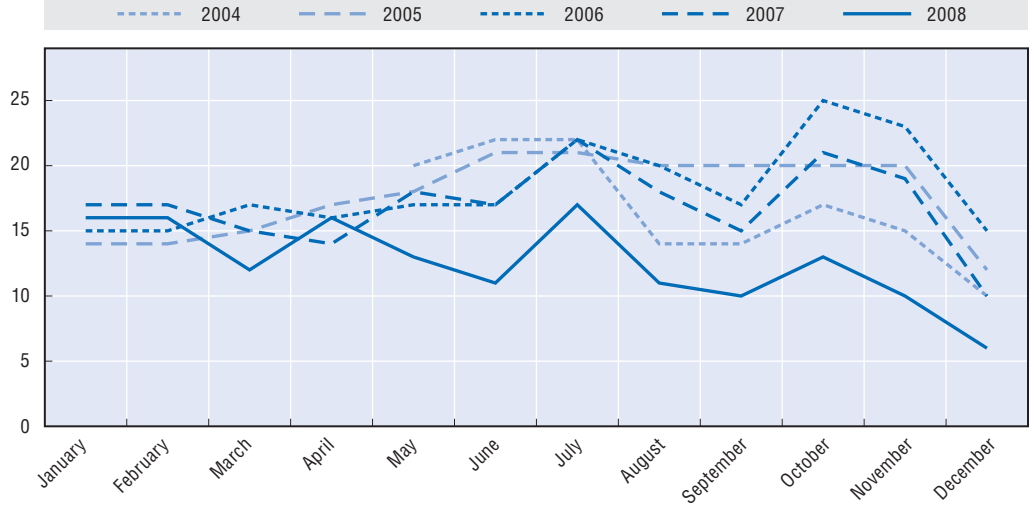
Source: Mexican Labour Force Survey, INEGI memorandum 55/09, 2009.

StatLink http://dx.doi.org/10.1787/635718768531

Poland remains the main sending country to the United Kingdom but the number of new immigrants fell significantly. New Worker Registrations for Polish citizens in the United Kingdom declined from 36 000 to 16 000 between Q4 2007 and Q4 2008. According to Polish Labour Force Survey figures, emigration flows declined in the second quarter of 2008 for the first time since the early 1990s.

Figure I.9. **First time applicants to the Worker Registration Scheme, United Kingdom, May 2004 to December 2008**

Thousands



Source: Border Agency, United Kingdom Home Office.

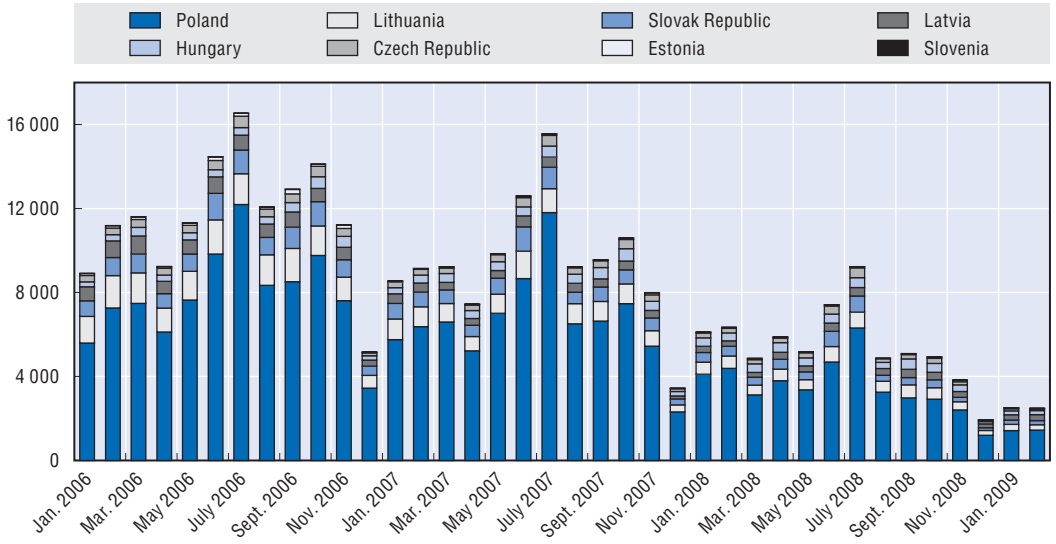
StatLink http://dx.doi.org/10.1787/635758020203

Iceland, perhaps the OECD country hardest hit by the economic downturn, saw almost a complete halt to free movement labour migration, which had significantly increased the Icelandic labour force. New entries to the labour market in the second half of 2008 were

about one-third the level of the previous year, and dropped to almost nothing in early 2009. In December 2008, 1 270 (16%) of the unemployed were foreign workers. With unemployment continuing to rise in the sectors which employed most foreign workers – primarily construction – foreign workers have been leaving Iceland. The Icelandic Department of Labour estimates that about one-third of the 16 000 foreign workers in Iceland in August 2008 had left by the end of the year.

In Ireland, about 74 000 Personal Public Service (PPS) Numbers were issued to non-Irish workers in the second half of 2008, about 34 000 (31.4%) fewer than in the same period of 2007.[21] The decline is evident looking at figures for 2006-2008 (Figure I.10). New registrations in the last four months of 2008 were about half those for the same period of 2007. Ireland also saw the number of new work permits issued to non-EU workers fall by 30% in the twelve months through the end of February 2009, to 7 600, compared with 10 800 for the previous period.

Figure I.10. **New registrations of citizens from selected new EU member countries with the Irish social security system, 2006-2009**



Source: Department of Social and Family Affairs, Ireland.

StatLink http://dx.doi.org/10.1787/635780358364

In the Netherlands, the rate of increase of movement of workers from the EU also appears to have levelled off. Restrictions were lifted on 1 January 2007 on access to the labour market for citizens from the 2004 EU accession countries. The number of workers from these countries rose three-fold by September 2007, to almost 80 000, but rose less sharply over the following nine months.

Not all free-movement countries saw important declines in inflows. Norway and Sweden, neither of which impose restrictions on labour migration from A8 countries,[22] saw ongoing increases in free-movement inflows through 2007. In the first quarter of 2008, Sweden saw smaller free-movement inflows than the same periods in 2006 and 2007. Norway, where economic growth continued through 2008, saw a slight rise in A8 labour migration in 2008, but migration from all countries was also rising. The share of EEA citizens as a proportion of all immigrants (66%) was unchanged between 2007 and 2008.

Norway, however, saw much more of a seasonal decline in the total foreign labour force in late 2008 than it had seen in the previous two years.

2.3. Migration policy in response to the crisis

Rising unemployment generally leads to pressure on policy makers to limit inflows of foreign labour. Depending on the main characteristics of labour migration programmes, the levers that policy makers can use to adjust inflows to the changing conditions in the labour market include: *i)* adjusting numerical limits; *ii)* strengthening the labour market test; *iii)* limiting possibilities to change status and to renew permits; *iv)* applying supplementary conditions to non-discretionary flows; and *v)* promoting return migration. The following section reviews the changes taken by OECD countries in the management of labour migration in response to the economic slowdown, and in conclusion raises the issue of policy responsiveness.

Demand-driven migration policy is already reducing flows

The principal brake on labour migration is a fall in demand. With the exception of permanent migration programmes in the so-called settlement countries and, in a few other countries, the very highest qualified workers, most OECD countries require labour migrants to have a job offer prior to immigration. As demand for immigrant labour declines, job offers also fall, reducing the number of entrants (Box I.4). This has already been seen in the United States and in Ireland, as noted above.

How quickly do flows reflect demand? There is a processing lag, which varies significantly among countries and between categories. Processing times for authorisation of immigrant workers can be long in some countries, and the job for which they were originally hired may disappear in the meanwhile. The United States Employment-Based Permanent migration programme, for example, has backlogs of four to eight years, and the job offer may well disappear during the waiting period. Many OECD countries require confirmation that the job for which the foreigner was originally hired still exists after visa issuance and arrival. Korea requires a valid contract to be signed before a visa is granted to the foreign worker.

Even with such a check in place, there is an inevitable lag between a fall in demand and a fall in entries. Nonetheless, a prior job-offer requirement provides the most effective link between managed labour migration and demand. Australia has reinforced this link by ensuring employer-sponsored immigration is given priority placement in the queue for permanent skilled migrants as of 1 January 2009.

Many countries have lowered their numerical limits for temporary migration, but permanent targets remain unchanged…

Quotas, targets and caps determine the total number of entries for labour migration in a number of OECD countries. Some changes have been made in these levels in response to the current economic slowdown.

Spain sharply reduced its ceiling for non-seasonal workers to be recruited anonymously from abroad (*Contingente*) in 2009. In mid-December 2008, the *Contingente*, which sets annual regional caps by occupation for workers was set at 901 for 2009, compared to 15 731 in 2008.[23] This drop was justified on the basis of unemployment figures by occupation. Madrid saw its *Contingente* reduced to zero, while Catalonia was negotiated down from 1 439 to 388 potential recruits.

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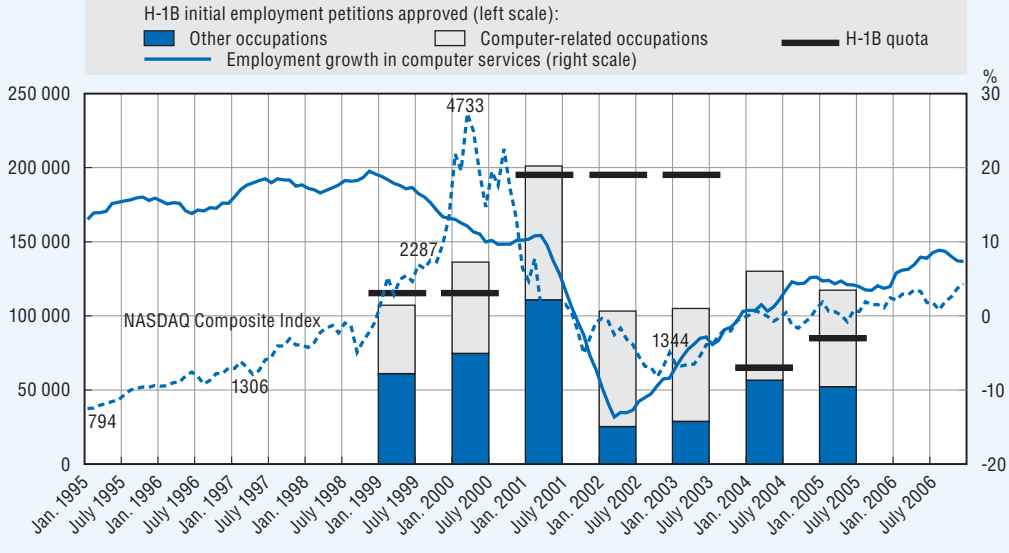
Box I.4. **Demand for H-1B visas and the burst of the IT bubble in 2001**

The bursting of the IT bubble in the United States highlights the very strong responsiveness of sector-specific labour migration flows during a sector-level crisis, especially in the context of a demand-driven labour migration system. Following the crash of the NASDAQ in March 2000, the flow of capital to the computer industry diminished markedly and many companies reduced their labour force; a non-negligible number of start-up companies failed. As shown in Figure I.11, employment in the sector declined significantly (total employment in "Computer systems design and related services" peaked at 1.33 million in May 2001 and fell to 1.1 million in 2003).

During the previous years, as the IT bubble developed, US-based computer services companies increased their recruitment of temporary foreign workers through the H-1B visa programme. To accommodate this rising demand, the H-1B quota was raised twice, from 65 000 to 115 000 in 1999, and then to 195 000 in 2001. In 2002, however, just over 100 000 initial employment petitions were approved, about half the number of the previous year. Almost 90% of the decline was due to computer-related occupations. While these occupations represented more than 55% of all new H-1B visas issued between 1999 and 2001, that share fell to less than 30% in 2002 and 2003.

Figure I.11. **The IT bubble in the United States: H-1B initial employment petitions approved and quota, employment growth in computer services and the NASDAQ Index, 1995-2006**



Note: Starting in 2001, H-1B visas for workers employed at universities, non-profit and governmental research organisations are exempted from the numeric restriction. In 2005, the 65 000 cap was supplemented with 20 000 visas reserved for foreign students having attained at least a Master's degree from a US educational institution.

Source: H-1B applications approved: US Department of Homeland Security, Characteristics of Specialty Occupation Workers (H-1B), various years. Employment in Computer systems design and related services: Current Employment Statistics, US Bureau of Labor Statitics.

StatLink http://dx.doi.org/10.1787/635818867488

Italy chose to lower its quota for entries as well. It had imposed a ceiling of 170 000 in 2007, and received more than 700 000 applications. In December 2008, noting the rise in unemployment and the forecasts of lower demand, it set a ceiling for 2008 of 150 000, limiting entry principally to domestic work and only taking applications from the backlog.[24] Significantly, with reference to the economic crisis, the government justified the quota by only taking applications from the backlog, claiming that most of these applicants were already in Italy without documents. The government has announced its intention to set a quota of zero for non-seasonal work in 2009 (the seasonal quota for 2009 is 80 000, the same as in 2008).

Korea froze recruitment under its Employment Permit System (EPS), which involves temporary employment of foreign workers recruited under bilateral schemes, in December 2008. The quota of 72 000 had been reached for the first time since the EPS was introduced in 2004, largely because of a rise in the renewal rate among workers already in Korea. In March 2009, the quota was set at 17 000, and an quota of 17 000 was also set, for the first time, on entries of ethnic Koreans (Korea had previously allowed ethnic Koreans to come to work in Korea with family sponsorship, without a quota). In December 2008, because of concern over competition with citizens, the Korean Ministry of Labour announced plans to impose a quota on the employment of foreigners on construction sites, aimed at the non-discretionary migrants who work in the sector. Ethnic Koreans are also excluded from construction work under the 2009 quota.

In contrast to the countries cited above, the traditional settlement countries of the OECD set economic migration objectives (targets) for permanent inflows. Entries do not necessarily require a job offer and reflect long-term planning objectives largely unaffected by economic growth. Most of these countries have not so far changed their permanent migration targets in response to the economic situation.

Canada sets a target for permanent economic migrants, comprising different categories of workers (skilled, provincial nominees, care workers, etc.). The 2007 target of 141-158 000 was reduced slightly for 2008, to 139-154 000, and maintained at approximately that level for 2009.[25] Australia admitted almost 160 000 migrants under its programme in 2007, a rise of about 10 000 over 2006. The target for 2008 is 190 000, reflecting confidence in long-term growth, although this target was reduced in 2009. Within this total, the target for skilled (permanent) migration has become a cap. The cap was first set at 133 500 in December 2008 but lowered to 108 100 in 2009 in response to increasing concern over the impact of the economic crisis. The ceiling and composition for permanent entries to New Zealand is set annually by the Cabinet under its New Zealand Residence Programme (NZRP). It has been largely unchanged for the past few years, at 45-50 000, of which about 60% is intended to be economic. New Zealand admitted about 25 000 skilled migrants under its programme in 2007.

Finally, the United States admits labour migrants (with a few exceptions) according to caps set by Congress which can only be changed through Congressional legislation. The permanent migration cap of 140 000 was set in 1990 and comprises different economic categories; family members are included in the calculation of the cap. Caps are also applied to temporary migration programmes: those for the H-1B and H-2B programmes, 65 000 and 66 000 respectively, have not been changed over the past 5 years. The possibility to extend the H-2B visa, granted in 2006-2007, was allowed to expire in 2008, although it is not clear if this was linked to the economic downturn.

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Shortage lists have been reduced…

In a number of countries, a shortage list is used as one criterion for admission, to provide points under a point-based system, or to exempt immigrants from a labour market test. Such lists aim to facilitate or accelerate international recruitment in occupations judged to be in shortage. Shortage lists in OECD countries have already evolved in response to the crisis.

The sharpest reduction in shortage lists can be seen in Spain, where the list for both the *Regime Generale*, which exempts nominal requests from a labour market test, and the *Contingente*, used as criteria for anonymous recruitment from abroad, were curtailed significantly. In October 2008, the quarterly *Regime Generale* "catalogue of difficult-to-cover occupations" contained 32% fewer occupations than the previous list. The occupations which were eliminated, however, represented almost all hiring from abroad. Some occupations (painters, care assistants, waiters, bricklayers, welders, electricians, carpenters, locksmiths, cooks, gardeners, agricultural labourers) disappeared altogether. Only very specific occupations (sports, trainers, doctors, neurosurgeons, dentists, optician, nurses or physiotherapists; specialised mechanics) – mostly qualified – remained. These cutbacks continued in the first list for 2009.

Italy's annual quota contains reserved quotas for a number of occupations, which reflect a sort of shortage list. Most (at least two-thirds) of the 2008 quota – to be used for entries in 2009 – was set aside for domestic and personal care workers, the only sector where demand was considered to be significant.

In the United Kingdom, the Migration Advisory Committee, charged with establishing the shortage list, uses 12 indicators of shortage, including vacancy rates, wages, and employment and unemployment data; it currently reviews its shortage list about twice annually. The current list contains 19 occupation categories and focuses on specific job categories, most of which require a high degree of specialisation.

Shortage lists may be based on old data, making them slow to reflect changes due to an economic crisis. As noted, many indicators used in the United Kingdom are 12-18 months old. In France, the shortage lists are based on job vacancy data: if the ratio of job offers to available workers is greater than 0.9 for more than one year (a relaxation of the original 1.0 requirement), the job is included on an annual regional shortage list. Because of the one-year lag, the list cannot respond in real time.[26] Furthermore, job vacancies, although widely used, are only an imperfect indicator of tensions in the labour market, and not all job offers are recorded. Lists which imperfectly reflect the labour market changes are less of an issue in settlement countries, where longer-term human resource needs underlie the contents of the list.[27]

Australia, however, has recently noted that its Migration Occupations in Demand List (MODL) has permitted many entries under its skilled migration programme of those with certain qualifications and too few of others. As of January 1 2009, it has been supplemented with a Critical Skills List (CSL), which identifies those occupations (mostly in health and engineering) for which priority will be granted to applicants who are neither employer- nor region-sponsored.

Social partners and other stakeholders can play a role in making sure that shortage lists reflect real-time changes in the labour market. In the United Kingdom, the Migration Advisory Committee also uses "bottom-up" evidence from social partners and experts, which allows for more rapid response to changes in demand. In Finland, too, regional

shortage lists are based on vacancy data but include consultation with social partners. In Spain, the shortage lists are based on job vacancy rates, but subject to revision every quarter after consultation with social partners and regional governments. In Italy, occupations with reserved quotas are decided by the Ministry of Labour after consultation with the social partners. The involvement of social partners in the process helps to mirror the real situation but may lead to divergent views during an economic slowdown.

Canada eliminated its shortage list for temporary foreign workers ("Regional Lists of Occupations under Pressure") on 1 January 2009, replacing it with more stringent job advertising requirements, especially for unskilled and low-skilled occupations.

… and labour market tests reinforced

Prior to authorising temporary labour migration, most OECD countries apply a labour market test, verifying that no local worker can fill the position.

The United Kingdom imposes a labour market test on its Tier 2 skilled migration applications, and plans to make the test more strict as of 1 April 2009, requiring advertisement through the PES, in order to "give domestic workers a greater chance of applying first for United Kingdom jobs".[28]

The Canadian choice to eliminate the shortage list for its temporary programme highlights the margin of discretion in labour market tests and the flexibility it provides during a downturn. A number of OECD countries (United Kingdom, Canada, United States, and New Zealand) require employers to have advertised the job locally and to have used other customary recruitment channels. Employers must provide proof of advertisement. Public authorities exercise a significant degree of discretion in judging the good faith of employers in properly advertising their job offers. The definition of a so-called "good-faith attempt" to recruit locally is often rather fluid.

In some countries, the labour market test also requires employers to demonstrate that recruitment from abroad will not have an adverse impact. In countries with negotiated contractual wage standards, these conditions must apply. In the United States, "adverse impact" uses wages as a parameter, and is benchmarked with reference to indicators. In Canada, the Labour Market Opinion considers possible "adverse impact on the Canadian economy", which leaves substantial margin of discretion. Similarly, in France, the labour market test, rather than look at potential adverse effects, considers the "technological and commercial added value" represented by the applicant.

In the United States, for the H-1B programme, a number of specific efforts must be made by employers. Employers considered "dependent" on H-1B employees are subject to additional requirements, including that they cannot lay off (similar) workers in the 3 months before and after hiring the H-1B. The recent mass layoffs by such employers, which include large software and financial services companies, therefore affect the likelihood of approval of applications for new H-1B workers. The H-2B programme is subject to required demonstration of the temporary nature of the position, attempts to recruit nationally, and respect for prevailing wage; it may be more difficult to make a convincing case during a downturn.

In the United States, some authorization procedures for the H-1B and H-2B programmes were changed at the end of 2008. The main changes concerned the centralization of calculation of the prevailing wage threshold. It is not clear whether these changes will lead to a more restrictive treatment of employer applications.[29] In addition,

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there is a deliberate reinforcement of controls on employers. During Fiscal Year 2008, about one out of every eight hires in the United States went through the electronic E-Verify system to check the legal status of new hires. Several states, such as Arizona, Colorado, Mississippi, Oklahoma and Tennessee, have already passed legislation requiring some or all employers to participate in E-Verify.[30]

Where trade unions are granted a role in the labour market test, they may even be able to contest employer applications for workers from abroad. Unions are granted such a role in Denmark, for example. Until 2009, unions also held a right of veto over applications in Sweden.

In fact, in marked contrast to the general trend towards restriction, and despite the current economic crisis, for 2009 Sweden significantly relaxed its labour market test (Box I.5).

Box I.5. **The New Swedish Labour Migration Policy**

On 15 December, 2008, Sweden introduced reforms to its labour migration policy which significantly opened possibilities to recruit from abroad.

The principal change is in the process for authorisation of employer requests. Swedish employers – as before – can request authorisation to bring in a foreign worker. As before, they must have advertised the job in Sweden and on EURES, the EEA public employment service clearinghouse, prior to approval of the application. The difference is that the Swedish trade unions no longer have veto power over the application and the Swedish Labour Market Board does not have to find a "shortage". This has opened recruitment possibilities for low-skilled jobs. The relevant union is given the opportunity to review the offer and provide an opinion of whether wages, insurance protection and other terms of employment are equivalent to the collective agreement or what is customary for the occupation or the industry. The trade unions, however, cannot reject the application. Verification of job listing is now done by the Swedish Immigration Board rather than the public employment service, accelerating the process.

Sweden has also created a shortage list of critical occupations for which foreign workers visiting Sweden on a visa can receive a work permit without having to return home first. This list is meant to make it more practical for foreign workers to come for job interviews, and if a job is offered, start work as soon as possible and without additional expense.

Migrants admitted to Sweden are given equal rights and full access to social benefits. Family reunification is permitted immediately (family members may accompany the worker and, if the work permit is for at least 6 months, are also granted labour market access).

Sweden grants permanent residency after 4 years, but work permits are valid for no longer than the job offer or two years, whichever is shorter, and require continuing employment for renewal. Unemployed immigrants with a work permit have three months (from the date they are unemployed, not the expiration of the work permit) to find a new job (which must meet the normal conditions) before they have to leave Sweden. International students are also allowed to change status to a work permit. Under the previous rules, students were eligible for a change of status after 6 months, regardless of whether they had actually completed any courses. They now must complete 30 credits (about 1 semester of study).

Temporary permits have become more difficult to renew

Immigrants with temporary status where permit renewal is conditional on employment are faced with difficulty when they lose their job, since most temporary programmes do not allow for stay while unemployed. In fact, temporary programmes are based on the assumption that workers will depart when there is no more need. While no changes have been made in these rules in light of the rise of unemployment, this section reviews the rules in a number of OECD countries where temporary permits are frequently issued.

The H-1B programme in the United States does not allow stay for the unemployed, although workers may change employers. Employers are required to notify the authorities when laying off an H-1B worker. Employers are also required to pay for travel costs back to the home country unless the worker can find another authorised H-1B employer. In the United Kingdom, both high-skilled migrants (Tier 1) and sponsored immigrants (Tier 2) have to demonstrate employment when renewing their permit after their initial stay; wage criteria are applied to the first group and the standard points calculation to the second. Canada requires temporary workers to demonstrate continued employment in order to renew their permits. For lower-skilled jobs, there is a limit to the duration, and renewal requires employers to submit to a new labour market test.

Most European countries allow all unemployed immigrants with valid work permits to enrol in the public employment offices service until the expiration of their permits. Sweden grants three months to find a new job before the permit is withdrawn. The two European countries with the most significant recent rise in renewable temporary permits, Spain and Italy, require proof of employment during the prior permit period for renewal. Spain generally does not allow immigrants without a job offer to renew their permits except in some cases when immigrants are entitled to unemployment benefits. Italian law grants a six-month "grace period" extension for a job search; during the current slowdown, trade unions, immigrant associations and the opposition parties are pushing to grant a 12-month extension. For those who cannot prove employment and whose permit expires, the only options are to return home or overstay as an unauthorized immigrant.

Korea allows foreign workers to change workplace if they are laid off because their employer goes out of business, but requires applications for change of workplace to be made at least one month before losing the job and grants two months to find a new employer in the same sector; the new employer must have pre-approval for hiring foreign workers. The number of workers applying to change workplace almost doubled during 2008.

The need to demonstrate employment weakens the contractual power of employees, but it also may mean that employers may be reluctant to fire workers for whom a layoff means returning to the home country.

Non-discretionary flows have been subject to some limits…

Some categories of immigration are not tied directly to the labour market, but have an important impact on flows and on the size of the labour force. Family reunification is one such category; it is generally considered non-discretionary. This is certainly the case for family members of citizens. Family reunification for immigrants who have not been naturalised, however, may be guaranteed in principle and regulated in practice, through quotas or conditions. Restrictive measures may be introduced during an economic downturn.

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Italy introduced more restrictive criteria for family reunification in October 2008. Income requirements are raised to the minimum social benefit (EUR 5 317 in 2009) plus 50% for each family member. Spouses must be at least aged 18. Adult children or parents over 65 can only be brought in if they have serious health problems that make them dependent, and insurance must be purchased, a rule which was already in place but is now subject to additional proof. The requirements for EU citizens to enrol in the population registry, which entitles them to social benefits, were also changed, with a higher income threshold imposed, based on the social benefit plus 50% for each family member. This decision was made in response to concern that unemployed Romanian and Bulgarian citizens would use social benefits.

Within free-movement areas, transitional procedures may be applied or extended. This is the case within the European Union, where labour market access for citizens of countries which joined the EU in 2004 and 2007 can be restricted (Box I.6). Some European countries have maintained restrictions, in light of the economic downturn. Belgium, Denmark, Germany and Austria chose to continue to impose restrictions on citizens from the 2004 enlargement in 2009. For Romanians and Bulgarians, restrictions are applied in 11 countries of the pre-2004 EU, although many allow unrestricted access for certain occupations (France, Italy and the United Kingdom) or grant facilitations such as quota or labour market test exemption in authorization of employment. In some countries with a large informal economy, eliminating restrictions on access to the labour market was decided not necessarily to meet employer demand but as a means of combating illegal employment of new EU citizens. Access to the labour market does not mean that return is not encouraged: the Spanish public employment service has started to actively collaborate with its Romanian counterpart to recruit Romanians to return home.

… and some countries are encouraging immigrants to return home

Specific incentives for return may be targeted at unemployed immigrants to encourage them to return home.[31] Spain adopted a new regulation at the end of 2008 to support voluntary return of unemployment third country nationals who receive on advance an accumulated payment of their unemployment benefits in two lump sums on the condition they return home and do not come back to Spain for at least three years. The proposal provides 40% of the benefit in Spain and 60% upon return, and became active in November. Only the 19 countries with bilateral social security agreements are eligible,[32] and the offer is not valid for EU citizens. While the government originally expected many unemployed to apply, uptake has not reached targets. 3 926 unemployed immigrants signed up for the programme by mid-March 2009, while the government calculated that more than 80 000 were eligible. It is however difficult to evaluate, at this stage, the full impact of this programme even if past experience has shown that financial incentives are usually insufficient to drive large return migration flows.

The Czech Republic launched a policy on 9 February 2009 to pay EUR 500 and airfare home for unemployed workers. The policy is targeted largely at Vietnamese and Mongolian contract workers who have lost their jobs. This is a sharp contrast to the Spanish programme, which is targeted at settled immigrants. The Czech government has allowed 2 000 seats for the first phase of the project. By the end of March 2009, almost 1 100 had taken part in of the programme, mainly Mongolians (70%) and Uzbeks (16%), and 900 people returned to their country of origin. A second phase of this project is in preparation with 3 000 additional seats and the lump sum reduced to EUR 400.

Box I.6. **Free movement: EU enlargement and the priority given to EU citizens**

The last two enlargements of the EU to Central and Eastern European countries in 2004 and 2007 have significantly expanded the coverage of the free-movement area. Nationals from these countries, on becoming citizens of the European Union, have been accorded rights of movement through the European Union and partner states[1] that are broader than those available to other groups of migrants.

In light of concerns of a massive influx of workers from Central and Eastern European countries into the EU15 labour markets, negatively affecting local wages and employment, the Accession treaties allow for transitional arrangements restricting the free movement of wage and salary workers from most of the new Member States.[2] The transitional arrangements could be applied for up to seven years, with the policy reviewed after two and five years.

Only three Member States – Ireland, Sweden and the United Kingdom – opened their labour markets to EU8 workers from the date of accession. At the end of the first two-year period, four more other Member States – Spain, Finland, Greece and Portugal – opened their labour markets, later followed by Italy, the Netherlands, Luxembourg, and France. Belgium and Denmark still apply some restrictions, while in Austria and Germany the inflows of workers from EU8 countries are currently regulated by national law (mainly through seasonal work-permit schemes operating under bilateral agreements), although a number of exemptions have opened for high skilled workers and specific categories in these countries. Despite its restrictions, in fact, Austria saw a significant increase in the number of EU8 workers between 2003 and 2007.

Transitional arrangements for the EU2 countries are at the start of their second phase (begun on 1 January 2009 and ending on 31 December 2011). In the first phase, all EU15 countries except for Finland and Sweden opted to restrict access to their labour markets for Bulgarian and Romanian workers.[3] At the beginning of the second phase, Greece, Spain, Hungary and Portugal lifted restrictions. Denmark has announced that it will stop applying restrictions for EU2 workers from 1 May 2009, when it will also end all restrictions for workers from EU8 Member States. Notwithstanding these restrictions, a Member State must always give preference to EU10 and EU2 workers over those who are nationals of a non-EU country with regards to access to the labour market.

The decisions regarding the extension of the transitional period in 2009 were taken in the context of a broadening economic downtown and rising unemployment in the EU. Some countries which had earlier hinted at eliminating restrictions chose to maintain them. Nonetheless, for most EU countries, free movement is largely realised and the flows unrestricted.

1. The Swiss labour market opened to citizens from the EU15, Cyprus and Malta in June 2007. A transition phase applies to the EU8 until 2011 with the following restrictions: preference of nationals, control of payment and work conditions, and progressive quotas. Labour market access for Bulgaria and Romania (EU2) nationals is restricted for 7 years, from 1 January 2009. Transitional regulations also apply for short-term cross-border services in some sectors. Iceland, Lichtenstein, and Norway, members of the European Economic Area, have adopted transitional arrangements concerning the free movement of workers from the EU8 and EU2 countries in their labour markets, under the same scheme applying for the European Union Member Countries. Iceland and Norway have opened to the EU8 and applied some restrictive criteria to the EU2.
2. Transitional measures can be applied to the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia (EU8) and to Bulgaria and Romania (EU2). Cyprus and Malta were granted full access.
3. Most EU15 countries (*i.e.* Austria, Belgium, Denmark, Germany, France, Italy, Luxembourg, the Netherlands), however, had introduced sector-specific quotas for Bulgarian and Romanian workers during the first phase of the transitional arrangements.

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Immigrants in one OECD country whose status is threatened by the crisis may look elsewhere rather than consider a return to their country of origin. In some cases, the crisis may represent a competitive opportunity for skilled migration policy in a third country. The Canadian province of Alberta, which forecasts long-term skill shortages, funded in early 2008 an information campaign actively targeted at holders of H-1B and E-3 visas in the United States, offering support and a faster and more certain track to permanent residency than the one offered in the United States.

What do these reactions tell us about the capacity of policy to respond to the crisis?

Policy responsiveness depends not only on political pressure to make changes but also largely on the migration management system in place in the country. In fact, migration policy may be more or less directly linked to labour market indicators (for example, vacancy rates), be subject to periodic review or planning (quotas or targets), or may be governed by *ad hoc* legislative measures (with a wide variation in delay before entering into force). Depending on the adjustment mechanisms and constraints, the management of the migration system might be more or less efficient in responding to short-term changes in the labour market. The discussion above highlights the strength and weaknesses of some of the most common features of labour migration programmes.

Backlogs of labour migration authorisations (due to administrative delay or to low caps) make flows less responsive to changes in the real economic situation. Shortage lists and numerical limits, if they reflect changing demand and are revised frequently based on current indicators, can allow a rapid policy response to changing demand and have a rapid impact on labour migration flows. The criteria applied in labour market tests can also be quickly tightened in a crisis to favour local recruitment. Rules regarding non-discretionary categories of flows can be modified through administrative decisions as well. All of these changes can be made quickly.

But policy responsiveness does not guarantee an impact on policy or on total flows, because other constraining factors are at work

It should be noted, however, that in many OECD countries, most of the flows are *non-discretionary*; that is, movements cannot be restricted directly. Governments can effect reductions only over discretionary categories, so restrictions in these categories may not mean significant declines in total flows. This applies to family reunification in many countries, to humanitarian flows (with the exception of resettled refugees), and to free-movement zones (such as the EEA). Public opinion may pressure governments to restrict non-discretionary immigration as well, as the unemployed are more hostile to immigration (O'Rourke and Sinnott, 2006). As noted above, there is some margin for restrictive measures on free-movement, and on some family reunification, either by setting quotas or changing eligibility criteria. Resettlement quotas for refugees may also be lowered, and asylum procedures may be changed. Such changes, however, often must address national constraints. Civil society may react strongly to limits in acquired rights. International commitments may also play a role. In the European Union, for example, a directive limits the extent to which member countries can curtail family reunification, and resettlement quotas may be part of international commitments.

Furthermore, governments may have made commitments in bilateral or multilateral agreements to accept quotas of immigrants in certain categories or from certain countries; this represents an additional constraint.

In fact, many other considerations come into play when adjusting migration policy to the economic crisis. While rising unemployment in the local labour market may push governments to reduce inflows and encourage the greatest rate of return of unemployed migrants, geopolitical considerations may take an upper hand over those exclusively referring to the labour market. Commercial ties, or dependency on these countries for commodities or energy, may also affect migration policy decisions, as host countries consider the impact of a stricter migration policy on their broader bilateral relations. Further, there may be a concern that restrictions exacerbate the crisis in the country of origin – already affected by a decline in remittances and potential increase in poverty – leading to more irregular migration.

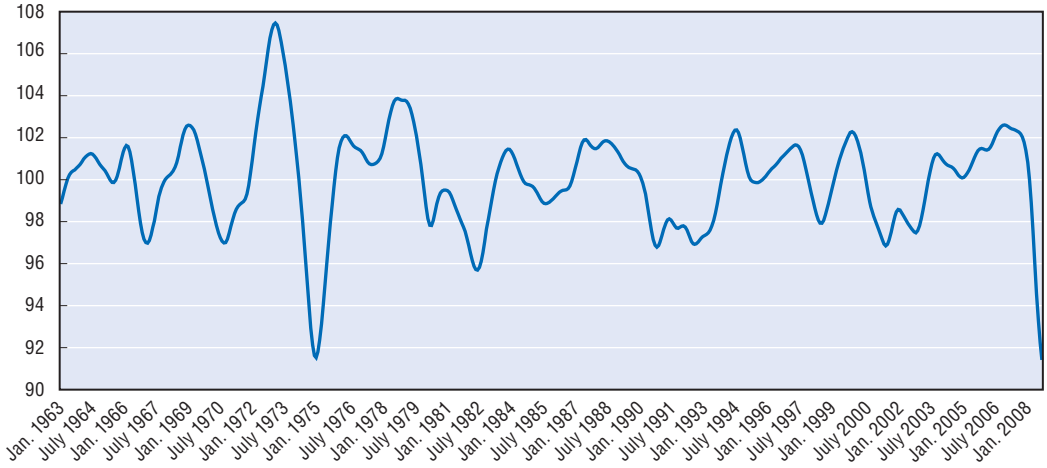
Finally, and perhaps most importantly, migration policy is intricately linked with questions of human rights and legal rights acquired by immigrants. This may affect policy response in countries where stakeholders in the decision making process include representatives of civil society for whom changing labour market conditions may not justify imposing restrictions on entry or revoking the residence status of immigrants.

3. Medium and long-term consequences of the economic crisis

3.1. It will get worse before it gets better

The OECD composite leading indicator signalled a severe slowdown in the OECD area and major non-OECD member economies as it fell in February 2009 to its lowest level since January 1975 (Figure I.12). In March 2009, the OECD was forecasting that real GDP growth of the OECD area would be strongly negative in 2009 (–4.3%) and close to zero in 2010 (OECD, 2009b). Reflecting the rapidly worsening economic outlook, the IMF revised its forecasts in March 2009, predicting a negative growth rate for the world economy in 2009 (IMF, 2009b).

Figure I.12. **Composite Leading Indicator (amplitude adjusted), OECD and six major non-member countries**



Note: The six major non-member countries are Brazil, China, India, Indonesia, South Africa and the Russian Federation.

Source: OECD Monthly Economic Indicators.

StatLink http://dx.doi.org/10.1787/635823033053

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Employment usually follows the changes in GDP growth with a time lag of two to three quarters. In most OECD countries, the impact on the labour market is just starting to become visible (see Section 1) but demand for labour is expected to decline significantly in the near future. For instance, in the last 12 months, vacancy rates have decreased by about 25% in the United Kingdom and by 20% in Japan and the United States. In many OECD countries, labour market conditions will deteriorate significantly in 2009 and probably even further in 2010. The latest available OECD projections (March 2009) forecast that the unemployment rate will peak in end late 2010 or early 2011.

Against this backdrop, the need for labour migration will certainly fade as employers find it much easier to recruit the labour force and the skills they need from the larger unemployment pool. Furthermore, policy makers will probably face increasing pressure from public opinion to reduce the scope of migration programmes. However, the main structural changes which OECD countries are currently facing, population ageing, rapid technological change and a decline in manufacturing industry, will contribute to exacerbate tensions in some segments of the labour market.

In the short term, it might not be so easy to find the skills which were chronically in shortage among displaced workers. The medical sector is one example where retraining of displaced workers will not be a realistic option. The need for health professionals will indeed continue to be addressed partly though international recruitment until the new cohorts of young graduates enter the labour market (OECD 2008c). In the low-skilled segment of the labour market, such as seasonal employment in agriculture, domestic services and more generally 3D jobs (dirty, dangerous and difficult), it is also likely that immigrant workers will continue to play a key role. Despite increasing unemployment and declines in reservation wages, segmentation in the labour market by skill level and geographical areas[33] as well as social protection, will prevent low-skilled labour demand from being fully met by the resident workforce where it was not the case before the economic crisis.

Policy responses in terms of labour migration will thus have to face a tension between adapting the rules to the changes occurring in the labour market and maintaining routes for labour migration where recruitment difficulties are structural. As a result, the medium and long-term consequences of the economic slowdown might imply smaller and more targeted inflows, with a more radical rescaling in countries which have received large migration waves in recent years, but labour migration will certainly not dry up (OECD, 2009a).

In general, temporary labour migration programmes where entries are contingent on a job offer decline during a downturn unless caps are set very low and the quota is truly constraining. The United States is one example of caps set far below demand. Oversubscription is an issue for the H-1B programme in the United States, for example, where almost 750 000 applications for certification were filed in 2007, compared to a quota of 85 000. Even if demand falls substantially, the low quota ensures that flows under the programme will remain at the same level.[34] The H-2B programme, which covers temporary non-agricultural work, has a cap set far below the demand for such workers (66 000 compared with 360 000 applications in 2007), leaving ample margin for a decline in demand before flows are affected. Italy is another example of oversubscription for capped entries; labour migration applications have always far exceeded available places.

Some temporary programmes, especially seasonal agricultural work programmes, are less likely to be affected. Indeed, several OECD countries recently introduced new programmes or have increased their use of seasonal work programmes. This is the case for instance through bilateral agreements in New Zealand, Australia (the PSW, which started only in 2008 and is currently a pilot scheme only) and Canada (CSAWP). The United Kingdom increased the quota for its Seasonal Work Programme, which is open only to Romanian and Bulgarian citizens, to 21 250 in 2009 from 16 250 for the previous two years.[35] The H-2A programme in the United States remains uncapped and all draft reforms leave the programme uncapped (the programme is relatively small, with only 80 000 workers sought and fewer entering). Germany has maintained a seasonal work programme for citizens of the EU8, involving about 300 000 annually, although participation declined somewhat in recent years as more lucrative employment opportunities opened elsewhere. Even in an economic downturn, these programmes remain politically sustainable because they are directed at a low-wage sector where natives have long been reluctant to work, and because they grant no access to other jobs in the labour market.

3.2. Expected medium-term impact on the composition of migration flows

In 2006, discretionary labour migration was less than 20% of total flows in most OECD countries and no more than a third of all flows in the leading countries (OECD, 2008a). As noted above, family reunification and humanitarian flows are often major components of total migration, and have little direct connection with the labour market situation. Free movement, largely for work, is not subject to control. A reduction in discretionary labour migration flows can have spillover or other effects on the composition of flows, with significant implications for outcomes over time. Irregular migration, too, may be resistant to economic changes and policies meant to restrict migration. This means that restrictions on economic migration may not have a large effect on net migration.

Family reunification

Pull-factor immigration can be driven by employers, but also by networks of family members in the host country who can bring their relatives. These flows are determined by the choice of the family and by the policy in place: whether immigrants have the right to family reunification, and whether they choose to exercise it. A number of OECD countries however apply a quota or a cap to family reunification, and have a backlog of applications. Unless caps are changed, such backlogs ensure that flows will remain constant regardless of the economic situation.

Where family reunification is subject to income limits, family reunification may be delayed during periods of high unemployment among potential sponsors, reducing total flows. Similarly, family reunification is often conditional on the duration of stay of the sponsor, increasing the stock of potential sponsors over time. This may have an adverse impact on family flows but when policy becomes more restrictive, immigrants who have delayed reunification may also hasten to bring in their family members while their status is still valid. Some such reunification was observed following the restrictions placed on labour migration in the early 1970's (Box I.7). Conversely, when labour migration opportunities are closed or restricted, legal residents of the host country may try to use family reunification as an alternative solution.

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Box I.7. **The 1970s crises**

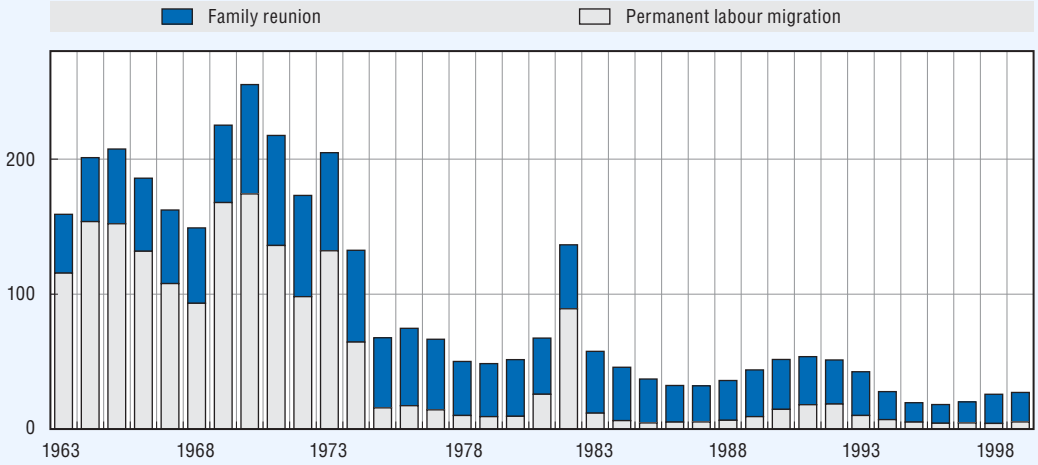
The economic crises which followed the two oil shocks of the 1970s in most OECD countries are good examples of the various channels through which migration flows can be affected by a recession. The rapid rise of unemployment in many OECD countries during these crises[1] led to a drastic restriction in immigration policies, especially in European countries, which had made extensive use of foreign labour during post-war reconstruction and economic expansion (in particular through bilateral agreements with origin countries).

Several European countries set up voluntary return policies to encourage unemployed immigrants to leave. In France, for example, a programme was launched in 1975, which involved financial support and educational programmes. The scheme had little success and the financial incentive was substantially increased in 1977. Since returnees had to renounce claims on social insurance and give up residence and work permits, the scheme never achieved its ambitious quantitative objective. Moreover, while Algerian workers were the main targets of the programme, more than 60% of returnees were Spanish and Portuguese immigrants (Dustmann, 1996). It is believed that a large fraction of those who took advantage of the scheme might have returned anyway.

Instead of returning home, many migrants, who had initially come to destination countries alone to work temporarily, brought their spouses and children. The share of family migration increased and often surpassed labour immigration. This was, for instance, the case in France from 1975 onwards (Figure I.13).[2] The dramatic change in the composition of migration flows to European countries following the closure to labour migration probably explains why net migration became much less sensitive to economic conditions after the 1970s.

Figure I.13. **Entries under family reunion and permanent labour immigration in France, 1963-1999**

Thousands



Source: OMI/ANAEM.

StatLink http://dx.doi.org/10.1787/635832831865

1. Out of 19 OECD countries with unemployment data for the period, at least 14 had an unemployment rate lower than 4% during 1970-1974, but only 7 in 1977-1980.
2. The rise of labour migration in 1982 is an artefact due to the 1981-1982 regularisation, and did not correspond to higher entries this year.

When family members are granted access to the labour market, they may represent a significant and continuous inflow of potential workers even during a downturn. In the case of France for instance in 2006 approximately 88 000 immigrants entered the labour market, but only 10 000 through labour migration (Léger, 2007). Further, family members are generally exempt from criteria applied to labour migrants. In OECD countries where labour migration is contingent on point-based or professional criteria, family migrants tend to have lower educational attainment than labour migrants, and increase the supply of less educated workers. However, where there are restrictions on labour market access for family members entering a country, their long-term integration prospects are generally worse off than they would have been if they had entered the country and been able to work immediately.

Humanitarian flows

Humanitarian flows comprise asylum seekers and resettled refugees. Asylum seeking, while largely dependent on crises and events occurring independently, can also be affected through a spillover effect. When opportunities for legal labour migration exist, and barriers are relatively low, some potential humanitarian migrants may choose such channels over the more unreliable channel of applying for asylum. Conversely, when legal labour migration channels are closed, asylum application may be the only opportunity for economic migrants. This is especially true if the asylum procedure is long and the risk of expulsion remains low. Such opportunistic applicants represent a long-term problem, since rejected asylum seekers who remain in the host country, even when tolerated and granted access to the labour market, tend to have very poor economic outcomes compared with labour migrants and other categories.

A number of OECD countries with many asylum applications have attempted to accelerate processing in recent years and to reinforce their detention and readmission systems. OECD countries now have far more readmission agreements with sending and transit countries, reinforcing their ability to send back potential asylum seekers to "safe third countries". Within Europe, most countries are party to the Dublin Convention; asylum applications are meant to be processed in the first country of arrival, which is often not the intended or traditional destination. Any rise in asylum applications will face these new conditions, as well as strong public pressure to verify the legitimacy of asylum claims.

OECD countries which accept resettled refugees (United States, Canada, Denmark, Australia, Sweden, France, Netherlands etc.) usually do so on the basis of an annual quota or target. These quotas are set without specific reference to the labour market, but may be subject to change in reaction to labour market conditions, especially if resettled refugees are seen to compete with locals or to have particularly poor outcomes, or if public opinion raises concerns about budget priorities.

Free Movement

In monetary union areas, mobility of the workforce can be a powerful tool to absorb asymmetric shocks. If mobility between the EU15 countries remains relatively low, at least compared with interregional mobility within the United States, the last two phases of enlargement have had an unexpected impact on intra-EU migration. The experience in the EU has shown that, broadly speaking, free-movement inflows did not substitute or sharply reduce flows from outside the EU.

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Free circulation for employment has expanded in Europe since 2004. A number of countries fully opened their labour markets to citizens of the new European Union countries, while others imposed only nominal restrictions. Significant increases in the number of citizens from the new EU countries occurred in the labour markets in Ireland, the United Kingdom, Austria, Norway, Switzerland, and, to a lesser extent, Sweden. The scale of increase of labour migrants from within the free movement area was significantly higher than that of non-EU labour migrants, but no decline in the latter can be noted (OECD, 2008a). Most of these countries received far more labour migrants than they would have if they had not instituted a free-movement regime, but this does not appear to have affected entries of labour migrants from other countries.

Why didn't the flow of non-EU labour migrants decline? Labour migration from outside the EU is regulated and requires a job offer, generally limited to highly skilled workers. Employers may not have been able to recruit such workers from the new EU countries in sufficient numbers, or the recruitment channels in place remained attractive. Workers from the free-movement area generally took up temporary and lesser skilled jobs, for which recruitment from outside the EU was not allowed in any case. This suggests that reliance on free-movement areas for all international labour migration needs may not be realistic.

A second question is whether workers granted free-movement access changed their choice of country of destination. Flows from the EU8 countries towards non-EU destinations in the OECD did not decline after 2004, but maintained their trend. Migration to the United States, Canada and Australia, for example, rose slowly but steadily between 2000 and 2006. Some of this migration was family migration, while labour migration to these countries was essentially limited to highly qualified occupations. These two channels were unlikely to be affected by the opening of alternative destinations. The boom in migration to free-movement destinations appears to have involved another group, those meeting neither the family nor the professional criteria for non-EU migration, and those who wished to migrate temporarily.

Irregular migration

In the context of the current economic crisis, one of the first risks is of a rise in overstayers. Overstaying is a phenomenon in all OECD countries, although its relationship with the labour market varies among countries. Overstaying, as noted above, is a risk when unemployed immigrants with temporary permits lack the means to renew their permits. Returning home may be very costly for such workers, making them willing to accept illegal employment in the informal economy rather than return home (Box I.8). Even in times of normal growth, a number of OECD countries have seen immigrants fall back into irregular status after obtaining an initial work permit through recruitment or regularisation. The regularisations in Italy, Spain and Greece benefited a number of repeaters, while the renewal rate for permits issued was generally not as high as the rate of stay in the country among these beneficiaries.

Overstaying also occurs when immigrants without work authorisation, such as tourists or students, stay on beyond the expiration of their visa, contributing to the growth of the irregular population. Overstaying, fraudulent entry and illegal border crossing are all irregular flows which may emerge when other channels are closed to labour migrants and their families, especially if demand picks up. Push factors are often stronger than policy changes, and even poor opportunities in illegal employment during a severe downturn may

Box I.8. **The 1997 Asian financial crisis**

The 1997 financial crisis that hit a number of Asian countries, after unparalleled growth through and since the 1980s, had a major impact on their labour markets. Unemployment more than doubled in Korea and Thailand between 1997 and 1998, and increased by more than 50% in Malaysia. The Philippines was less affected by the crisis and unemployment only rose modestly there. Indonesia was one of the hardest hit countries, but the labour market response mostly involved a decline in real wages (more than 40% between 1997 and 1998) (OECD, 1999; Betcherman and Islam, 2001).

Labour migration had been increasing significantly in the 1980s and 1990s within the region, the main net labour-importing countries being Malaysia, Thailand and Korea (as well as Singapore and Hong Kong, China), the main labour exporters being Indonesia and the Philippines.

In response to the financial crisis and the subsequent recession, governments of labour-importing countries tried to cut back on migrant worker inflows and reduce the stock of illegal migrants. For example, Malaysia, which was heavily dependent on foreign contract workers (more than 20% of the total labour force), imposed a ban on the intake of migrant workers, and started deporting foreign workers (Manning, 2002).

As noted by Hugo (2002), despite efforts by the governments to alter migration movements to alleviate labour market difficulties, the crisis did not have a large impact on labour migration in the region, for four main reasons. First, the effect of the crisis in the origin countries, like Indonesia, only served to increase pressure to migrate illegally as formal-sector workers lost their jobs. Second, in many destination countries, the crisis did not affect the segments of the labour market in which many immigrant workers were employed. For example, many Indonesians in Malaysia work in plantation, forestry and agricultural sectors and the depreciation of the local currency made their exports more competitive internationally, creating increased demand for labour in those areas. As a result, broad measures to restrict immigration were opposed by employers in the sectors with labour shortages. Third, some migrant workers displaced from sectors like construction moved readily into the informal sector in destination countries. Fourth, some important Asian destination countries, such as Chinese Taipei, were not heavily affected by the crisis and remained attractive destinations for migrants.

be attractive enough to draw unauthorized migrants. Illegal border crossing is one indicator of irregular flows, although it tends to represent only a fraction of irregular migration in most OECD countries. In 2008, boat landings in Spain declined (from 18 to 13 000) while they increased in Italy (from 20 to 37 000). Along the US-Mexico border, interceptions declined (from more than 1 million in 2006, to 860 000 in 2007 and 700 000 in 2008). In Spain and in the United States, this decline has been attributed in part to falling demand. However, these declines also occurred in a context of increased workplace and border enforcement, and, in the case of Spain, international cooperation.

Irregular migration is less likely to be tolerated during an economic downturn (Wilkes *et al.*, 2008). Public support for enforcement measures against illegal employment of foreigners has been stronger during times of economic crisis as concern over competition for jobs rises (Simon and Lynch, 1999; Citrin *et al.*, 1997). Regularisation programmes are less likely to occur during an economic downturn, since public support for such measures is limited at the best of times. Continuous and case-by-case regularizations based on employment, which exist in some OECD countries, are also less effective during a downturn as jobs disappear.

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3.3. Expected medium-term impact on the integration of immigrants

Beyond the immediate impact of the downturn on immigrant employment, the issue of its medium and long-term consequences on the integration of immigrants appears key. Historical experiences have shown that a severe economic crisis could have a long-lasting impact on immigrants, both recent arrivals and those already settled in the receiving country. What are the risks and the adequate policy responses that OECD countries should consider in this context?

The impact of economic conditions upon arrival on the labour market outcomes of immigrants

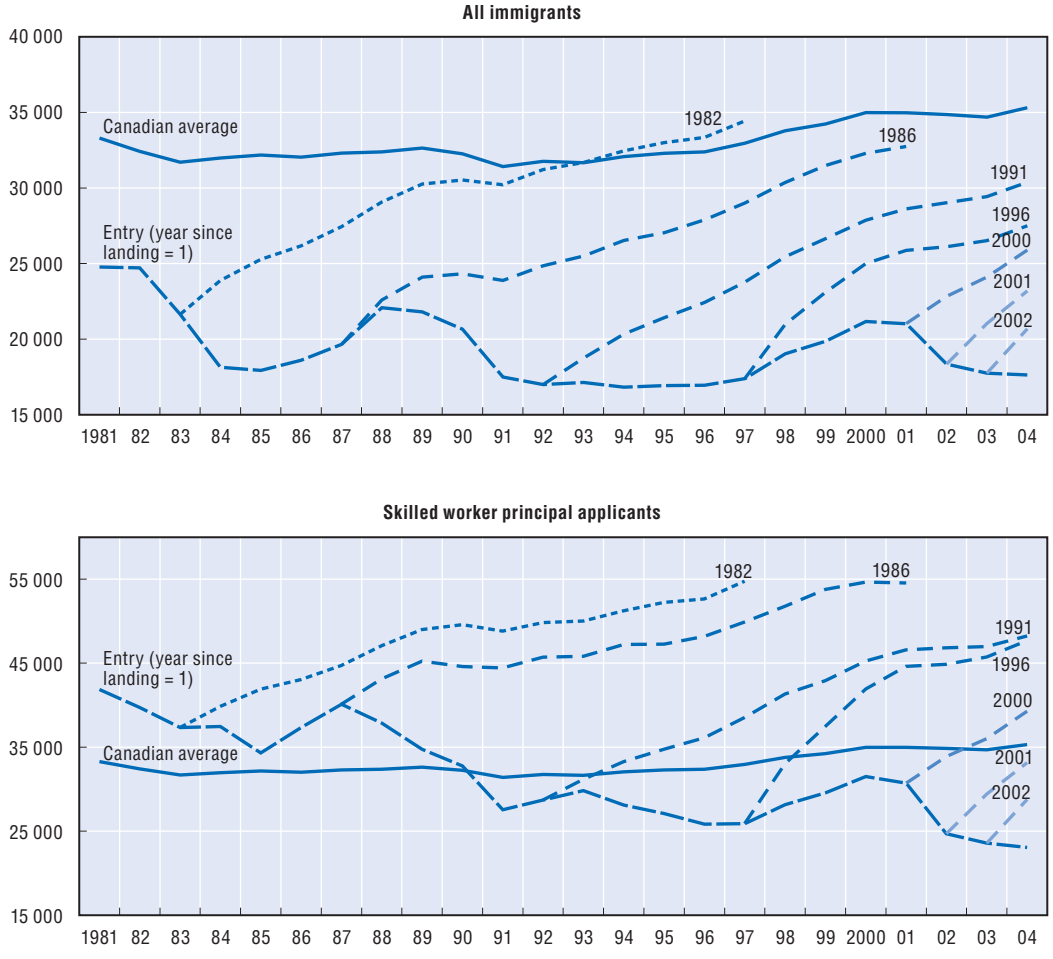
As a consequence of the economic downturn, the entry of new arrivals into the labour market will be delayed. Employers will tend to be more selective at the hiring stage and characteristics such as language difficulties, which tend to hamper productivity, may be used to screen out applicants. With a relative abundance of candidates, employers have little incentive to search beyond the familiar and relatively predictable. There is evidence as well that personal or informal networks are more commonly used for job seeking during economic downturns than formal methods (Behtoui, 2004). Here again, recent arrivals tend to have less access to such networks and are therefore disadvantaged *vis-à-vis* the native-born.

More importantly, past experience has also shown that arrival during an economic downturn can have longer term consequences on immigrants' labour market outcomes.[36] Sweden provides an example (OECD 2007a). It underwent a severe crisis in the early to mid-1990s which saw a 12% drop in employment levels in less than three years, followed by a rapid recovery. During this period, labour market outcomes of immigrants were negatively affected and more particularly for the most recent arrivals. Aslund and Rooth (2003) show that about six years after arrival, migrant cohorts who had entered before the recession were 7-9 percentage points more likely to be employed, and had about 12-18% higher earnings than migrants who had arrived during the deterioration phase of the labour market.[37]

In Canada, labour market conditions were relatively poor throughout the 1980s, but the situation worsened during the early 1990s recession. In 1993, the unemployment rate was more than 11%, against 7.5% in 1989. The labour market fate of immigrants who entered during this period was significantly worse than those who arrived before. Immigrants arriving in the early 1990s not only had lower starting earnings and employment rates, but also appeared to catch up more slowly than previous cohorts (Figure I.14). This is not true, however, for skilled worker principal applicants, who despite persisting low earnings relative to domestic workers one year after landing, did catch up eventually faster than previous cohorts. Changes in the composition of migration, by skill level and by countries of origin, in fact largely contribute to explain the observed decline in earnings at entry for recent immigrants (Picot and Sweetman, 2005). Nonetheless, Aydemir (2003) shows that controlling for macro conditions at entry reduces significantly the cohort effect on labour market outcomes of immigrants. Macro economic conditions at entry explain more than 50% of the decline in the participation rate of immigrants who entered during the recession of the 1990s and about a fifth of the decline in the employment rate.

Figure I.14. **Average annual employment earnings by immigrant class, by landing year and tax year, Canada, 1981-2004**

2004 dollars



Source: Longitudinal Immigration Database (IMDB); Canada Customs and Revenue Agency (CCRA).

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With large numbers of new arrivals of humanitarian immigrants from the mid-1980s to the early 1990s occurring at the same time as an economic downturn, Denmark also saw a drop in the employment-population ratio of its foreign-born population of almost 15 percentage points. In the Netherlands, the severe economic crisis of the early 1980s appears to coincide with the onset of low employment of immigrants, many of whom had arrived in the second half of the 1970s (OECD, 2008d). Other studies concerning the United Kingdom (Clark and Lindley, 2006)[38] or the United States (Chiswick and Miller, 2002) confirm the negative impact of labour market conditions at entry. In the latter case, however, the authors show that the adverse initial effect diminishes with duration of stay in the United States.[39]

One possible reason for the long-term negative impact is so-called "scarring effects". Immigrants who have not managed to get employed quickly after arrival may be stigmatised in the labour market. Furthermore, they get in direct competition with new entry cohorts when the economy is recovering.

This is, however, not specific to immigrants, as native-born youths entering the labour market during a recession also face potential long-lasting consequences in terms of employment outcomes. This calls for policies supporting all individuals entering the labour market during the economic crisis to help them obtain a first work experience, for example through traineeships or subsidised jobs.

In addition, participation in programmes which are being developed by OECD countries in response to the crisis, should not be conditioned on nationality or duration of residence criteria, in order to avoid exacerbating the negative impact of macro economic conditions at entry for recent immigrants. Lastly, during the recovery phase, when job opportunities develop, special attention should be paid to those immigrants who have recently acquired the right to settle in order to help them acquire a first experience in the labour market as soon as possible.

Retraining and employment reintegration of displaced migrant workers

Economic crises generally magnify on-going structural changes in the labour market, such as a decline in tradable industries with competitive weaknesses. In the 1970s, the oil shocks aggravated the restructuring processes in industries such as iron and steel, metallurgy, chemicals or manufacturing. Immigrants, concentrated in these sectors, were hit hard by the crises and faced difficulties in reintegrating the labour market. In France, between 1974 and 1982, the number of unemployed foreigners increased from 40 000 to about 220 000 and the unemployment rate of foreigners reached 14% (Schor, 1996; Tripier, 1990). Policy responses were usually limited to providing support for return migration – with very limited success – and standard reintegration packages. This proved to be inefficient at a time when many immigrants were low-educated and lacked the basic skills to adapt to new employment opportunities, notably in the service sector. In several EU countries, this has had a long-lasting impact on the integration of immigrants, which is still apparent in the educational and labour market outcomes of their children.

The current economic crisis also occurs in the context of increasing competition and on-going restructuring in manufacturing industries, which is impacting the demand for labour, notably for low-skilled workers, in these sectors (OECD, 2007b). The macroeconomic shock may contribute to exacerbate this evolution. Sectors such as the automobile industry have already announced downsizing or massive temporary layoffs in several OECD countries, including the United States. The general context is, however, quite different today from what it was in the 1970s, as migrant employment has started to diffuse to service sectors and plays a much smaller role in manufacturing industries (excluding *food processing*). Furthermore, immigrants who arrived over the past 20 years tend to be more qualified than in previous migration waves (OECD, 2008e).

Retraining and reintegration schemes, however, may be an efficient tool to avoid negative long-term consequences for displaced workers, both migrants and natives. Several OECD countries have indeed included such schemes in their fiscal stimulus packages. The United Kingdom for instance is planning to spend up to GBP 100 million in retraining displaced workers. Japan has announced in a "comprehensive immediate policy package to ease public anxiety" extensive training for the newly unemployed in areas facing particularly severe employment situations.[40]

Retraining and reintegration programmes should be generalised and open to all workers with a special focus on those who have been displaced from declining industries.

4. Impact of the crisis on migration: the perspective of origin countries

As seen above, the crisis in the OECD countries affects labour market outcomes of immigrants and has the potential to change incentives for international migration to the OECD area. The spread of the economic crisis to emerging and developing countries will, however, also modify emigration incentives. Slowing per capita income growth and reduced job opportunities might indeed push more people, especially the young, to migrate. Yet, the impact on migration flows will depend to a large extent on the relative magnitude and timing of the economic crisis in origin countries.

Should origin countries be only marginally affected, while destination countries bear the bulk of the impact, this would limit the push factors. On the contrary, if origin countries are deeply impacted, incentives to emigrate will be stronger. If emerging and developing countries reach their cyclical trough while OECD destination countries are already in a recovery period, the rising differential in economic opportunities would create significant migration incentives. On the other hand, if the crisis occurs in a more synchronised fashion, the impact on migration should be more limited.

In addition, migration will play a role in shaping the impact of the crisis in countries having a significant proportion of their populations living abroad, mainly through changes in remittance flows. The labour market situation of immigrants in OECD countries, as well as the changes in migration policies, will therefore have an indirect impact on how the crisis affects those origin countries.

This section looks at the possible consequences of the crisis on international migration from the perspectives of origin countries by considering the economic prospects in emerging and developing countries, and analysing two connected issues: migration flows, including returns, and remittances.

4.1. Global and regional outlook

While the crisis started earlier, and is currently more severe, in the more advanced economies than in most emerging and developing economies – in part because the two groups followed diverging trends in the past ten years – Figure I.15 shows that both groups are likely to follow parallel paths in the near future.

Under the current forecasts, emerging and developing economies are projected to be significantly affected by the crisis: the most recent IMF projections available (IMF, 2009b)[41] put GDP growth for this broad group of countries at 6.1% in 2008 and between 1.5 and 2.5% in 2009, against about 8% in 2006 and 2007; earlier and more detailed projections released in January 2009 were significantly more optimistic, indicating an ongoing worsening of the economic outlook for those countries (Table I.3). The January projections show that there are of course large differences across regions and countries within this group. For example, the African continent was expected to lose "only" 1 percentage point of GDP growth in 2008 compared with its 2006-2007 average and 2.8 points in 2009, while regions more integrated into the world economy will tend to lose more: China and India will lose respectively 3.3 and 2.3 growth points in 2008 and respectively 5.6 and 4.5 points in 2009, and Mexico is projected to lose 2.3 points in 2008 and 4.4 points in 2009. Due to its large dependence on commodity exports during its recent period of high growth, Russia is likely to be very affected by the end of the commodities boom, and is predicted to lose more than 8 points in 2009.[42] Even for the developing countries where the impact of the crisis is expected to be somewhat moderate

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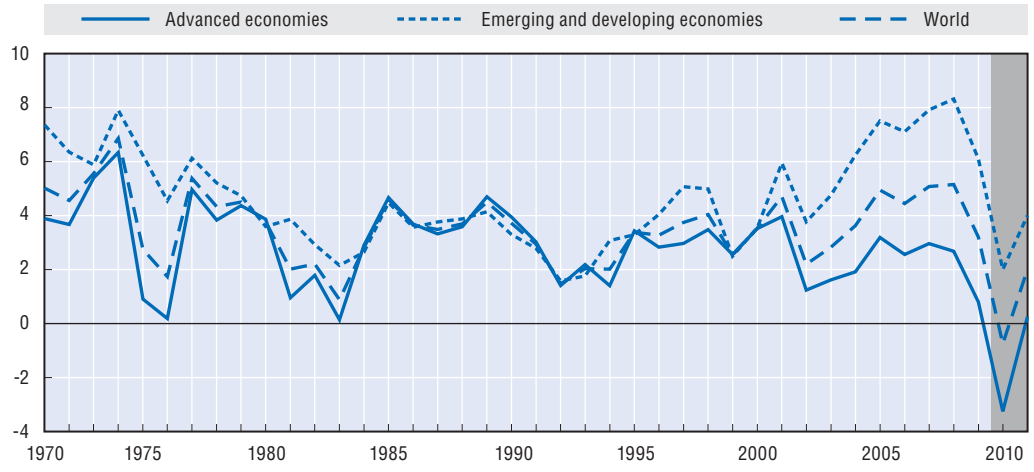
Figure I.15. **Real GDP growth, 1970-2008 and projections 2009-2010**

Percentage change



Source: IMF (2009a, 2009b).

StatLink http://dx.doi.org/10.1787/635870376410

Table I.3. **Percent change in real GDP in emerging and developing economies, by major regions or countries, 2006-2008 and projections for 2009**

	2006	2007	2008	Projections	Difference with 2006-2007 average	
				2009	2008	2009
Emerging and developing economies	**7.9**	**8.3**	**6.3**	**3.3**	**–1.8**	**–4.8**
Africa	6.1	6.2	5.2	3.4	–1.0	–2.8
Sub-Sahara	6.6	6.9	5.4	3.5	–1.4	–3.3
Central and Eastern Europe	6.7	5.4	3.2	–0.4	–2.9	–6.5
Commonwealth of Independent States	8.2	8.6	6.0	–0.4	–2.4	–8.8
Russian Federation	7.4	8.1	6.2	–0.7	–1.6	–8.5
Excluding Russian Federation	10.2	9.7	5.4	0.3	–4.6	–9.7
Developing Asia	9.8	10.6	7.8	5.5	–2.4	–4.7
China	11.6	13.0	9.0	6.7	–3.3	–5.6
India	9.8	9.3	7.3	5.1	–2.3	–4.5
ASEAN-5	5.7	6.3	5.4	2.7	–0.6	–3.3
Middle East	5.7	6.4	6.1	3.9	0.0	–2.2
Western Hemisphere	5.5	5.7	4.6	1.1	–1.0	–4.5
Brazil	3.8	5.7	5.8	1.8	1.1	–3.0
Mexico	4.9	3.2	1.8	–0.3	–2.3	–4.4

Source: IMF (2009a, 2009b).

StatLink http://dx.doi.org/10.1787/636372824513

because of their weaker integration in the world economy, the social impact of the crisis will probably be significant. Moreover, this negative cycle comes after an inflationary episode that has resulted in a food crisis in a number of developing and emerging countries.

As all the major global forecasters note, there is a great deal of uncertainty regarding the future state of the world economy (IMF, 2008; OECD, 2008f). The uncertainty pertains not only to the magnitude of the crisis, but also to the timing of its spread across the regions of the globe. While all the major financial markets in emerging and developing countries have been affected rapidly (and significantly), the transmission of the negative

shock of the global credit crisis to the real economy of developing and emerging countries can be driven by many different factors, both direct and indirect, and both international and domestic. The complexity and diversity of the transmission channels and of their interaction with pre-crisis national situations make it particularly difficult to forecast what it is going to happen in those countries.

Similarly, the duration of the crisis in emerging and developing countries will very much depend on its local nature (origin, sectors affected, extent of monetary and fiscal troubles), the pre-crisis local situation, the degree of integration into the world economy, and the magnitude of the slowdown. National and international policy responses will also have an impact on the relative gravity and duration of the crisis across countries.

These uncertainties on the magnitude and timing of the crisis have strong implications for the possible evolution of emigration flows, return migration and remittances in the short and medium term. It should be noted that, when making migration and remittance decisions, individuals not only consider the current conditions in origin and destination countries, but they also form expectations regarding those conditions for the future. In the current context of general uncertainty about the economy, the range of expectations regarding the evolution of particular economies is likely to be much broader than usual, which implies that the discrepancy in migration plans for the future, and current migration behaviours, will probably be unusually large, even for individuals in apparently similar situations.

Moreover, medium-term prospects are complicated by the possibility of a change in the economic growth pattern of the major emerging economies in the post-recovery period, especially China, which has been a key engine for the growth of many developing countries in the recent years (in particular through a strong demand for commodities). Post-recovery migration flows from African countries, for example, will likely vary according to whether GDP growth returns to its pre-crisis average of 6%, or if it stabilises around 3%, as it was at the beginning of the 2000s. Such a difference would not only affect the magnitude of migration flows but probably also their composition.

4.2. Changes in flows: emigration and return migration

The advent of the crisis in destination countries is associated with both lower and more uncertain employment and earnings for migrants and prospective migrants. It is therefore likely to put a hold on outmigration projects and to encourage or advance the return of some categories of immigrants.

It is, however, unlikely that the motivations for emigration will disappear because of this crisis: post-crisis, per capita income gaps between the OECD destination countries and most developing and emerging countries will remain of the same order of magnitude as before the crisis. People will continue to try their luck abroad, and individuals already living and working abroad will still wish to reunite with their families and offer their children better opportunities. Once the situation has stabilised, barring exceptional circumstances, those individuals who had delayed their move will therefore go back to the pool of prospective migrants.

Temporary migrants represent a large share of international migration flows to OECD countries. These migrants are, by definition, required to return to their home country when their permit expires, but they might chose to do so sooner if economic conditions in the destination country deteriorate (for instance, in the event of a job loss, as they are often not

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entitled to collect unemployment or welfare benefits). Regarding permanent migrants, the category of entry is a key determinant of the propensity to return (OECD, 2008a). Typically, labour migrants or students have a relatively higher propensity to return than family migrants or those coming on humanitarian grounds. Depending on the country of destination and the time period considered, it has been estimated that between 20% and 50% of migrants leave within five years after their arrival, and that the probability to return decreases rapidly with the duration of stay. These facts imply that one cannot expect a durable deviation from usual return migration flows because of the crisis. Return migration might increase in the short term, but these excess outflows will mainly concern individuals who would have returned at a later date, as well as some recent migrants who arrived just before the crisis and who anticipate that they will have a hard time on the labour market (and therefore might not be able to achieve their savings objective). Long-settled immigrants are unlikely to return because of the crisis, especially those living in the destination countries with their families.

Overall, one can therefore expect a short-term drop in net emigration from developing and emerging countries, more or less pronounced depending on the economic situation in the main destination countries. This drop is likely to be followed by a rebound when OECD destination countries start to recover, corresponding to delayed outflows and a reduction of return flows.

Restrictive migration policies in destination countries might also have an impact. In particular, if governments of destination countries choose to restrict labour migration on the ground of the labour market situation (or to satisfy public opinion), or if entry conditions are tightened for family or humanitarian migration categories, this would make it more difficult and more costly to migrate, and force prospective migrants to delay their moves even longer. Governments might also try to encourage migrants to leave through voluntary return programmes, accompanied by financial incentives. However, as highlighted in OECD (2008a), past experiences show that these schemes generally have little impact. Migrants can be reluctant to return home if they lose their right to come back to the destination country again. Indeed, the possibility to emigrate again acts as an insurance against the failure of the return project in the origin country. To sum up, OECD countries wishing to encourage return migration during a downturn should therefore reduce obstacles to return, for example by improving the portability of social rights or by offering re-entry options.

Return migration decisions are also strongly conditioned by the economic, social and political situation in origin countries (OECD, 2008a). As we have noted, uncertainties regarding the medium-term outlook in emerging and developing economies are huge. Since those economies are on average much more volatile than OECD countries, small-probability events might carry sufficient hazards to deter risk-adverse migrants to go back to their origin countries, whatever the situation in the destination country.

Furthermore, notably in Spain and the United States, immigrants have invested in the housing market but cannot sell their assets without the risk of facing a large financial penalty. This clearly imposes an additional impediment for return migration in the present context (Box I.9).

As mentioned in Section 2, there has been some evidence since 2007 of a significant reduction in inflows of undocumented migrants to the United States. It is, however, too soon to tell if this trend will last. Large number of Poles have also returned from the

Box I.9. **The housing bubble and immigrants: Home ownership and negative equity**

Immigrants, as noted, are disproportionately employed in the construction sector in many OECD countries and therefore vulnerable to a collapse of housing prices. But immigrants are also homeowners, and in many OECD countries, especially those where the housing bubble has been most severe, they have represented a growing share of home purchasers and mortgage takers in recent years. This means that immigrants are heavily exposed to the decline in home values, and, because of their higher vulnerability, at greater risk of mortgage default.

In the United States, the homeownership gap between immigrant and native-born households was growing at the start of the 2000s. While home ownership rates among prior immigrants were rising, significant new immigration lowered overall home ownership rates among immigrants. Many of the new immigrants were less educated and had lower income than the native-born, in addition to lacking equity from a previous home. In 1996, 33.1% of non-citizen immigrants were homeowners (Census Bureau, 1997); this rose to 35.8% in 2002 (HUD, US Housing Market Conditions, 2002). In 2005, 17.5% of first-time homebuyers were foreign born (6.4 % naturalized citizens and 11.1% noncitizens), while 11.4 % of other recent homebuyers and 8.6 % of other homeowners were foreign born (HUD, US Housing Market Conditions, 1/2007). Many also settled in high-growth areas where housing costs had risen the most; in fact, the price of houses bought by immigrants was higher than that of the native born (Ray *et al.*, 2004). The housing boom in the United States corresponded with an expansion in mortgage loans – often at higher interest rates – to buyers with limited or poor credit history, a group which included a disproportionate number of immigrants. The current downturn has struck this group hard. According to 2007 Census bureau data, just under a third of Hispanic homeowners spend at least 38% of their income on housing expenses, compared with about a quarter among Asian and black households and nearly 16% of white households. In November 2008, the Pew Hispanic Centre found that more than half of foreign-born Hispanic homeowners in the US were worried about foreclosure of their homes in the next year (Hugo Lopez *et al.*, 2009).

Spain also saw a rapid rise in home purchases by immigrants during the 2000s, in correspondence to rapid increase in the foreign population. In 2006, the government estimated that 40 000 homes were being bought annually by immigrants, or 5% of the total (Oficina Economica del Presidente, 2006); the same year, only 9% of immigrants were homeowners, with this projected to rise to 22% by 2010 at current purchase rates. In 2007, 15% of home purchases were by immigrants (68 000 units), although this comprised only 7.4% of total mortgage value that year.[1] By 2008, 38% of immigrant households were homeowners, although they paid a premium (average of 3-5%, and as much as 8% more) compared with Spaniards for their mortgages (Oxfam, 2007). Most of the defaults are now attributed to immigrants.

In the United Kingdom, research by the Council of Mortgage Lenders (Holmans, 2005) found low home-ownership rates among recent migrants (20% after five years). Rising prices throughout the 2000s excluded many first-time buyers from the UK market, reducing the exposure of immigrants to the collapse of the real estate market. Home ownership rates were even lower among immigrants in Ireland. According to the 2006 census, while Irish homeownership rates were 78%, the rate was 5.4% among foreigners from the EU10, and 21.7% for those from third countries. Rates paid by immigrants are 2% higher than those paid by Irish, according to the Professional Insurance Brokers Association (PIBA).

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Box I.9. **The housing bubble and immigrants: Home ownership and negative equity** *(cont.)*

Immigrants buying into the housing market during a rapidly rising market generally do so without equity. In Italy, for example, immigrants made up 17% of home purchasers in 2007, and their purchases were generally much more heavily mortgaged than native Italians (half of whom did not use mortgages at all). With prices falling, immigrants are much more exposed. Immigrants who have purchased homes where the mortgage is worth more than the current market value, or those who are unable to sell their homes, cannot withdraw equity for a return home.

1. Data presented at seminar "Productos y servicios financieros para inmigrantes", Madrid, 31 January 2008.

United Kingdom in the past two years (Box I.10), but this was associated with higher demand for labour and rising wages in Poland, and not necessarily with the slowdown in the United Kingdom.

Overall, for all the reasons mentioned above, it seems unlikely that we will witness large return migration flows from OECD countries in the medium-term. Significant flows might be recorded in some cases, where there is a sufficiently strong and persistent decoupling between the destination and origin countries, and if migration costs are not too high, but this will likely be the exception rather than the rule.

4.3. Remittances

According to estimates by the World Bank, remittance flows to developing countries began to slow down in the second half of 2008 (World Bank, 2008 and 2009). Overall remittances to developing countries are expected to reach about 305 billion USD in 2008, "only" 8.8% more than in 2007 when the growth rate of remittances to these countries between 2006 and 2007 was 16%. So far, since they are the most dependent on the economic situation of the United States, Latin American and Caribbean countries are the most affected, with remittance flows slowing to zero growth in 2008. On the other hand, labour migration from South Asian countries is mostly directed to other countries in the region or to the Gulf countries, and remittances have therefore been much less sensitive to the early developments of the crisis. Remittances to developing countries are projected to decrease significantly in 2009 by 5 to 8% and before growth resumes in 2010 (World Bank, 2009), but the numerous uncertainties surrounding the state of the world economy make it premature to predict its scale.

Several factors must be considered to understand how the crisis might affect remittance flows: *i)* the number of immigrants in the destination country, and their labour market participation; *ii)* their propensity to remit money, which depends on their duration of stay and family situation; and *iii)* the average amount transferred by those who remit. All of these factors can be affected by the crisis, possibly in opposing directions, which makes the overall impact uncertain.

Regarding the first factor, it is likely that the overall earnings of immigrants in OECD destination countries will decrease as a result of the crisis, because net flows will be affected in the short term, and because of the worsening employment situation. However, remittances are sent by the cumulated flows of migrants over the years, and not only by the new migrants of the last year or two, which makes them relatively persistent over time.

Box I.10. **Returns to enlargement countries in the wake of the economic crisis**

Post-enlargement migration flows from Central and Eastern European to EU15 countries have tended to be more temporary than permanent, with many immigrant workers returning to their home countries. Can one expect this to continue with the current economic downturn? Some developments will likely encourage returns, others will favour a continuing presence in the host countries. What the balance will be is as yet unclear.

The current downturn is affecting some of the largest EU15 national labour markets, resulting in a rapid contraction of labour demand and a reduction in earnings. At the same time, many of the new accession countries have experienced in recent years both labour shortages and rising wages. Poland, in particular, is experiencing a boom in construction and hospitality which has been fuelled by major construction projects in preparation for the 2012 European Football Championship.[1] So far, the impact of the crisis in EU8 and EU2 countries is much more limited than in most of the EU15 countries, even if growth has already slowed in 2008 and is expected to slow more in 2009. The change to the balance of economic push and pull factors may therefore encourage, in the short term, the return migration of workers from enlargement countries.

The predominantly temporary pattern of post-enlargement migration flows may be another factor that will encourage returns. The deterioration of labour market conditions in host countries may lead those Central and Eastern European workers with return intentions to bring them forward.

On the other hand, in the medium to long term, the contraction of both FDI and migrants' remittances as a result of the current economic crisis is likely to reverse the growth trends of EU8 and EU2 economies. This will contribute to spreading the crisis to those countries and, subsequently, to reducing the propensity to return.

Already in 2007, the Polish Government had introduced a package of measures aimed at attracting Poles back home to fill in the growing labour shortages in the national labour market. With the contraction of foreign direct investment, the savings which migrants would bring back with them is another reason for encouraging returns.

Exchange-rate developments may also affect returns, in particular in the case of Polish immigration to the United Kingdom. The narrowing of the earnings gap as a result of sterling's depreciation in recent years gave Polish immigrants in the United Kingdom yet another reason to return home, to invest their savings in the growing home economy before further depreciation. However, since mid-summer 2008, the pound, despite its drop relative to the euro, has appreciated relative to the zloty. This reversal may reduce the incentive to return.

Some recent Polish population register data suggest that a growing number of Poles have returned from abroad in the last two years. Data from a survey of returned Poles who have lived in the United Kingdom for at least three months since 1998 confirms that the pace of return to Poland among migrants in the United Kingdom has accelerated during early 2008 (Latorre, Pollard and Sriskandarajah, 2008).

Bulgarian and Romanian workers who have emigrated to find work in EU15 countries in recent years seem less likely, even in the short term, to return to their home countries. Restrictions on their movements are still in place, wage gaps remain high and migration has shown signs of being more permanent for workers from these countries. Even those workers experiencing job losses and difficulties in finding new employment in host countries are more likely to remain there, claiming unemployment benefits if they have entitlements, or searching for employment (either legal or illegal) in sectors or regions less hit by the crisis.

1. The jobs which Poles have been taking up abroad are not necessarily jobs which they would take on in Poland, so that the return of persons working in specific occupations abroad may not result in the filling of labour shortages in the same occupations back home.

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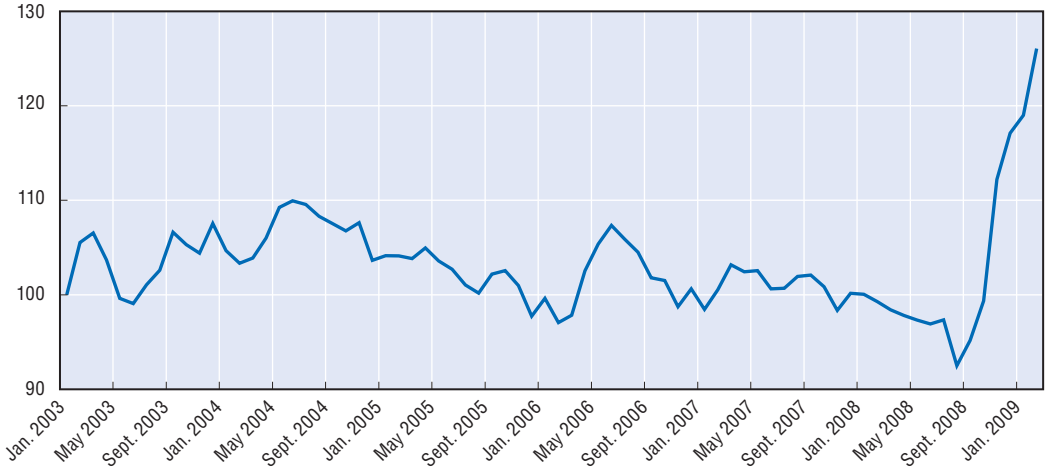
Whether the share of immigrants who remit money will increase or decrease as a result of the crisis is not clear. On the one hand, if migration slows down, this means that the share of recent migrants in the overall foreign-born population will decrease, and recent migrants are generally more likely to remit, while those established for a long time (especially those living in the host country with their family) have a lower propensity to remit. On the other hand, depending on the extent of the crisis in origin countries, immigrants might be under increased pressure to provide financial resources to their extended family or communities back home. Indeed, there is some evidence showing the counter-cyclical effect of remittances (Chami, Fullenkamp and Jahjah, 2005; Fajnzylber and López, 2007).[43]

Finally, average amounts transferred depend on both the evolution of individual earnings or savings of immigrants, and the real exchange rate between the host and origin countries. An appreciation of the real exchange rate of the destination country's currency relative to that of the origin country implies that the value of remittances in the origin country's currency increases. On the other hand, when the origin country's currency appreciates, this implies that migrants need to send a larger share of their income to guarantee the same resources for their relatives in the origin country.

As shown in Figure I.16, the Mexican peso has rapidly depreciated in real terms against the US dollar since September 2008, after a period where the trend had been opposite. According to research by the Pew Hispanic Center, among Hispanic immigrants who sent remittances in the last two years, about 70% say they sent less in 2008 than in 2007. However, data from the Bank of Mexico do not show a decline in the average amount of remittances, which has remained around 350 USD per month.

Figure I.16. **Real exchange rate of the Mexican peso per unit US dollar, January 2003 to February 2009**

Base January 2003 = 100



Source: Consumer price index data from OECD Monthly Economic Indicators; nominal exchange rate from IMF exchange rate database.

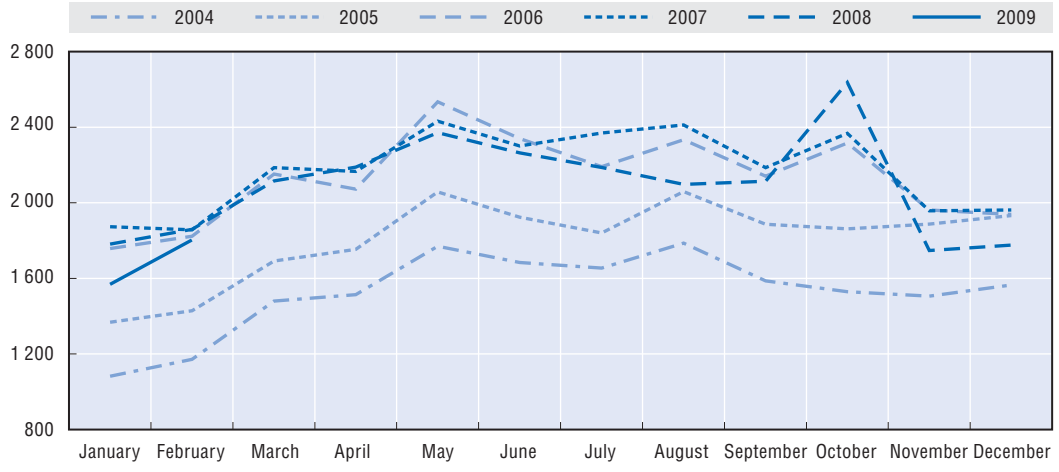
StatLink http://dx.doi.org/10.1787/635870617007

While there is some evidence of the relative resilience of remittances from the United States to Latin American countries (Roache and Gradzka, 2007), the current crisis is likely to have a non-trivial impact on remittances. Overall, as shown in Figure I.17, remittances from the United States to Mexico have markedly slowed in the past two years, and were

particularly low during the summer of 2008 compared with previous years. The very large fluctuations in remittances flows at the end of 2008 are unusual, and can probably be attributed partly to the dramatic change in the real exchange rate of the peso against the dollar.

Figure I.17. **Workers remittances to Mexico, January 2004 to February 2009**

Millions of US dollars



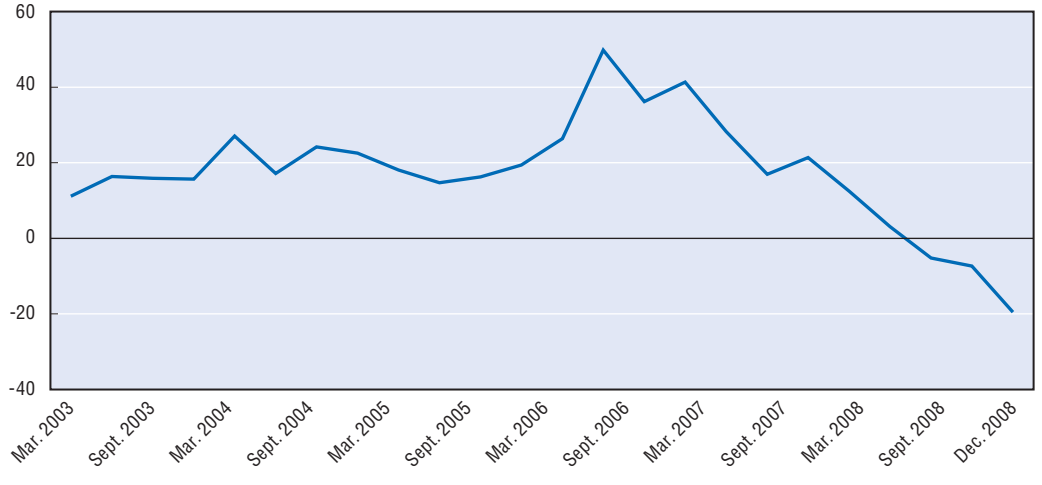
Source: Banco de Mexico.

StatLink http://dx.doi.org/10.1787/635884652362

Similarly, balance-of-payments data from the Spanish Central Bank show that the growth of remittances sent abroad by migrants living in Spain has slowed down since mid-2006, and has been negative since the beginning of 2008 (Figure I.18).

Figure I.18. **Growth of remittance flows from Spain, March 2003 to December 2008**

Year-on-year per cent change



Source: Banco de España.

StatLink http://dx.doi.org/10.1787/636061572588

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In countries where a large share of households relies on remittances as a key source of income to finance current expenditures or investment, and where remittances constitute an important source of foreign currency, the impact of the crisis on the labour market situation of immigrants in OECD countries will therefore be an additional transmission channel of the international crisis to the national economy.

Conclusions

Severe recessions have historically had a negative impact on net migration flows, although they have not generally affected long-term migration trends. Labour migration flows have been more sensitive to economic changes, while family and humanitarian migration were generally less affected in the short run. While return migration is hampered by the economic conditions in the origin country and possibilities to re-enter the receiving country, immigrants, however, tend to exercise their right to family reunification. Indeed, past programmes to blunt the effect of the crisis by providing incentives for migrants to return voluntarily have not generally been successful. Furthermore, historical experience shows that, if opportunities for legal labour migration remain limited during the recovery phase, an increase in irregular migration may occur in response to labour shortages in some occupations, provided that the migrants are still able to finance the costs associated with such migration.

The current economic crisis seems to have affected flows in a number of countries, particularly those where the downturn started earlier and is most extensive. Evidence of declines in labour migration flows comes from the United Kingdom, Ireland and Spain. In other countries, the impacts of the economic slowdown on migration trends are not yet visible. Irregular migration flows seem to have fallen in some countries, notably in the United States.

Even if it still too early to identify the full impact of the economic crisis, the latest available data confirm that labour market conditions are rapidly deteriorating in all OECD countries. This situation is already challenging the progress made in recent years in terms of labour market outcomes of immigrants in several OECD countries, notably in Ireland, Spain, the United Kingdom and the United States, countries where immigrant labour played a key role during the last expansion period.

In many OECD countries, immigrants are among those at the forefront of the worsening of labour market conditions, because they are often concentrated in industries which are more sensitive to business-cycle fluctuations and they have, on average, less secure contractual arrangements. In addition, even if evidence is not yet available, one cannot rule out the risk of selective layoffs.

A strong macroeconomic shock may also jeopardise the medium and long-term integration of immigrants. The measures geared toward the labour market within "stimulus packages" should thus not discriminate against regular immigrant workers, as it is doubtful that significant return migration will be observed, at least for permanent migrants. Special attention should be paid to retraining and reintegration programmes for workers in declining sectors, where immigrants are overrepresented in some countries. More generally, it is important not to reduce the efforts to facilitate the integration of immigrants into the labour market during an economic crisis.

The policy response, in terms of management of labour migration, to the downturn in OECD countries has been mixed so far. In a number of countries, shortage lists have

become more restrictive and caps for immigration lowered. Labour-market tests are also being applied more broadly, for example in Canada. Incentives for return migration have been introduced in Spain. In some EU15 countries, temporary restrictions on free movement of workers from the new EU members have been extended, although they still have priority to access the labour market over third-country nationals. Nonetheless, many OECD countries have not yet moved to limit labour migration and those with long-term immigration targets (New Zealand, Canada) have maintained their objectives despite recessionary forecasts.

The economic downturn reveals the capacity of current migration management systems to react quickly to changing economic conditions. Where migration is contingent on a job offer, a decline in demand usually translates rapidly into a fall in migration. If quota caps had been set far below demand, however, a decrease in the latter may not automatically produce a decline in flows. Other policy instruments, such as shortage lists or a labour-market test, can be used to some extent to adjust international recruitment to labour market needs. Some of these instruments can be changed within the framework of the migration management system already in place, without recourse to new legislation.

The economic outlook for OECD countries is worsening and the demand for labour is expected to fall drastically in the next quarters. This means that in the medium term recourse to foreign labour will probably diminish in many OECD countries, although certainly not to a point where labour migration flows would vanish, as employers in some segments of the labour market will still find it difficult to rely on the resident workforce to meet their needs. This will be the case for instance for those 3D jobs which are less sensitive to the business cycle (*e.g*; seasonal agricultural work, domestic work), as well as for highly skilled professional occupations where training is long and costly (*e.g.* health occupations).

Historically, public opinion has been more sensitive to issues of migration during periods of economic crisis and higher unemployment. A functioning labour migration management system can react quickly to short-term economic and labour market changes. Further, while economic crises may justify restrictions in labour migration in the short-term, it is important to consider the longer term consequences of policy changes made during a crisis. Eventually, other concerns, such as population ageing and labour shortages in some sectors, may reappear with a new urgency, and migration flows will be one of the potential responses (OECD, 2009a). In addition, public opinion may pressure governments to restrict non-discretionary immigration as labour market conditions weaken and perceived competition with the foreign-born increases. However, the margin for restrictive measures on non-discretionary migration may be limited by international commitments and in some cases it may induce perverse unexpected effects on irregular migration or integration.

To sum up, taking into account the challenges associated with international migration in the context of the current economic crisis, a strategic response to "build a stronger, safer and fairer world economy", as called for by the OECD, should consider the following key points:

- Delaying or cutting back on integration measures during a downturn may have negative long-term implications for integration of immigrants. OECD governments should therefore consider *i*) maintaining, if not strengthening, their integration programmes; *ii*) reinforcing their effort to fight discrimination; and *iii*) ensuring that active labour market policies reach new entrants into the labour market, including recent immigrants, and workers displaced from declining industries.

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- Management of labour migration should be sufficiently responsive to short-term labour market conditions, without denying the more structural needs or hampering return. It is important to avoid making policy changes which would leave a country unable to respond quickly to labour market needs in the recovery phase, or which would induce unwanted effects on irregular migration or integration.
- Special attention should be paid to the economic situation in less developed countries as remittances are falling during the economic crisis. More generally, efforts to prevent the crisis from spreading to less developed countries should be reinforced, in part to prevent the current economic downturn from adding to the push factors driving irregular migration.

Notes

1. A notable exception is Austria where the employment-rate gap between the foreign-born and the native-born increased by 7 percentage points between 2003 and 2007.
2. There are large differences in unemployment rates of immigrants by region of origin. Unemployment of African immigrants reached 32.8% in the fourth quarter 2008, while unemployment rate of Latin-Americans was close to 19% and that of people originating from new EU member States (A10) was equal to 12.6%.
3. Almost all the decrease is recorded in the general regime, while the number of foreign workers in the agricultural regime increased by about 3% between May and December 2008.
4. Dustmann, Glitz and Vogel (2006) show, in the context of the United Kingdom and of Germany (1981-2001), that "changes in the demand for labour over the economic cycle affect immigrant workers and in particular those from non-OECD countries more than natives". In the case of Norway, Barth, Bratsberg and Raaum (2004) also find that assimilation rates of immigrants are sensitive to local unemployment conditions.
5. Data are from the KLEMS database and refer to the period 1970-2005. Results presented here refer to employment data which have been detrended using Hodrick-Prescott filters. See Annex I.A3 for detailed results by industry and OECD country.
6. The difference between the two groups of immigrants can be explained by the fact that immigrants tend to leave entry sectors and 3D jobs (dirty, dangerous and difficult) as they settle in the receiving country.
7. A similar trend can also be seen for example in Austria. By the end of February 2009, the number of people working short-time was close to 24 000 and was expected to increase further to 30 000 in the coming months.
8. In December 2008, about 25% of the self-employed immigrants were in construction and 24% in sale and repair of motor vehicles.
9. Individual enterprises whose owners were born in the EU had a failure rate of 7.8% in 2008, compared to 9.6% for those with owners born outside the EU.
10. There is a very large literature on the cyclicality of job loss and hiring, mainly applied to the United States, which can be split between two main hypotheses: *i*) the "separation-driven" model where employment adjustment is associated with initial waves of job loss, followed by increased hiring activity as the economy recovers; and *ii*) "hiring-driven" model which ties employment adjustment to variation in job-finding rates with little role for job-loss rates.
11. In the case of the recession of the early 1980s in Canada, Lemaitre, Picot and Murray (1992) show, for instance, that there was a reduction of hiring by 50% but that a significant portion of that was due to lower turnover.
12. Further studies have discussed the robustness of these findings. Song (2007), for instance, shows that not taking into account recall rates significantly biased the estimation. Nakamura (2008) shows that "the unemployment arises from a combination of selection and bad luck. During recessions, the proportion of workers who are laid off due to low productivity declines, diminishing the adverse signalling effect of an unemployment spell".

13. One study by Hu and Taber (2005) looks at the impact of race on layoff in the US context. Their results do not support the hypothesis of selective layoffs but underlines heterogeneity in taste discrimination across firms.

14. See also Le Grand (2000) for similar results.

15. The data currently available, for the third quarter 2008, are not recent enough to capture a strong shift in labour market outcomes in most countries. When they become available the Secretariat will analyse second quarter 2009 LFS data and CPS 2009 March supplement to identify the impact of individual characteristics of persons employed in Q2 2008 on their probability to be unemployed in Q2 2009, controlling for gender, age, education, place of birth, local labour market growth, industry, as well as the interactions between the individual demographic characteristics and industry and the role of employment protection.

16. In fact, the idea of restricting immigration in France predated the first oil price shock: administrative decisions were taken in 1972 to make the issuance and renewal of residence permits conditional on employment. But these decisions were later overturned after hunger strikes led by migrant workers.

17. Interceptions of border crossers by the United States Border Patrol have been declining. Arrests were down 24% in October 2008 through February of 2009 compared to the same period a year earlier, and the annual rate has dropped to the level of the mid-1970s.

18. The number of undocumented immigrants struck from the population registries because of non-renewal (and presumed to have left Spain) rose sharply from 2006 to 2007 (56 600 to 134 700).

19. In Italy, processing of applications can take more than a year.

20. The Worker Registration Scheme (WRS) allows citizens of the EU8 to access the United Kingdom labour market. This is not necessarily permanent migration: about 60% of those registering with the WRS stated that they planned to spend less than 3 months in the United Kingdom.

21. Figures for January-August 2008 showed that compared with the same period of 2007 (111 000 compared to 152 000) there was a 55% drop in PPS numbers issued to Romanians, 43% to Polish, 40% to Lithuanians and 36% to Slovaks.

22. Norway does not cap or condition hiring, but does require a full-time job offer and compliance with the same salary and working condition standards in force for Norwegian nationals.

23. Seasonal work and nominal recruitment (general regime) are uncapped, although they are subject to a labour market test and are expected to decline in 2009, as already seen in 2008.

24. Within the backlog, only citizens from countries with which Italy has signed bilateral agreements on migration are eligible for non-domestic work, subject to national quotas. These national quotas represent 44 600 of the total; the 105 400 other entries are open only to domestic workers from other sending countries.

25. However, in November 2008 Canada changed the procedures for reviewing applications in the Federal Skilled Worker category in order to be more responsive to labour market pressures and to reduce a backlog of approximately 600 000. Instead of reviewing all applications, the Minister of Citizenship, Immigration and Multiculturalism establishes criteria for pre-screening applications for skilled permanent migrants (currently, a job offer, status as a foreign national who has been living legally in Canada for one year as a Temporary Foreign Worker or an international student, or one year of continuous full-time or equivalent paid work experience in the last ten years in one of 38 occupations on a shortage list drawn up in consultation with provinces, territories and stakeholders).

26. France has also included shortage lists in bilateral agreements with sending countries. Its 2007 bilateral agreement with Gabon, for instance, includes 9 occupations on the list. This list is binding regardless of the future evolution of the French labour market.

27. New Zealand has two lists, an "Immediate Skills Shortage List" of 133 occupations and a "Long-Term Skills Shortage List" of 75 occupations, in order to reflect short-term and long-term human resource objectives and react quickly to changes in demand. Canada has only 38 occupations on its current permanent skilled migration list, but the list is only one route of access to permanent migration.

28. *www.bia.homeoffice.gov.uk/sitecontent/newsarticles/migrantworkerstoughertest*. The education and prior salary requirements for Tier 1 will also be raised; the government expects these changes to halve entries under the programme.

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29. Australia is also imposing stricter "prevailing wage" criteria on employer applications for temporary workers since September 2008, although this policy change was not directly related to the current economic downturn.
30. A rule requiring federal contractors and subcontractors to use E-Verify is currently suspended due to legal challenges from employers. While the requirement to use E-Verify was dropped from the Stimulus Package passed in February 2009, additional states continue to mandate its use.
31. The Japanese Cabinet Office announced on 31 January 2009 that it will assist unemployed foreign workers to return home.
32. The list includes USA, Canada and Australia, but also Morocco, Ecuador, Peru, Columbia, Venezuela; the Mercosur countries and Chile; Philippines; Dominican Republic; Mexico, Tunisia and Russia and Ukraine. This excludes important sending countries such as Bolivia and countries in sub-Saharan Africa and almost all of Asia.
33. In the current context, geographical mobility could be negatively affected by the depressed housing market.
34. Variation may appear in H-1B visas exempt from the cap, *e.g.* those working in universities.
35. It is possible that this decision was related to the fact that Polish workers, who have free access to the UK labour market, were not responding to the labour demand in this sector.
36. In the case of Norway, Raaum and Roed (2006) show that this effect more generally affects young people entering the labour market as early unemployment may turn into slow accumulation of capital and depreciation of skills. The authors found that "a business slump occurring at ages 16 and 19 may raise adult (prime-age) rates of unemployment by as much as 1-2 percentage points, ceteris paribus." Oreopoulos *et al.* (2006) show, in the Canadian context, that an increase in unemployment rate of 5 percentage points leads to 9% lower earnings for young college graduates which takes 8 to 10 years to fade out.
37. Note, however, that the cohorts mainly concerned refugees and their family members.
38. In this study the authors find an impact of unemployment or growth at entry only on non-white immigrant earnings.
39. In the case of the United States, using CPS survey data from 1979 to 1988, Chiswick, Cohen and Zach (1997) do not find supporting evidence of a "scarring effect" due to delay in entering the labour market.
40. The Japanese authorities also plan to provide native-language-based counselling, information and job search services at Hello Work in locations where many foreign citizens of Japanese descent live.
41. Those projections were not disaggregated by country.
42. Overall, OECD projections for individual non-member countries (in particular Enhanced Engagement Economies) are in line with those of the IMF, but they tend to be slightly more pessimistic (OECD, 2008f).
43. Other studies by Giuliano and Ruiz-Arranz (2005) and Sayan (2006), however, show that the cyclicality of remittances varies across countries. Several country studies indeed support the pro-cyclical hypothesis in the case of Sri Lanka (Lueth and Ruiz-Arranz 2007), Uganda (Apaa-Okello and Anguyo 2006) and Turkey (Sayan and Tekin-Koru 2007).

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ANNEX I.A1

Quarterly Employment and Unemployment Rate (15-64 years old) by Place of Birth in Selected OECD Countries, 2007-2008

	AUT	BEL	CZE	DNK	ESP	FIN	FRA	GRC	HUN	ITA	LUX	NLD	NOR	POL	PTR	SWE	SVK	GBR	USA
	Employment rate (%)																		
Native-born																			
2007 Q1	71.7	63.2	65.6	78.4	64.3	68.6	64.6	60.4	56.8	57.4	58.9	76.8	76.4	55.5	67.1	74.7	60.1	71.9	71.6
2007 Q2	72.8	63.0	66.0	78.9	65.1	71.5	65.4	61.1	57.5	58.3	58.1	77.8	77.4	56.9	67.2	76.3	60.3	71.9	71.9
2007 Q3	73.8	63.7	66.2	78.8	65.2	71.9	66.1	61.2	57.5	58.4	59.6	78.2	77.8	57.9	67.6	77.8	60.7	72.3	71.8
2007 Q4	72.7	64.2	66.5	79.0	64.9	70.1	65.8	60.9	57.0	58.1	60.2	78.0	78.1	58.2	67.5	76.0	61.5	72.6	71.7
2008 Q1	72.6	63.9	66.1	78.5	64.5	69.7	65.6	60.8	56.0	. .	58.6	78.0	78.0	58.1	67.7	75.4	61.3	72.2	71.0
2008 Q2	73.5	63.0	66.6	79.5	64.5	72.6	65.9	61.7	56.3	58.7	58.9	78.7	78.8	59.0	68.1	76.8	61.6	72.2	71.4
2008 Q3	74.4	63.9	66.7	79.7	64.2	72.4	66.4	61.6	57.1	58.2	60.4	78.9	79.0	60.1	67.6	77.7	63.1	72.2	71.0
2008 Q4	73.7	63.5	66.8	79.4	62.7	70.6	65.8	61.1	56.5	57.7	59.7	79.1	77.9	60.0	67.3	75.2	62.9	71.9	70.1
Foreign-born																			
2007 Q1	63.7	51.8	63.0	61.7	69.4	60.5	57.6	65.2	64.6	63.9	70.7	63.0	68.5	33.7	70.8	61.6	66.5	65.9	71.2
2007 Q2	65.3	51.1	67.0	63.7	69.8	64.8	58.5	65.9	63.9	66.1	71.7	64.0	69.6	43.2	72.3	63.2	66.8	66.6	71.8
2007 Q3	66.3	49.9	69.9	62.5	70.0	66.5	58.0	68.2	66.0	67.2	71.8	65.0	71.4	38.9	74.4	64.2	65.1	67.5	72.8
2007 Q4	64.8	50.5	69.0	63.1	68.8	63.2	58.5	67.1	63.6	66.4	70.2	65.8	72.1	30.3	74.7	63.5	65.9	67.3	71.8
2008 Q1	63.3	51.2	65.2	62.4	68.0	66.8	59.6	66.6	63.8	. .	68.5	66.0	72.4	40.8	73.0	62.9	68.2	68.0	70.8
2008 Q2	66.5	54.3	66.8	68.5	67.0	66.8	60.5	67.7	64.3	64.3	71.9	67.4	73.5	46.5	74.7	64.6	67.5	67.6	71.5
2008 Q3	65.4	52.2	66.4	68.7	66.0	66.6	60.2	68.4	65.1	66.6	68.9	68.4	73.8	45.3	74.1	65.6	70.3	67.7	71.5
2008 Q4	65.3	53.6	67.2	68.5	63.6	62.1	59.5	67.4	65.4	65.5	66.6	68.1	73.3	39.6	74.1	64.3	66.6	67.5	70.0

	AUT	BEL	CZE	DNK	ESP	FIN	FRA	GRC	HUN	ITA	LUX	NLD	NOR	POL	PTR	SWE	SVK	GBR	USA
	Unemployment rate (%)																		
Native-born																			
2007 Q1	3.6	6.8	6.0	4.0	7.8	7.3	7.9	9.1	7.6	6.2	4.2	3.2	2.4	11.4	8.7	6.0	11.7	5.2	4.9
2007 Q2	3.5	6.5	5.3	3.4	7.3	7.6	7.0	8.1	7.1	5.6	3.5	2.8	2.4	9.7	8.1	6.1	11.2	4.9	4.5
2007 Q3	3.8	6.3	5.1	3.6	7.4	5.9	7.1	8.1	7.3	5.6	3.8	2.5	2.2	9.1	8.3	4.6	11.4	5.4	4.8
2007 Q4	3.2	6.1	4.8	2.7	8.0	5.9	6.9	8.2	7.8	6.5	2.8	2.5	2.0	8.6	8.3	4.6	10.5	4.8	4.6
2008 Q1	3.4	6.0	4.7	2.9	8.7	6.5	6.8	8.4	8.1	. .	2.7	2.5	2.3	8.2	7.9	5.4	10.5	4.9	5.3
2008 Q2	2.9	5.5	4.2	2.8	9.3	7.1	6.4	7.4	7.7	6.6	4.7	2.3	2.6	7.2	7.6	6.0	10.1	5.1	5.3
2008 Q3	3.2	6.7	4.3	3.2	10.2	5.3	6.6	7.3	7.8	6.0	4.1	2.1	2.2	6.7	8.0	4.7	9.0	6.0	6.2
2008 Q4	3.2	6.0	4.4	3.3	12.5	5.8	7.3	8.0	8.1	6.9	3.4	2.2	2.2	6.8	8.1	5.2	8.7	6.1	6.6
Foreign-born																			
2007 Q1	9.9	16.9	10.0	9.8	12.1	18.0	15.0	10.7	5.0	8.8	5.0	8.6	6.3	10.7	10.8	12.7	5.4	8.1	4.7
2007 Q2	9.3	16.8	9.6	6.8	11.4	13.6	13.5	9.2	4.5	7.4	4.4	6.5	6.7	4.2	11.0	12.7	5.9	7.6	4.2
2007 Q3	8.5	15.4	8.4	8.2	11.3	13.2	13.8	7.1	3.6	6.6	4.2	6.0	5.2	8.1	8.9	11.4	7.8	6.9	4.2
2007 Q4	8.4	16.2	8.2	8.1	11.9	12.7	12.8	7.7	4.3	8.8	4.9	5.5	4.3	17.3	8.0	11.7	7.9	6.9	4.5
2008 Q1	8.5	17.3	8.1	9.3	14.1	12.7	12.3	8.3	5.2	. .	6.2	6.9	5.1	8.1	9.5	12.0	7.9	7.1	5.7
2008 Q2	6.6	13.7	6.8	6.5	15.7	13.2	11.2	7.2	6.0	8.7	5.4	6.4	4.6	3.4	8.6	12.8	6.9	6.7	5.2
2008 Q3	7.0	16.8	6.7	5.6	16.7	12.3	11.5	6.7	5.6	7.3	7.2	4.4	5.7	4.2	9.8	11.6	5.8	7.2	5.7
2008 Q4	8.1	14.1	6.4	6.8	20.3	13.4	12.1	8.7	7.4	8.9	7.7	5.7	5.7	5.9	9.9	12.2	6.8	7.4	6.8

Note: Data are not corrected for seasonal variations. Comparisons should therefore be made for the same quarters of 2007 and 2008, and not for successive quarters within a given year.
Source: LFS data for European countries, CPS data for the United States (averages of monthly rates).

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ANNEX I.A2

Sectoral Distribution of Foreign-born Employment (15-64 years old), 2007

	AUT	BEL	CHE	CZE	DEU	DNK	ESP	FRA	GBR	GRC	HUN	ITA	LUX	NLD	NOR	PRT	SWE	TUR	USA
	Percentage																		
Agriculture and fishing	1.3	1.2	1.0	**3.6**	1.1	. .	**4.5**	1.1	0.6	4.8	. .	3.4	0.7	1.4	. .	. .	0.6	11.5	**1.7**
Mining	. .	. .	. .	**1.3**	. .	. .	0.2	. .	0.4	. .	. .	. .	. .	. .	. .	. .	. .	0.2	. .
Manufacturing, non-durable – Food products	**3.0**	2.2	**1.6**	**2.8**	**3.7**	**3.9**	2.4	2.3	**2.9**	**3.0**	. .	**1.9**	0.9	**3.0**	**2.7**	. .	**1.4**	2.0	**1.7**
Manufacturing, non-durable – Other products	**6.2**	4.8	**5.1**	**8.1**	**6.7**	4.0	3.7	3.8	3.9	**5.3**	**8.9**	**7.3**	2.0	**4.7**	**3.6**	4.9	4.1	**14.0**	**3.6**
Manufacturing, durable	11.4	6.6	**11.4**	**23.2**	**19.9**	8.3	5.1	7.6	5.8	**6.4**	11.7	**13.4**	**4.6**	**9.8**	5.2	5.7	**10.6**	**13.9**	7.2
Electricity, gas and water supply	. .	0.6	0.4	. .	0.3	. .	0.1	0.3	. .	. .	. .	. .	. .	. .	0.0	. .	. .	0.2	0.4
Construction	**10.0**	**8.2**	**8.4**	8.8	**6.7**	3.3	**21.0**	**10.1**	5.7	**32.0**	**10.0**	**14.8**	**13.6**	4.8	5.2	**15.9**	3.2	5.8	**13.0**
Wholesale	15.0	**13.9**	**13.7**	**14.1**	12.4	14.0	13.0	12.1	11.8	10.3	**19.9**	10.8	**11.5**	12.2	13.1	14.3	10.7	**17.8**	12.5
Hotels and restaurants	**12.0**	**8.0**	**7.4**	**6.1**	**8.4**	**7.8**	**14.7**	**6.9**	**8.6**	10.2	3.6	**8.1**	**6.1**	**6.8**	**5.9**	**8.3**	**7.8**	4.8	**10.0**
Transport	**6.3**	6.7	4.5	4.6	5.4	**7.7**	4.5	6.3	**7.8**	2.4	4.6	4.6	3.9	**6.9**	**8.0**	**5.0**	**7.0**	**6.6**	6.2
Financial intermediation	1.4	2.1	4.6	1.4	1.5	1.7	1.0	2.2	**4.9**	. .	. .	0.7	**12.7**	2.7	0.7	1.8	1.1	**1.8**	3.6
Real estate, renting and business activities	**11.5**	**13.7**	**12.6**	**7.9**	10.1	**11.6**	7.7	**14.6**	**15.2**	3.8	**8.6**	9.1	**14.3**	**16.1**	**12.7**	**9.4**	14.1	**3.9**	**13.6**
Real estate and renting	**2.1**	**0.9**	1.2	**1.3**	0.8	. .	1.1	**1.9**	1.4	. .	. .	0.7	**0.9**	0.8	0.6	**0.9**	1.2	0.3	1.9
Computer, research and development, other business activities	4.4	**12.8**	9.5	4.8	5.2	**10.8**	3.0	**7.3**	**13.9**	1.9	**7.6**	4.8	**10.3**	**10.8**	**8.9**	**4.7**	9.8	**3.7**	**9.1**
Security activities and industrial cleaning	**5.0**	. .	**1.9**	**1.8**	**4.1**	. .	**3.6**	**5.4**	. .	**1.8**	. .	**3.6**	**3.1**	**4.4**	**3.2**	**3.9**	**3.1**	. .	**2.5**
Public administration and extra-territorial organisations	3.4	**10.9**	3.1	2.7	2.5	3.4	1.2	7.0	5.0	1.3	. .	1.5	12.6	6.0	3.8	6.5	4.2	4.0	2.2
Education	3.1	5.6	5.9	4.2	4.3	**8.0**	2.0	5.5	7.1	1.5	**8.9**	2.3	2.8	5.4	**10.1**	**6.8**	**11.4**	**5.4**	5.7
Health and social work	**9.1**	9.8	**13.6**	5.8	10.4	**19.5**	4.1	11.2	**14.4**	2.6	**8.4**	4.9	7.8	15.2	**21.6**	**7.3**	**19.3**	**4.7**	11.0
Other community services	**5.5**	**4.5**	5.2	**5.0**	**5.7**	4.9	2.7	4.1	4.9	2.1	**5.3**	**5.6**	2.9	4.4	**4.3**	**4.9**	4.3	2.5	**6.0**
Private households	. .	**1.2**	**1.6**	. .	**1.0**	. .	**12.2**	**4.8**	**0.6**	**14.0**	. .	**11.4**	**3.4**	. .	. .	**5.4**	. .	1.0	**1.5**
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Note: The numbers in bold indicate the sectors where foreign-born are over-represented (*i.e.* the share of foreign-born employment in the sector is larger than the share of foreign-born employment in total employment). ". ." indicates that the estimate is not reliable enough for publication.
Source: European Labour Force Survey data (Eurostat) for European countries, Current Population Survey data for the United States.

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ANNEX I.A3

Sensitivity Index to the Business Cycle

		AUS	AUT	BEL	DEU	DNK	ESP	FIN	FRA	GBR	GRC	IRL	ITA	JPN	KOR	LUX	NLD	PRT	SWE	USA
A	Agriculture and Fishing	3.9	4.0	1.5	4.7	1.4	2.7	3.5	1.4	3.4	3.9	2.4	2.0	1.8	3.9	3.2	1.2	7.4	2.4	2.2
B	Mining	7.2	2.2	11.6	4.7	6.6	4.1	4.5	3.6	8.4	11.4	8.6	4.5	3.6	22.9	4.8	12.3	7.8	6.1	7.0
C	Manufacturing non-durable – food products	3.0	1.8	1.2	2.2	2.4	2.6	3.4	1.3	3.2	3.8	3.5	2.6	1.7	5.2	2.9	1.9	2.9	3.3	1.4
D	Manufacturing non-durable – other products	3.5	2.4	2.8	3.1	2.9	4.7	4.1	1.8	3.8	3.5	3.4	2.2	2.2	7.6	3.7	2.6	2.5	3.4	2.9
E	Manufacturing durable products	4.5	2.2	2.7	4.1	3.9	4.9	5.8	2.6	4.9	3.8	5.2	2.5	2.9	8.9	3.5	2.7	4.1	4.8	4.8
F	Electricity gas and water supply	7.0	1.1	1.0	2.1	3.2	3.6	3.2	2.0	4.3	4.6	5.1	2.0	2.3	15.7	3.3	1.7	5.2	3.9	2.4
G	Construction	5.3	3.6	5.5	4.3	5.7	9.1	9.5	3.4	5.4	4.2	6.6	3.1	3.3	10.9	5.7	5.4	5.1	6.1	5.6
H	Sale, maintenance and repair of motor vehicles	3.1	1.5	2.3	1.9	4.1	5.6	8.1	2.1	3.6	4.2	4.3	2.7	5.3	11.2	1.8	3.3	5.3	2.8	6.6
I	Wholesale trade and commission trade nec.	3.8	2.0	3.4	1.8	3.7	5.6	5.0	1.9	3.8	3.8	4.6	3.3	1.7	11.2	1.9	3.0	6.0	2.8	2.5
J	Retail trade, except of motor vehicles	2.4	1.6	1.5	1.6	2.4	2.9	4.9	1.4	1.9	3.2	4.1	2.2	1.7	17.5	1.1	2.4	4.9	2.8	1.9
K	Hotels and Restaurants	3.7	1.9	1.7	1.4	2.8	3.1	5.4	1.6	2.8	3.4	8.2	3.0	1.3	9.6	2.8	2.8	7.8	3.2	1.9
L	Transport and communication	2.9	0.8	1.7	3.1	1.4	1.6	2.9	1.5	2.4	3.8	6.0	2.1	1.6	6.0	2.6	2.4	3.3	2.7	3.0
M	Financial intermediation	4.5	1.5	1.7	1.8	3.0	3.0	4.9	1.8	3.2	5.2	4.7	2.1	1.4	10.1	4.4	3.0	5.0	3.9	2.0
N	Real estate and renting	5.9	4.6	4.3	2.8	5.3	8.5	2.9	3.0	4.1	9.9	6.4	5.4	2.5	11.7	3.1	4.4	13.3	5.0	3.5
O	Computer, R&D, other business activities	4.6	4.5	2.8	2.3	3.4	5.5	6.7	3.4	3.4	5.1	6.8	5.0	2.3	6.5	5.5	8.2	12.5	5.6	3.3
P	Public administration and extra-territorial	4.7	1.8	2.4	1.4	2.6	3.4	1.9	1.0	2.6	2.3	4.0	2.2	1.3	5.3	3.0	2.0	3.3	2.0	1.7
Q	Education	2.1	2.3	1.2	1.3	2.3	1.8	1.9	1.4	2.7	1.8	4.2	1.8	1.0	5.5	2.2	1.8	3.1	2.9	1.3
R	Health and social work	2.1	2.1	1.8	1.0	2.3	3.2	3.0	1.4	2.0	3.1	3.8	1.3	1.8	6.0	3.9	1.5	3.1	1.9	1.7
S	Other community services and Private households	2.3	1.8	1.5	1.3	1.7	3.8	2.4	2.8	2.9	2.3	4.0	4.0	1.9	5.8	2.9	1.7	3.2	1.6	1.6

Note: Data are from the KLEMS database and refer to the period 1970-2005.
Source: OECD Employment Outlook (2009 forthcoming).

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ANNEX I.A4

Distribution of Foreign-born and Native-born Employment by Industry in November 2007, Observed Value and Counterfactual Variation of Foreign-born Employment between November 2007 and November 2008, United States

	Distribution of employment November 2007		Employment growth Nov. 2007 to Nov. 2008		Variation of foreign-born employment Nov. 2007 to Nov. 2008, thousands	
	Native-born	Foreign-born	Native-born	Foreign-born	Observed	Applying the native-born employment growth by industry
1 Agriculture	1.0	1.7	1.1	0.9	–57	–92
2 Forestry, logging, fishing, hunting, and trapping	0.1	0.1	1.1	0.5	–10	–11
3 Mining	0.6	0.1	1.2	2.3	41	35
4 Construction	7.4	12.4	0.9	0.8	–548	–286
5 Nonmetallic mineral products	0.3	0.4	1.0	0.8	–23	–26
6 Primary metals and fabricated metal products	1.3	1.3	1.0	0.7	–92	–93
7 Machinery manufacturing	1.0	0.9	1.0	0.6	–80	–89
8 Computer and electronic products	0.9	1.5	0.9	1.0	–8	31
9 Electrical equipment, appliance manufacturing	0.3	0.4	1.0	0.7	–32	–35
10 Transportation equipment manufacturing	1.7	1.2	1.0	1.2	55	65
11 Wood products	0.4	0.3	0.9	1.2	13	18
12 Furniture and fixtures manufacturing	0.4	0.6	0.8	0.8	–35	–11
13 Miscellaneous and not specified manufacturing	0.9	1.1	1.0	1.2	50	58
14 Food manufacturing	1.0	1.7	0.9	1.0	–3	52
15 Beverage and tobacco products	0.2	0.1	0.8	2.9	31	35
16 Textile, apparel, and leather manufacturing	0.4	1.1	1.0	1.0	–6	7
17 Paper and printing	0.9	0.6	0.7	1.0	–2	33
18 Petroleum and coal products	0.2	0.1	0.6	1.3	5	12
19 Chemical manufacturing	0.9	1.0	1.1	0.9	–33	–50
20 Plastics and rubber products	0.4	0.4	0.8	0.5	–48	–26
21 Wholesale trade	2.9	2.8	1.0	0.9	–69	–35
22 Retail trade	11.6	10.1	1.0	0.9	–142	–118
23 Transportation and warehousing	4.4	5.0	0.9	0.9	–146	–30
24 Utilities	1.0	0.3	0.9	1.4	30	37
25 Publishing industries (except internet)	0.5	0.5	1.1	0.5	–57	–69
26 Motion picture and sound recording industries	0.3	0.2	1.1	1.6	31	26

	Distribution of employment November 2007		Employment growth Nov. 2007 to Nov. 2008		Variation of foreign-born employment Nov. 2007 to Nov. 2008, thousands	
	Native-born	Foreign-born	Native-born	Foreign-born	Observed	Applying the native-born employment growth by industry
27 Broadcasting (except internet)	0.5	0.3	1.0	1.0	1	3
28 Internet publishing and broadcasting	0.0	0.0	2.3	1.9	2	–1
29 Telecommunications	0.9	0.5	0.9	1.1	12	21
30 Internet service providers and data processing services	0.1	0.1	1.1	1.0	1	–1
31 Other information services	0.2	0.1	1.1	0.3	–16	–19
32 Finance	3.4	3.0	1.0	0.8	–136	–103
33 Insurance	1.9	0.9	1.0	0.9	–19	–26
34 Real estate	1.7	1.5	0.9	1.0	–16	25
35 Rental and leasing services	0.3	0.4	1.2	0.9	–5	–22
36 Professional and technical services	6.4	5.4	1.0	1.0	17	64
37 Management of companies and enterprises	0.1	0.0	1.1	3.0	14	13
38 Administrative and support services	3.7	5.7	1.0	1.1	96	127
39 Waste management and remediation services	0.3	0.3	0.8	1.0	0	14
40 Educational services	9.8	5.0	1.0	1.1	98	52
41 Hospitals	4.3	4.1	1.0	1.0	1	–19
42 Health care services, except hospitals	6.0	5.2	1.1	1.0	47	–21
43 Social assistance	2.1	1.8	1.0	1.0	0	–7
44 Arts, entertainment, and recreation	1.9	1.6	1.0	0.9	–29	–41
45 Accommodation	0.7	1.9	1.1	1.0	–15	–81
46 Food services and drinking places	5.2	8.2	1.0	1.0	86	52
47 Repair and maintenance	1.4	1.6	0.9	1.0	–4	41
48 Personal and laundry services	1.3	2.0	1.0	1.0	–12	3
49 Membership associations and organisations	1.3	0.8	0.9	1.0	5	20
50 Private households	0.3	1.3	1.0	1.2	53	40
51 Public administration	5.1	2.3	1.0	1.0	14	7
Total	100	100			–941	–423

Source: Current Population Survey.

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PART II

Workers Crossing Borders: A Road-map for Managing Labour Migration

Note: This part was written by the International Migration Division (Directorate for Employment, Labour and Social Affairs) under the auspices of the OECD Working Party on Migration. It presents the main results of an OECD project lasting two years, with financing from the Secretary-General's Central Priorities Fund, and which involved, in addition to the Directorate for Employment, Labour and Social Affairs (DELSA), the Directorates for Science, Technology and Industry (DSTI), for Education (EDU), for Development Co-operation (DCD); the Development Centre; the Centre for Entrepreneurship, SMEs and Local Development; and the Policy Coherence for Development Programme (PCD).

Summary and recommendations

With fewer young people entering the labour market and baby-boomers retiring, many OECD countries have been looking to labour migration to help fill the expected shortfalls in labour supply over the coming decades. Although international migration is not the only way to address these shortfalls – technology, outsourcing and greater mobilisation of the domestic labour supply are others – it may play an important role in satisfying needs in certain occupations and in certain countries. At the same time, labour migration management has become an imperative, because of concerns about competition with native workers and the persistence of irregular migration and because the labour market outcomes of past immigrants and their children have not always been as favourable as expected. Public opinion in many OECD countries may not be willing to encourage further significant labour migration if these issues are not resolved.

The economic crisis has changed the picture recently and created a lull in labour market pressures. Net migration has tended to decline during past economic downturns and governments can be expected to modify policies to reduce entries in the current crisis, for example by setting lower numerical limits on labour migration where these exist or by removing certain occupations from labour shortage lists. The need to manage labour migration movements, however, will not go away as a result of the downturn. Higher flows can be expected to resume with the recovery and these will only be manageable if countries take a comprehensive long-term perspective. Policies need to be developed that ensure that migration responds to labour needs, that aim to reduce irregular movements and that encourage better long-term integration of immigrants and their children.

In recent decades, most governments have favoured high-skilled labour migration, introducing measures which facilitate the recruitment and stay of high-skilled migrants, but they need to recognise that there is demand for lower skilled migrants as well, in some occupations and sectors. Whether to admit such migrants is a policy choice, one which needs to be assessed in the light of the costs and benefits for the destination country. In practice, most countries have been considering opening up channels for migration into lower-skilled jobs. There is a growing recognition that offering limited possibilities of legal entry for workers for low-skilled jobs when there is strong demand may create a fertile ground for irregular migration and that enforcing such a policy may be difficult and expensive.

Indeed, evidence suggests that many irregular migrants enter legally and overstay, so that border control measures alone are not sufficient to address the issue of irregular migration. Since many irregular immigrants are also able to find work, enforcement measures need to address irregular employment as well. Under current policies and incentives, both employers and immigrants gain from irregular employment. There are low risks and cost advantages for employers who hire irregular immigrants. Reducing irregular

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migration means changing the nature of the incentives and disincentives which both immigrants and employers are faced with. This means, among other things, reducing the cost of formal recruitment from abroad and ensuring a rapid delivery of work permits.

Among countries willing to entertain migration for low-skilled jobs, many would prefer to manage low-skilled migration through organised temporary migration programmes. But temporary migration only makes economic sense when labour needs are truly temporary. It may be difficult and costly to ensure that migration remains temporary if labour needs are permanent. Both immigrants and employers then have an interest in maintaining the employment relationship.

Although high-skilled labour migration is viewed more favourably by destination countries, some high-skilled migrants arrive without jobs and end up in employment that does not correspond to their educational qualifications. Part of the reason for this is that their qualifications and work experience earned abroad are discounted by employers.

OECD countries need to put in place labour migration regimes, which address needs at all skill levels, as appropriate and with their long-term impact in mind, and which are demand-driven. Such regimes need to incorporate incentives for both employers and immigrants to follow the rules, and safeguards to protect immigrant as well as domestic workers. Formal means of recruitment need to be put in place for low-skilled jobs if legal avenues are to have any chance of competing with the informal face-to-face methods currently used by employers and irregular migrants. Migration programmes thus need to:

- Identify labour market needs;
- For low-skilled migration, establish formal recruitment channels;
- Issue sufficient numbers of visas and process them quickly;
- Provide efficient ways to verify residence and immigration status;
- Implement effective border control and workplace enforcement procedures.

With such regimes in place, there should be low tolerance for the hiring of irregular migrants, with efficient means of enforcement and penalties for employers who break the rules.

In countries where irregular migrants have become especially numerous and visible, most governments have seen little reasonable alternative to large-scale regularisations. Mass expulsions have seemed impractical, both logistically and because of the damage they would do to the national economy, as well as inhumane, because families were often involved. At the same time, these countries have found it difficult to continue tolerating irregular presence on a large scale, because it results in an undermining of respect for legality in general and for labour law in particular. Although the primary incentive for irregular immigrants is generally the possibility of finding employment, regularisation measures nonetheless need to recognise that rules have been broken, by employers as well as immigrants. Regularisations should not be carried out without ensuring, in parallel, that the policies which have favoured the development of large irregular migrant populations are corrected.

Despite tertiary education completion rates of about 45% of an age cohort on average in OECD countries, there is almost a universal demand for more higher skilled workers. With both technological change and the outsourcing of production abroad, jobs in OECD countries have undergone a general upskilling that requires more in the way of technical

skills. The workers needed to continue creating and maintaining the underlying technological and knowledge base of the economy as well as in ensuring continuing innovation appear to be in short supply.

Highly-skilled migration has changed in recent decades, from a world where the movements took place largely within OECD countries to one where immigrants are largely of third-country origin, with qualifications and work experience that are often discounted by employers. This can result in a waste of human resources as well as lead to frustration if the expectations of immigrants with regard to returns on their qualifications and experience are not realised. Many of the less favourable outcomes, however, concern situations where immigrants have arrived without jobs and without always having accurately assessed their prospects in the host-country labour market prior to arrival.

The most sensible way to address the asymmetry between expectations of skilled immigrants and their eventual labour market outcomes is to reduce the likelihood of its occurring, by taking appropriate measures upstream, before immigrants arrive. In practice, this means:

- Favouring potential immigrants with prior job offers;
- Assessing language proficiency and qualifications before admission;
- Implementing, where appropriate, more comprehensive assessment and certification procedures for foreign qualifications and work experience.

Recruiting international students who complete their studies in the country is one way of ensuring that immigrants enter the labour market with qualifications that are needed and recognised. Increasing the enrolment of international students can create a new pool of potential immigrants with domestic qualifications from which to recruit, with less risk of adverse effects on origin countries, because the cost of training is partly borne by receiving countries or migrants themselves, than recruitment from the ranks of qualified workers abroad.

OECD countries need to do a better job of integrating immigrants and especially their children. Although labour migrants may have work upon arrival, this is no guarantee of long-term employability, especially for the lower-educated. This is especially the case during the current downturn, since immigrants are generally harder hit during adverse economic conditions. Policies need to address the geographic and social isolation of immigrant communities, which hampers language learning and access to employers and to employment opportunities. Measures to foster early exposure to the host-country language and pre-primary education for immigrant children need to be reinforced.

If well-managed labour migration can be advantageous for destination countries, it can also bring significant benefits to origin countries. Remittances significantly improve the welfare of those who receive them. A significant portion is used for investment in health and education, which adds to the human capital in origin countries, fostering potential growth. Returns to origin countries can be associated with transfers of knowledge and technology and investment in business activities.

But expectations need to be kept in perspective. Labour migration numbers are not likely to be large relative to most origin-country populations. Countries with high proportions of migrants will especially benefit.

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OECD countries can contribute by favouring diaspora contacts, removing return disincentives such as the loss or lack of portability of pension contributions or the loss of stay rights as a result of temporary absences, and reducing barriers to the mobility of persons for temporary high-skilled assignments.

The current financial crisis and economic slowdown have shifted priorities from the management of increased labour migration to a focus on regulation of the flows. But the phenomenon of ageing will not go away. Economic recovery will reveal whether labour needs will be as prevalent generally as they have been in a number of OECD countries over the past decade. To play a greater role in supporting economic growth, labour migration would then need to be better managed, to reduce or redirect irregular movements into legal channels but also to avoid in the future the kinds of integration problems which have appeared in the past among immigrants, both low- and high-skilled, and their children. The management of migration means not only satisfying labour needs in OECD countries, but also ensuring that policies can benefit origin countries, to the extent possible.

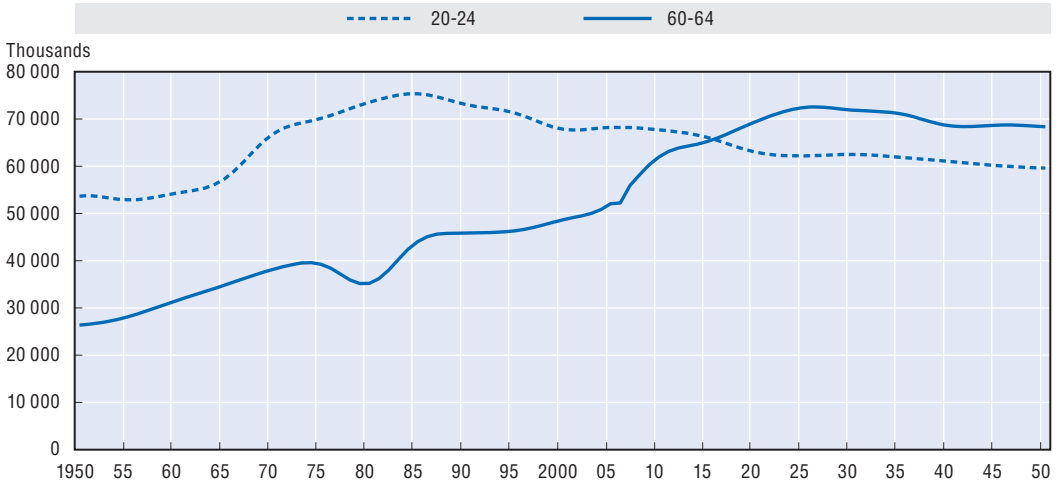
PART II

1. Introduction

The economic crisis in OECD countries has made labour migration a lower priority issue on the policy agenda. Ageing, however, will not go away and expected labour needs are likely to reassert themselves with the recovery. Labour migration is one among several ways which OECD countries are considering to address the potential fall in the working-age population as a result of smaller youth cohorts and the retirement of the baby-boomers. But labour migration needs to be better managed, to reduce or redirect irregular movements into legal channels but also to avoid in the future the kinds of integration problems which have appeared in the past among immigrants, both low- and high-skilled, and their children. The management of migration means not only satisfying labour needs in OECD countries, but also ensuring that policies can benefit origin countries, to the extent possible.

OECD countries are currently entering a period of demographic ageing which will have a significant effect on the evolution of their economies, labour markets and societies. With the end of the post-war baby boom, fertility rates in most countries dropped below the 2.1 births per woman required to ensure replacement and have tended to remain significantly below this level since then. Although most discussions of this phenomenon have centred on the likelihood of population decline, the first effects can be expected to be felt in the population of working age, as baby-boomers begin to retire in large numbers. This is occurring at the same time as the size of youth cohorts in OECD countries is declining (Figure II.1 and Table II.1.).

Figure II.1. **Size of the youth and retiring cohorts, OECD countries (excluding Mexico and Turkey), 1950-2050**



Note: Net migration after 2005 is assumed to follow recent rates.

Source: United Nations demographic estimates and projections, Population Division.

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For reasons which will be outlined below, labour migration has been seen as one way, among others, of addressing this demographic imbalance. What was a short- to medium-term concern in most OECD countries, however, has been relegated to the back burner in the context of the current economic crisis. Economic activity is contracting almost everywhere and millions of workers, both native- and foreign-born are losing their jobs. For a number of reasons, among them the state of the labour market as well as short-term changes to migration policy, labour migration and more generally, net migration, tend to contract during economic downturns (see the chapter on the effects of the economic crisis on migration in this publication).

Still not all labour shortages can be expected to disappear during a recession. This is particularly the case for those involving specialised training, which cannot necessarily be

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Table II.1. **Expected size of the 20-24 youth cohort without migration, 2005-2025**

	2005	2010	2015	2020	2025
Australia	100	100	99	93	89
Austria	100	95	96	82	77
Belgium	100	99	98	92	90
Canada	100	99	97	85	78
Czech Republic	100	94	85	65	65
Denmark	100	106	121	119	113
Finland	100	96	99	89	83
France	100	99	93	94	96
Germany	100	99	87	81	72
Greece	100	80	72	70	67
Hungary	100	95	92	77	72
Iceland	100	99	104	98	95
Ireland	100	89	82	81	93
Italy	100	92	91	87	86
Japan	100	87	80	80	78
Luxembourg	100	107	121	118	117
Mexico	100	110	117	114	112
Netherlands	100	106	109	106	105
New Zealand	100	112	108	103	99
Norway	100	108	117	114	105
Poland	100	87	74	60	54
Portugal	100	83	78	79	80
Korea	100	86	91	82	65
Slovak Republic	100	91	81	65	57
Spain	100	77	67	68	76
Sweden	100	112	116	91	93
Switzerland	100	102	104	94	83
Turkey	100	97	101	106	105
United Kingdom	100	106	99	93	89
United States	100	103	102	96	98
Average	100	97	96	89	86

Note : The estimates were obtained by "aging" younger age groups, as observed at 2005.
Source: United Nations demographic estimates and projections, United Nations Population Division.

StatLink http://dx.doi.org/10.1787/636400202175

filled from the ranks of the unemployed or of new entrants. In addition, ageing populations and the longer term challenges which they bring are not going to go away. With economic recovery and the resorption of unemployment, they can be expected to reassert themselves again and perhaps with even more urgency than before, because their impact will have been masked by the downturn.

It is difficult at this stage to have a clear idea of how long and deep the recession will be and what the eventual consequences will be on international labour migration movements and their management. The analyses and conclusions presented here therefore need to be interpreted in the light of this uncertainty. In the short-term, declining youth cohorts and the large retiring baby-boom cohorts will relieve, if only somewhat, the pressure on the labour market. Over the longer term, the situation can be expected to be different.

All other things being equal, a declining working-age population could pose problems for the financing of social protection (fewer contributors, more recipients) but also for living standards if the labour force were also to decline. Fewer workers in the face of a

stable or growing population, which will continue to be the case in the short-to-medium term, means a smaller national income per person than would otherwise be the case. A declining workforce may also pose problems for employers if the reduced supply means that they are unable to find the workers they need to maintain or expand production or to compete in international markets.

Governments have reacted to this prospect by attempting to increase or prolong the labour force participation of persons in the country, in particular of inactive women and especially of older workers. Here there is considerable potential in certain countries with low labour force participation such as Belgium, Greece or Italy, but much less in the Nordic countries where participation is generally already high for all demographic groups. An increase in participation adds to the productive potential without adding to the population. This gives a clear boost to both GDP per capita and to social contributions and is one way to address the decline in the workforce due to ageing.

In what other ways can OECD economies react to the prospect of a falling workforce in the presence of continuing demand for goods and services?

One possible response is through technology and labour productivity increases, which make it possible to produce more with fewer workers. Whether this would be equally possible in all sectors or for all occupations is uncertain, especially in some labour-intensive services.

A second way is to improve wages and working conditions in order to induce current residents to move into shortage occupations. This may not be possible in the short-term for occupations requiring significant training.

A third way is to move either production or consumption abroad to where there are available workers[1], where this is possible. For many small enterprise-owners, for example those supplying personal services, this is not an alternative.

Finally, recourse to international migration is an option. This can indeed aid in the financing of social benefits in the short- to medium-term[2] and in contributing to economic growth, but the contribution to GDP per capita is less obvious. Migrants may participate in the national economy but they also add to the population and to societal costs if they remain in the host country with their families, so that any increase to national income which they may bring tends to be diluted. There may, however, be positive externalities and spillovers for the economy as a whole as a result of migration which this kind of simple accounting does not factor in, but which tend to be difficult to measure.

Currently, recourse to migration is significant in a number of countries. Before the recent financial crisis, the scale of migration movements was already sufficient in some countries to ensure a non-declining working-age population to the year 2020 and in others, a strongly growing one (Figure II.2). For a number of other countries, in particular Japan, Germany and the countries of Central and Eastern Europe, a decline is projected over the period. Some countries, such as the United States, Australia, Iceland, New Zealand and Ireland are projected to have no demographic shortfall even without any migration.

Demography is not the only factor which has and will be driving migration movements in destination countries, however. One other factor is economic growth, which may require more or different workers than are being supplied in the domestic labour market. Ireland, Spain and the United Kingdom have all seen significant increases in labour migration in response to strong economic growth over the past decade. The labour migrants arriving have come to fill high-skilled but in many cases, lesser-skilled jobs as well.

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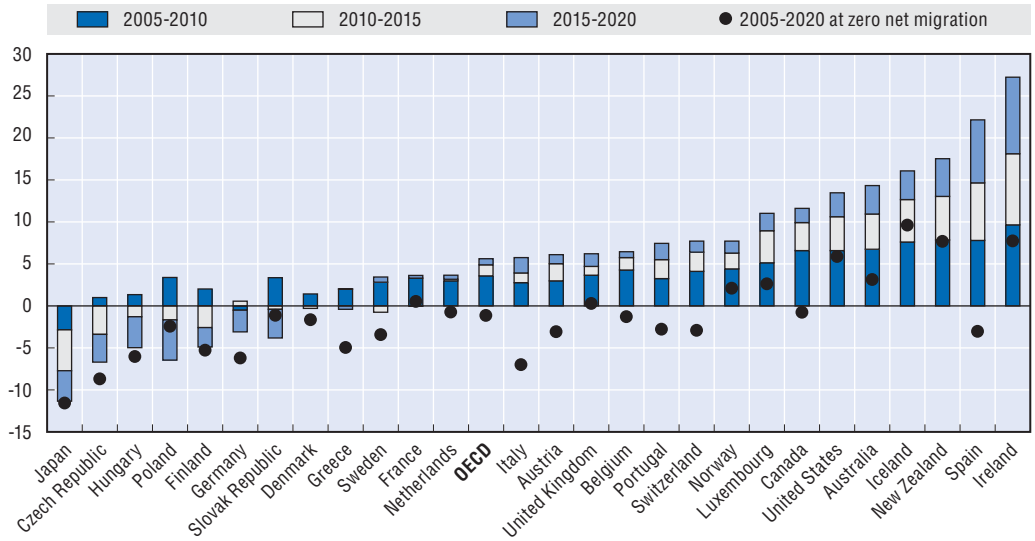
Figure II.2. **Net change in the working-age population over the period 2005-2020, at 2001-2005 net migration levels**

as a percentage of the population in 2005



Note: The estimation methodology is described in International Migration Outlook 2008. The Figure only includes countries for which there existed net migration data for the period 2001-2005.

Source: UN demographic estimates and projections, OECD labour force statistics.

StatLink http://dx.doi.org/10.1787/636074533623

One reason for this is that with the increasing educational attainment of young persons in OECD countries as well as the decline in the size of youth cohorts, there are fewer takers for these jobs and, in particular, so-called "3D jobs" (dangerous, difficult or dirty). Fully forty-six per cent of youth in OECD countries on average complete their education with a tertiary qualification (OECD, 2008a).[3] For European countries, both the increase in tertiary attainment and the decline in less than-secondary attainment for the native-born cohort aged 25-34 in 2006 compared to that aged 35-44 were a full six percentage points.

In consequence, in many countries before the onset of the economic crisis, shortages were appearing in sectors where there are many lesser-skilled jobs, among them agriculture, construction, hospitality, cleaning, food processing and the household sector. More and more of these jobs in OECD countries are being taken on by immigrant workers (Table II.2), not all of whom are low-educated. Although the level of education of immigrants has been increasing, it has not been doing so as fast as that of the native-born population. The result is that the percentage of the work-force at low educational levels that is accounted for by immigrants has been rising.

At the same time, despite the large increases in tertiary attainment over the past decades, employers have had difficulties recruiting for high-skilled jobs as well. The proportion of persons with scientific and technical training, who are in high demand, is not always keeping pace with demand. Shortages have also appeared in some occupations because of planning difficulties (medical doctors) or because working conditions are not always satisfactory (nursing). As a consequence, firms are looking abroad for skilled workers, sometimes at the expense of needs in origin countries.

Shortages have also begun appearing in medium-skilled jobs, such as in the skilled trades. For example, electricians, plumbers, butchers, woodworkers are in short supply in a number of countries.

Table II.2. **The immigrant share of employment, overall and in low-skilled occupations, 2007**

Percentages

	All occupations		Low-skilled occupations	
	All immigrants	Recent immigrants	All immigrants	Recent immigrants
Australia	26.3	29.4	31.7	43.1
Austria	16.1	20.7	36.2	51.9
Belgium	10.3	12.6	16.2	25.5
Canada (2008)	20.5	21.0	21.0	28.6
Czech Republic	1.9	3.2	3.2	7.9
Denmark	6.6	10.1	13.1	31.9
Finland	2.8	4.2	4.3	11.3
France	11.2	8.9	21.2	25.9
Germany	12.8	13.8	27.5	45.4
Greece	8.7	14.9	38.4	66.1
Hungary	1.8	1.9	1.8	3.6
Ireland	14.8	30.1	23.0	53.7
Italy	9.0	17.4	23.2	50.1
Luxembourg	45.4	56.4	71.9	81.7
Netherlands	10.7	9.1	24.3	34.4
Norway	8.0	13.4	19.1	50.3
Poland	0.3	0.4	0.2	0.2
Portugal	8.0	10.7	11.8	27.5
Slovak Republic	0.6	0.2	0.5	0.0
Spain	15.9	33.2	33.6	67.6
Sweden	12.8	12.9	25.1	38.1
Switzerland	25.8	36.4	46.3	64.9
Turkey	2.4	0.3	1.8	0.3
United Kingdom	11.1	21.5	14.4	38.1
United States	16.8	22.4	19.9	26.4
OECD average	12.0	16.2	21.2	35.0

Note : The table covers immigrants 15-64 who are employed. The reference group for all immigrants is the employed population 15 to 64 years of age. Recent immigrants are those who have arrived within the previous ten years. The share is calculated with respect to a ten-year age cohort of recent employed entrants, namely those 25-34 years of age. Low-skilled occupations are the elementary occupations (ISCO level 9) which include cleaners, domestic help, labourers, doorkeepers, garbage collectors, etc. Only persons not in education are included.

Source: European Union Labour Force Survey (data provided by Eurostat), Labour Force Survey (Australia and Canada) and Current Population Survey (United States).

StatLink http://dx.doi.org/10.1787/636441803867

All of these labour market developments have evidently been strongly affected by recent events, which will result in large increases in unemployment and less need for immigrant workers in the short-term, in some if not all occupations. Depending on the length and depth of the downturn, the effects on migration flows and stocks could well persist beyond the short-term.

At the same time as these developments have been taking place in OECD countries, the size of youth populations in less developed countries has been increasing and will continue to increase, although at slower rates than those observed since the 1960s. Poverty and underemployment in many origin countries remain common phenomena and, given the large income disparities between origin and destination countries, even a short stay in an OECD country can yield significant returns for a migrant worker and his/her family. The remittances sent home by workers to their families have improved welfare levels for many and bear ample testimony to the benefits of migration to those who stayed behind. In

addition easy communications and cheap transportation costs make it a relatively simple matter for individuals or families both to know about opportunities in destination countries but also to fund a departure of a family member.[4]

Thus, immigration can play a role in both sustaining growth and satisfying labour needs in OECD countries, while contributing to improving welfare in origin countries (OECD, 2005a). Migration, however, is controversial in many destination countries or, if not always so, has not always been yielding the expected benefits. There are a number of reasons for this.

First is the fact that past migration to many countries, especially in Europe, has included high proportions of low-educated persons and that such persons currently tend to have low employment rates, whether they are foreign- or native-born. This was not the case before changes in labour markets following the oil price shock of the 19070s eliminated many low-skilled jobs. In addition, in all countries there is a tendency for educational disadvantage to be transmitted across generations and, although the children of low-educated immigrants have made significant progress, that progress has not been sufficient for them to achieve the same distribution of educational performance and attainment levels as children of native-born parents (OECD, 2007a). Their labour force outcomes have also suffered, a phenomenon exacerbated by their geographic concentration, ethnic sterereotyping and outright discrimination (OECD, 2007b and 2008b).

Because considerable numbers of low-educated immigrants continue to arrive as a result of the family and humanitarian provisions of migration regulations, the problem is a persistent one which many countries have found it difficult to tackle effectively and which has had repercussions in the political arena. As a consequence, there tend to be few formal entry channels for low-skilled labour migrants, who are perceived as potentially adding to existing problems.

The scarcity of legal entry channels in the context of an availability of lesser-skilled jobs in many destination countries, coupled with relatively youthful populations and continuing poverty in origin countries, has created a climate in which unauthorised stay and work have found fruitful ground.

Although many and perhaps most unauthorised migrants are working and some even contributing to social security and taxation regimes (SSA, 2002), they are generally perceived to be abusing the migration system. The adverse reaction of public opinion to such migrants has tended to spill over onto attitudes to legal migrants, some of whom have difficulties finding work. And a higher recourse to social transfers by legal migrants because of both social disadvantage and larger families has added to the negative image, with migrants being seen by some as a net burden on public finances.

In the context of the generally restrictive environment with regard to low-skilled migration, there are a number of countries which have seen high inflows of labour migrants into lesser-skilled jobs in recent years, namely the countries of southern Europe and the United States. Not all of these workers have been low-educated since low-skilled jobs often act as entry jobs for immigrants with an imperfect mastery of the host country language and qualifications that are not fully transferable. Many of the movements have been unauthorised rather than the result of deliberate policy choices, although there have been recent attempts to stem the flow or to redirect it into legal channels or both, generally with uneven success. In all of these countries, the new arrivals have shown high employment rates (Table II.3) and given a boost to economic growth. The evidence suggests

Table II.3. **Employment-to-population ratios of recent immigrants and native-born persons 15-64, 2007**

Percentages

	Recent immigrants			Native-born persons		
	All	Men	Women	All	Men	Women
Greece	71	92	52	68	83	53
Italy	69	89	52	64	77	51
Portugal	79	91	69	75	82	68
Spain	74	85	63	70	82	57
United States	74	82	66	70	73	66
Average	73	88	60	69	79	59

Note : Recent immigrants are those who have arrived within the ten years ending in 2007. The table covers countries which have had substantial inflows of labour migrants into low-skilled jobs over the last fifteen years.
Source: European Union Labour Force Survey (2007) (data provided by Eurostat) and Current Population Survey (2007) for the United States.

StatLink http://dx.doi.org/10.1787/636473162360

that the effects on the wages of domestic workers have been small (Ottaviano and Peri, 2008; Kahanec and Zimmermann, 2008; Carrasco, Jimeno and Ortega, 2008). A similar phenomenon was observed, following the enlargement of the European Union to the countries of Central and Eastern Europe, especially in those countries which had opened up their labour markets from the outset (Ireland, the United Kingdom and to a lesser extent, Sweden). However, the current economic crisis may well modify the picture in the short term, since immigrants have generally been the first to feel the effects of economic downturns (OECD, 2001).

On the high-skilled side, despite the generally favourable opinions concerning this kind of migration, there have been difficulties as well, in particular for those immigrants who arrive without employment. Some migrants with high levels of education, especially family and humanitarian migrants, have difficulty finding work despite their qualifications. Even some migrants selected on the basis of their aptitude to integrate have sometimes had difficulty finding jobs commensurate with their qualifications. This has raised questions about traditional selection strategies and the ability of governments to guarantee favourable migration outcomes, but has not dampened the generally positive view of this kind of migration.

In origin countries, on the other hand, awareness of the scale of remittances by migrants and large increases in these have tended to mute the adverse views often expressed towards international migration in the past, but there remains a concern about the so-called "brain drain". New data sources have revealed that brain drain is not a general phenomenon but a problem essentially for small countries or islands and countries having limited tertiary education systems (OECD, 2005b). For these, the loss of highly educated migrants to OECD countries can hamper development efforts, in particular when they undermine the capacity of these countries to develop their own human capital. There is a particular problem with respect to medical personnel, where shortages of doctors and nurses have appeared in almost all OECD countries, part of which is being met by migration from developing countries (OECD, 2008c).

With high-skilled migration to the United States from countries across the globe perceived as a model[5], virtually all OECD countries are attempting to attract highly-skilled immigrants for their university, research and high-technology sectors. These tend to be in shorter supply in developing countries, which have large surpluses of lesser-skilled persons

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and where job creation is generally insufficient to supply work to everyone. The objectives of OECD and origin countries are often thus at cross-purposes with respect to international migration, which has hampered the development of migration regimes which can profit both, accompanied by policies to assist those losing from the process, of which inevitably there are some.

The purpose of this report is to provide a preliminary road-map in this regard. It will concern itself largely with discretionary labour migration, that is, that form of labour migration subject to policy intervention. In practice, free circulation labour migration can play a role as well and indeed in Europe has considerably changed the short- to medium-term picture with respect to labour needs for lower skilled jobs, many of which have been satisfied by migrants from the new accession countries of the European Union.

There has been considerable experience with migration in OECD countries over recent decades, but the record of the past fifteen years has shown how difficult it has sometimes been to manage the increasing inflows of persons arriving from outside the OECD area, as well as the growing recourse by employers to immigrant labour, whether legal or not. The underlying assumption is that a better management of labour migration is needed if it is to yield benefits to both origin and destination countries as well as to the groups which most directly gain, namely immigrants themselves and employers, and if it is to win the support of public opinion.

Section 2 below opens with a historical overview of migration movements over the past half-century as well as a more detailed description of recent labour migration. It also includes a clarification of a number of concepts related to international migration, which will be referred to again and again in the rest of the report. The subsequent sections describe and analyse the kinds of policy initiatives which have or could be implemented to manage migration movements and to reduce the prevalence of adverse downstream consequences. Section 3 is a review of irregular migration, its incidence and causes, with implications for migration regimes. This is followed by the description of framework for a labour migration regime (Section 4), with its constituent elements, and a description of country practices and policy options. Following this is Section 5 providing an assessment of the prospects for temporary migration, which many destination countries would prefer for low-educated migrants and many origin countries for the highly educated. Recruitment of highly educated migrants is addressed in Section 6, with a particular emphasis on the issue of qualifications and work experience. Section 7 deals with issues related to the labour market integration of labour migrants and their children. International migration concerns origin countries as well. The penultimate Section 8 deals with consequences for origin countries of likely policy developments in OECD countries, with attention to the types of policies that could favour development in origin countries. The report ends with a summary and conclusions.

Notes

1. A recent media report describes the growing trend of elderly United States citizens moving into assisted-living facilities in Mexico, at a fraction of the cost of facilities in the United States (*http://www.usatoday.com/news/nation/2007-08-15-mexnursinghome_N.htm*). This is one example among many of the "offshoring" phenomenon, which has attracted much media attention in recent years.
2. Immigrants age and eventually retire, so that the pension and health benefits which they receive will eventually need to be financed as well.

3. Tertiary here includes not only university degrees, but also high-level post-secondary vocational and technical qualifications.

4. For some origin countries, transportation costs are high relative to national income levels, although not with respect to expected wages in destination countries. For the large transatlantic migrations of the nineteenth century, transportation costs accounted for some 25-50% of average annual earnings in origin countries (Hatton and Williamson, 2006). The price of a plane ticket from many developing countries to Europe or North America is currently comparable to GDP per capita levels in some origin countries.

5. This is despite the fact that permanent highly skilled labour migration to the United States is actually rather small in relative terms. In absolute terms, the number of persons obtaining legal permanent status under the United States employment preferences has averaged a little over 80 000 from 2004 through 2008. Levels for Canada, a country with one tenth the population of the United States, have been between 55 and 60 000 over the same period.

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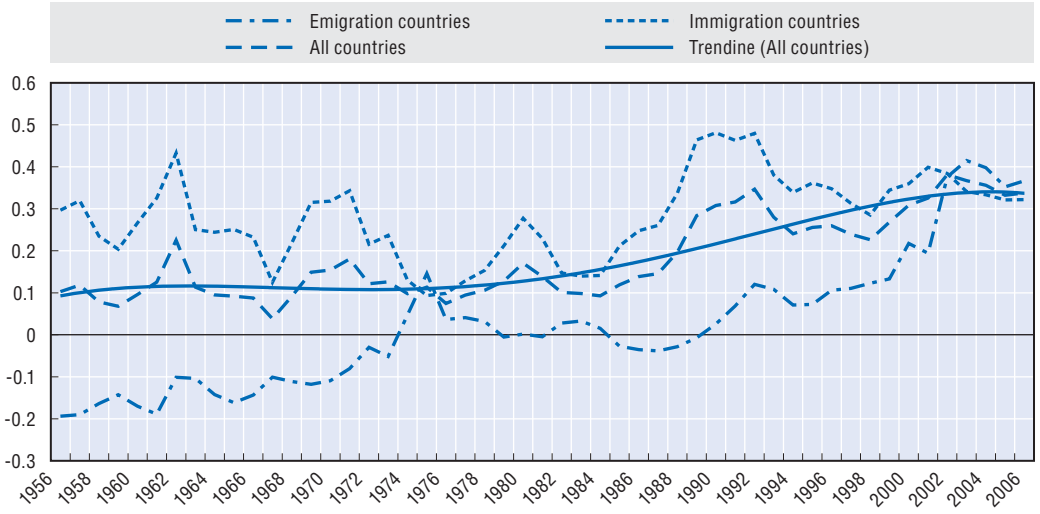
PART II

2. Labour Migration: A Historical Overview

International migration has been on a rising trend since about the mid-1970s, with labour migration taking on a greater and greater role since the mid-1990s. Most countries have taken measures to facilitate the migration of the highly skilled, who are considered to contribute positively to the economy and society. There is greater reluctance concerning low-skilled migrants, both because of the potential impact on the outcomes of low-skilled domestic workers but also because of relatively less favourable outcomes among such migrants as well as their children. Irregular migration to the United States, migration to southern Europe and free movement migration following EU enlargement constitute the three most significant examples of large-scale labour migration over the last ten years. Discretionary labour migration remains limited, however, except in the settlement countries (with the exception of the United States), southern Europe, Ireland and the United Kingdom. Deteriorating outcomes by the highly skilled arriving without jobs are associated with qualification issues, while low-skilled immigrants and their children are affected by geographic and social isolation as well as by educational disadvantage.

International migration over the past fifty years has been characterised by strong periodic peaks associated with notable geopolitical events which have tended to mask the underlying trend in the movements (Figure II.3).[1] These events consisted, for example, of the end of the Algerian war (1962), the boat-people phenomenon following the end of the Vietnam War (late seventies, early eighties), or the fall of the Iron Curtain and subsequent ethnic conflicts (late eighties, early nineties).

Figure II.3. **Net migration rates, traditional immigration and emigration OECD countries, 1956-2006**



Note: For a definition of immigration and emigration countries, please refer to the text.

Source: Labour Force Statistics, OECD, 2008.

StatLink http://dx.doi.org/10.1787/636106660058

Prior to the first oil-shock, migration movements were largely concentrated within the OECD area, with net migration from outside the OECD area being fairly stable from the mid-fifties on, at about 1 person per thousand. This consisted of considerable numbers of labour migrants. Following the oil shock, despite the restrictions on labour migration in many European countries, net migration from outside the OECD started an upwards progression that culminated in migration rates of about 3 persons per thousand in the middle of the post-2000 decade. Former emigration countries have become immigration countries and are currently showing net entry rates as high as those of traditional immigration countries.

The movements shown here concern all forms of international migration, including family, humanitarian and ancestry-based movements as well as those of citizens of OECD destination countries, although it is only those from outside the OECD area which appear in the all-countries trend. Of particular interest are the movements of labour migrants, which have increased strongly since the mid-1990s and are the ones that will be considered more closely in this report.

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There are many dimensions to international labour migration and there are a number of underlying concepts which it may be useful to clarify before proceeding further, both to avoid confusion with respect to the use of certain terms and to establish the groundwork for the subsequent discussion. Box II.1 summarises these.

Box II.1. **Concepts underlying international migration movements**

Discretionary *vs.* non-discretionary migration

All countries distinguish between movements of their own citizens and those of other countries. The movements of nationals are generally entirely unregulated, whereas those of non-citizens are usually subject to some form of control. However, in all countries there exist movements of non-citizens over which national governments have limited discretionary control, either because of signed international treaties (the free circulation agreements in the European Union or the Geneva convention on refugees) or of generally recognised human rights (the right to live with one's family or to marry or adopt whom one wishes).

The latter rights may be subject to conditions, such as having adequate lodgings and income, but if the conditions are satisfied, there is generally no discretion exercised with respect to the right of immigrants to bring in members of their immediate family. The conditions can, and in some cases, have been made more restrictive, but the requirements cannot be overly tightened without introducing conditions which a significant percentage of the native-born population would not be able to satisfy and without calling into question the country's commitment to the human rights in question.

Aside from treaty-based forms of labour migration, such as those provided for under the Nordic Passport Union, the Treaty of Rome in the European Union or the North American Free Trade Agreement, labour migration is generally discretionary, that is to say, it is the object of a policy decision by the destination country, which can decide to stop such movements overnight if it so wishes. The same is generally true of movements subject to bilateral labour migration agreements, which can generally be suspended by either of the signatory countries with advance notice (OECD, 2004a).

Demand- *vs.* supply-driven labour migration

A second distinction concerns that between demand- and supply-driven labour migration. *Demand-driven* migration systems are those in which the initiative for the migration comes from the employer, who has a perceived need for a worker with a particular skill, who has generally identified such a worker (of foreign nationality), either abroad or in the country but without the right of residence and who makes a request to the immigration authorities for a work permit for the future worker. In practice, the right to work may be tied to a residence permit. The request is generally not entirely unconditional, that is, it may be subject to certain minimum qualification and wages and working conditions set by migration regulations, as well as to an employment test to ensure that no resident worker is available who would be able to fill the job vacancy adequately. This is the sort of labour migration regime that has traditionally been current in European countries, Japan, the United States and in the temporary labour migration regimes of Australia, Canada and New Zealand.

Supply-driven labour migration, on the other hand, refers to situations in which a host country invites potential immigrants to apply for admission without the necessity of a specific job offer, although the existence of such a job offer may in some cases be an element favouring a candidacy. The population of potentially eligible candidates can be extremely large, but the number of acceptances and admissions is generally subject to a numerical limit or target level.

In the countries which traditionally have practiced this kind of recruitment (Australia, Canada, New Zealand), candidates are usually assessed for admission on the basis of characteristics deemed to facilitate labour market integration such as language proficiency, educational attainment, age, work experience, the presence of family in the host country and potentially, the existence of a job offer or the holding of an occupation considered to be in shortage. Each of the characteristics is assigned points and a certain minimum threshold must be exceeded in order for the candidate to be considered for admission.

Box II.1. **Concepts underlying international migration movements** *(cont.)*

In practice, because entry channels for labour migration have been limited in some countries, some labour migration may have spilled over into humanitarian and family migration, where the implication of employers or of national authorities in selection is limited, if not always entirely absent.

Temporary *vs.* permanent migration

The terms "temporary" or "permanent" as used in this report do not refer to whether or not a particular migration movement was viewed as temporary or permanent from the migrant's perspective or was actually temporary or permanent when considered post-hoc.. They refer instead to the host-country's ex-ante view of the stay of the immigrant, as conveyed by the type and/or renewability of the permit. Note that the duration of the permit is not the defining criterion. In many OECD countries, essentially all residence permits granted upon entry are of limited duration, but not all migrants receiving a temporary permit are viewed as temporary migrants by the host country.

All countries have temporary and permanent migration programmes, but only a few grant the right of permanent residence upon entry. In European countries, Japan and Korea, the right to permanent residence is generally accorded only after a number of years on permits of temporary duration or when the immigrant acquires the nationality of the host country. The temporary permits in these cases are renewed provided certain conditions continue to be satisfied, such as the holding of a job, or alternatively, unconditionally by right, especially after a certain number of years of residence in the host country.

Temporary migrants, strictly speaking, are those who receive a permit which is either not renewable or renewable only on a limited basis. They include such persons as seasonal workers, international students, trainees, service providers, installers, performers, visiting researchers or academics, exchange visitors, etc. The possibility of remaining in the host country indefinitely usually is not allowed once the reason for the stay has passed. There is the possibility in some cases for the temporary migrant to "change status" and to apply for permanent-track status, as is sometimes done by international students at the end of their studies, but the changeover is not automatic. Most temporary migrants return or, at least, are expected to return to their countries of origin.

Migration skill levels

The notion of skill can be based either on the educational qualifications of the worker or on the competency requirements for a particular job. National concerns about low-skilled migration are focused more on the education level of immigrants, with its implications for their long-term employability and for the educational outcomes of their children, than with the skill level of the job they happen to be holding. Indeed, some lower skilled jobs are occupied by higher educated immigrants, at least initially. Although overqualification of immigrants remains a common phenomenon in OECD countries (OECD, 2007a), many highly skilled immigrants in low-skilled jobs gradually progress out of them over time and experience some wage convergence with natives. Low-educated immigrants in many OECD countries, on the other hand, are overrepresented among persons with at best primary education, and this holds even among persons in the younger prime-age working group (Table II.4). It is this category of migrant that is of most concern for policy in many OECD countries, because of the concern about long-term integration prospects for both the immigrants and their children.

The discussions below will tend to alternate between both the educational and the occupational perspectives on skill – education when the objective is to consider the integration prospects of low-skilled workers and their children, occupation when the discussion concerns labour market needs and recruitment. Which one applies should be clear, since we will generally be referring to *low-educated immigrants* as opposed to *low-skilled jobs*.

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Box II.1. **Concepts underlying international migration movements** *(cont.)*

High skilled migration raises measurement issues of its own. The implicit definition of a highly-skilled migrant which most observers would agree to is one with a university degree. In public references to the "best and the brightest", however, and to the need to attract such migrants to ensure continuing innovation and international competitiveness, the underlying impression conveyed is of a relatively small elite, covering perhaps persons with doctorates, researchers, high-level engineers and computer specialists.

Although the small highly educated elite is clearly a significant priority for many countries, the migration levels they represent even for countries which have strong selection policies and have the added advantage of being English-speaking countries are relatively modest. The demographic change currently under way in OECD countries is likely to result in labour needs across a broader segment of persons with better than upper secondary education (as well as for persons to occupy lesser-skilled jobs) and will include persons with technical and higher vocational qualifications.

Skills can be also be measured for and selected for on the basis of wages, and some would argue that this is a better criterion of employability and skill than formal educational qualifications. This is applied in certain countries to screen requests for work permits to ensure that the request concerns a job which fetches a better-than-average salary in the labour market.

Table II.4. **The educational attainment of native-born persons and of non-OECD immigrants 25-44, 2006**

Percentage

	Native-born				Non-OECD born			
	Primary	Lower secondary	Upper secondary	Tertiary	Primary	Lower secondary	Upper secondary	Tertiary
Australia	4.3	23.0	40.3	32.4	5.9	11.0	31.5	51.7
Austria	0.0	11.3	69.7	19.0	0.0	38.3	49.2	12.5
Belgium	5.8	14.3	40.6	39.3	27.0	16.3	32.3	24.4
Canada (2008)	1.7	7.6	38.0	52.7	2.8	5.6	28.0	63.6
Denmark	0.3	12.5	48.8	38.4	13.4	18.2	34.2	34.2
France	4.4	17.5	44.7	33.5	18.1	22.2	29.4	30.4
Greece	12.9	14.4	45.7	27.0	22.7	26.0	39.0	12.3
Italy	4.2	34.5	45.7	15.6	13.8	35.4	40.4	10.4
Netherlands	3.6	16.8	46.1	33.6	17.5	18.3	45.5	18.6
Norway	0.2	4.6	56.8	38.5	8.7	15.5	53.5	22.3
Portugal	47.8	17.6	18.0	16.5	24.4	23.4	33.6	18.6
Spain	6.3	33.1	21.6	39.0	23.7	15.7	37.5	23.1
Sweden	0.2	7.5	58.3	34.0	12.6	10.4	46.5	30.6
Switzerland	0.4	5.7	61.3	32.7	7.3	31.1	38.5	23.1
United Kingdom	0.1	25.2	41.0	33.7	1.4	20.2	48.8	29.6
United States	2.1	5.7	50.7	41.5	24.7	7.9	35.3	32.1
Average	5.9	15.7	45.5	33.0	14.0	19.7	38.9	27.3
Average (excluding Portugal)	3.1	15.6	47.3	34.1	13.3	19.5	39.3	27.9

Note: Countries with small immigrant populations have been excluded. Upper secondary includes ISCED 4, namely post-secondary non-tertiary attainment, which covers second apprenticeship programmes, among others. Mexico and Turkey are considered as outside the OECD for the purposes of this table.

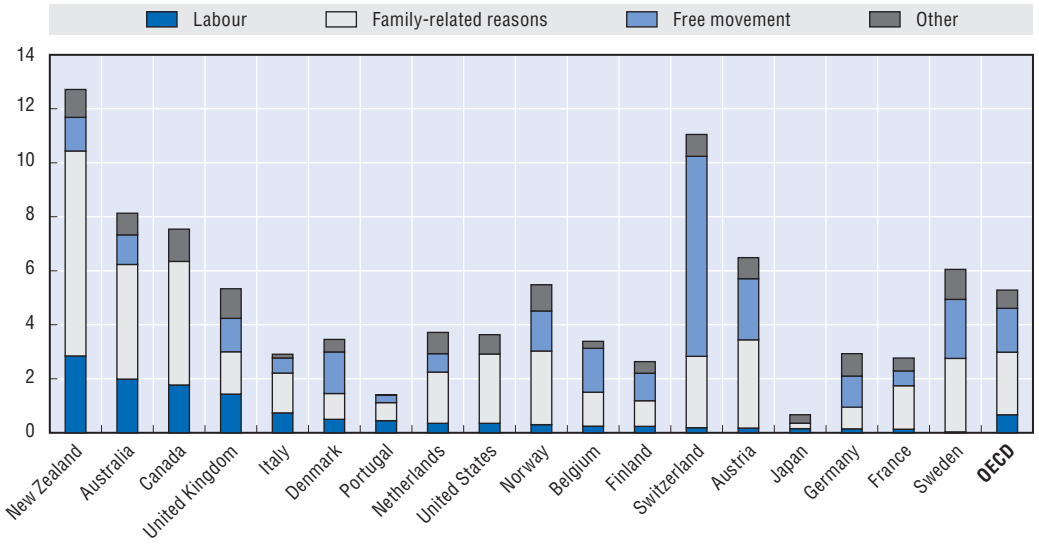
Source: European Union Labour Force Survey (data provided by Eurostat), Labour Force Survey (Australia and Canada) and Current Population Survey (United States).

StatLink http://dx.doi.org/10.1787/636544668843

Figure II.4 shows international permanent-type migration across OECD countries for recent years, at least for those for which it is possible to present comparable data and the share of labour migration in total migration. Free circulation migration, which is significant for a number of European countries, is considered separately and includes both workers and their families.[2] If one considers discretionary labour migration, it is evidently in Australia, Canada and New Zealand and the United Kingdom that movements have been the largest. To the list could be added Ireland, Greece and Spain,[3] for which data of the kind shown are not available.

Figure II.4. **Legal permanent-type international immigrant flows by category of entry, 2002-2006**

Per thousand persons in the resident population



Note: Only countries for which comparable data on permanent-type migration by category exist are included in the Figure. Accompanying families of labour migrants are included in family-related reasons. Data for Austria, Italy, Norway and the United Kingdom consist of the average over 2003-2006, for Denmark and Switzerland of the average over 2004-2006, for Belgium of the average over 2005-2006 and for Finland of the value for 2006.

Source: OECD database on International Migration. See *www.oecd.org/dataoecd/22/28/41281008.pdf*.

StatLink http://dx.doi.org/10.1787/636167150503

1. The labour migration situation until the mid-1990s

In speaking about international migration, it is customary to distinguish between the so-called "settlement countries" and the rest of OECD countries. The settlement countries are Australia, Canada, New Zealand and the United States, namely the countries which were essentially established through migration from other continents, especially Europe, over the past few centuries. The migration origin of their populations has influenced their view of migration and the nature of migration policy. Persons admitted as immigrants are granted the right of permanent residence upon entry and immigrants are identified as foreign-born persons rather than foreign nationals. Access to nationality or citizenship is relatively easy and generally obtainable after no more than five years of residence. The objective of immigration is considered to be permanent settlement and this is the view conveyed to persons applying for immigration.

These countries also have temporary labour migration regimes to satisfy immediate and/or temporary labour needs, for which permanent residence permits are inappropriate or

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for which the longer processing times associated with them pose a problem. Traditionally, the settlement countries have attempted to keep the two regimes separate, to avoid the development of alternative entry routes and rules for permanent migration.[4] More recently, however, this policy is being relaxed for various reasons, as will be seen below.

In European countries, Japan and Korea but also the United States, labour migrants traditionally have only been admitted if they have a prior job offer; they are almost always granted permits of limited duration, the exception being those admitted under the United States employment preferences. Some of these are unambiguously temporary migration permits, because the permits are not renewable or only renewable on a limited basis (for example, seasonal workers), after which the holder has to leave the country. Others correspond to settlement-country permanent residence permits, because they are more or less indefinitely renewable, provided certain conditions are fulfilled. Historically, they have not always allowed for the immediate migration of the spouse and children of the worker, but this restriction has been largely eliminated for highly skilled migrants.

The settlement countries, with the exception of the United States, have had and continue to have extensive pro-active permanent labour migration programmes, whose levels are fixed by ministerial decree each year (OECD, 2005b). The levels are not caps but target levels and the objective is to attain the targets, that is, to admit the number of immigrants announced as the target. It is not always entirely clear how the target levels are arrived at. They seem to reflect in part past experience about the needs of the economy and the labour market and about what the society is able to absorb without putting undue pressures on housing and social services. They range from about 1.5 to 3 labour migrants per thousand persons in the population, not including accompanying family members, whose numbers tend to more than double these rates.

The settlement countries continued to admit labour migrants throughout the seventies and eighties, while decreasing the numbers during economic downturns, a policy abandoned by one of them, namely Canada in 1990. The inflows of permanent labour migrants in these countries have been steadily increasing since the early nineties. At the same time, temporary labour migration has also been increasing, especially for certain special programmes, such as working holiday makers, and for immediate high-skilled needs which the permanent regime with its long delays is unable to address.

The cornerstone of United States permanent migration ("green card") policy, on the other hand, is family migration, which is defined much more broadly than in other OECD countries.[5] Employment-based permanent migration is capped at 140K persons per year, including spouses and children, and many of the persons accepted in this category (over 70% in recent years) are already in the country on a temporary status. This migration is largely high-skilled, with only 10 000 of the 140 000 cap being reserved for the low-skilled. The annual cap is not always exceeded, however, more because of processing problems than insufficient demand (CISO, 2007).

The United States also has an extensive temporary labour migration programme covering many categories, for which the visas are labeled "non-immigrant visas" and the most prominent category of which is the H-1B highly-skilled visa, allowing for up to a six-year stay for visa-holders, which can be extended if the holder applies for permanent resident status. This visa category is subject to a cap, which was expanded to 195 000 during the dot.com boom in the late 1990s, but has since returned to its usual 65 000 level. This level is also in a certain sense a minimum, because it is the number of visas which the

United States has committed to making available to foreign nationals every year under the GATS treaty. No other country has made a comparable commitment.

The situation in Europe, Japan and Korea is substantially different. Almost all European countries are relatively recent immigration countries (since the 1950s), the one exception being France which has seen significant migration inflows since the nineteenth century. In the post-war era, many European countries, among them Austria, Belgium, France, Germany, Luxembourg, the Netherlands, Sweden, Switzerland and the United Kingdom had recourse to migration from countries in southern Europe, the Mediterranean rim or from former colonies to satisfy their labour needs, which were mostly for low-skilled labour, in the context of strong economic growth. Southern Europe and Ireland saw strong labour-related outflows to the countries of Western Europe, as well as to the English-speaking non-European OECD countries. For other OECD countries except the settlement countries, there were few movements occurring at the time.

In the 1950s through the early 1970s, many workers were recruited to Europe from origin countries but some arrived themselves as tourists or visitors to find work and stay. There were considerable back-and-forth movements between the origin and destination countries at the time. For example, the decree of free circulation for Algerians in 1947 led to the entry of 740 000 persons into mainland France between 1947 and 1953, but there were also 561 000 returns to Algeria over the same period (Lemoigne and Lebon, 2002). Likewise, it is estimated that 66% of guestworkers to Germany returned to their countries of origin over the 1961-1976 period, with return rates ranging from 3 in 10 Turkish workers to 5 in 10 Yugoslavian workers to 9 in 10 Italian workers (Böhning, 1981). This occurred without any particular policy in place to encourage returns.

Following the first oil-shock in 1973, labour migration to the countries of Western Europe was essentially stopped. Many workers who were present decided to stay on and to bring in their families. Further worker entries were only allowed in special cases (high-level employees of multinationals) or in situations where there existed a clear labour market need which could be demonstrated. Migration into European OECD countries was essentially limited to family and humanitarian movements until the latter half of the 1990s, with the exception of free movement within the European Union and of migration to Switzerland, whose labour market continued to admit workers from abroad. One form of migration, which was not strictly speaking labour migration, was numerically significant for Germany, namely inmigration of ethnic Germans from Eastern Europe and the republics of the former Soviet Union. Indeed, from the late eighties on, ethnic German migration added 3 million people to the German population. This kind of migration was also observed among persons of Finnish, Greek and Hungarian origins living outside the national borders of the respective countries and for which the collapse of the former Soviet Union opened up possibilities for out-migration.

The mid-1990s saw labour migration, especially high-skilled, expand in the United Kingdom and Ireland, in response to strong growth. At the same time, labour migration to the countries of southern Europe developed strongly. These will be considered in more detail in the next section.

2. Current labour migration movements

The recommendations concerning labour migration to be presented in the next section will concern essentially discretionary labour migration. Some of the discussion below, however, will concern free circulation and unauthorised migration, however, both

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because of what these have revealed about the nature of labour needs in OECD countries, and because the extent and nature of unauthorised migration provides clues about the limitations of current migration policies.

There have been *three* developments which have significantly opened up new possibilities for labour migration in OECD countries since 1990. The *first* of these concerns the advent of the countries of southern Europe as immigration countries. Towards the end of the 1990s, movements of labour migrants into these countries increased significantly, in response to labour demand and declines in the size of youth cohorts. Initially, much of it was unauthorised as migration officials struggled to keep up with a demand which far outstripped the supply of available work permits and the resources available to process requests. Often the migrants entered legally with tourism visas and overstayed once they had found employment.

The southern European countries have all carried out several regularisations of workers, in each case tightening control measures and hoping to start up anew with a blank slate. Migration movements have continued apace in all of these countries, at least until the recent crisis, with more or less control of movements depending on the country. The increase in the immigrant population in Spain, for example, has been so great that it currently has more immigrant workers than France. Immigration into southern Europe has been essentially into lower skilled jobs, in particular in construction, hospitality and the household sector. With the economic crisis, there has been a major shift in labour migration flows and prospects in these countries, which is likely to persist until significant labour market recovery begins.

The *second* development concerns the enlargement of the European Union by ten new members in May 2004 and by an additional two (Bulgaria and Romania) in 2007.[6] Initially, only Ireland, Sweden and the United Kingdom allowed free movement of workers from the new member states, although other countries (for example, Italy and the Netherlands) did provide for entries subject to numerical limits.. The transitional period before free movement has to be accorded by all EU countries is seven years, with two points along the way at which the situation has to be reviewed. By July 2008, many other countries in additional to the original three had opted for free movement, the only exceptions being Austria, Belgium, Denmark and Germany who still apply restrictions but have reduced them in some sectors/professions or have simplified procedures.

From 2004 to 2006, close to half a million workers emigrated to the European Union from the new member states, with Ireland showing the highest number of per-capita entries and Lithuania of per-capita departures (Barrell *et al.*, 2007).[7] As in southern Europe, many of these movements have been into lesser-skilled jobs; indeed many western European countries are currently addressing labour market shortages for these kinds of jobs by recourse to migration from enlargement countries. The impact of this intra-European migration on labour immigration from third countries has been small, essentially because the latter tends to be into high-skilled jobs (IMO, 2008d). Preliminary indications are that many of the movements which occurred following enlargement are temporary.

A *third* significant avenue for labour migrants since 1990 but which existed earlier consists, not of legal movements, but rather of irregular migration into the United States. A large-scale regularisation of immigrant workers who entered during the early 1980s, mostly from Mexico, took place in 1986 and it was expected that with the coming into force

of the North American Free Trade Agreement in 1994, trade flows would substitute progressively for migration movements. However, this did not occur, in part because economic development in Mexico was slow to take off, because the peso crisis in Mexico was a major push factor and because many of the jobs filled by immigrants were in non-tradable sectors. With continuing strong labour demand, limited legal entry channels for labour migrants,[8] and the relative permeability of the southern border for both legal and illegal entry, irregular migration continued apace. The 2001 census revealed that there was an estimated 8 million unauthorised immigrants in the United States[9] and recent estimates (2007) have placed the figure at close to 12 million, of which some 7 to 8 million were employed in 2007. It is estimated that 59% are from Mexico, 22% from other countries of Latin America and the balance from the rest of the world.

There have been irregular migration movements to other countries as well, but with the exception of southern Europe, they have not been as visible, nor apparently have they accumulated to the extent that they have in the United States.

The three large-scale labour migration movements described here have all been, to a certain extent, unorganised movements, in that many if not most of the workers arrived without jobs, there have been ineffectual numerical limits on entries and immigrants have moved into jobs with little assessment of possible impacts on the domestic workforce. In all three cases immigrants have arrived to take on employment largely in lesser-skilled jobs. Although not always respecting entry and stay regulations, they have nonetheless made a significant contribution to economic growth in the countries where they have found work, as well as providing needed services in many sectors of the economy. The movements of immigrants in these three cases have largely exceeded those of permanent-type labour migration movements which occurred under the regulated regimes of OECD countries. The unpredictable and indeed, in some cases, irregular nature of the movements has been controversial. Obtaining the sort of benefits which these large-scale movements have brought with them through formal and managed means remains a challenge.

2.1. Movements of the highly skilled

Despite a general openness to high-skilled migration, it would be fair to say that with the exceptions of Australia, Canada, Ireland, New Zealand and the United Kingdom, legal movements from outside the OECD or the European Union to OECD countries have been limited. By way of example, the United Kingdom was until the onset of the economic crisis recruiting seven times more permanent-type highly-skilled immigrants per capita than the United States, where movements were close to the approximate OECD median value of one highly-skilled immigrant per 4 000 population. Movements of EU nationals within the European Union were larger, but with the exception of Switzerland, which has opened its labour market to EU nationals, few countries appear to be relying on free-circulation movements as a source of highly qualified migrants, undoubtedly because outflows of their own citizens tend to broadly cancel the inflows of foreign nationals. The objective is thus to recruit from outside.

It is undoubtedly not a coincidence that almost all of the countries with significant highly-skilled immigration have English as an official language. Switzerland, the one exception, has the advantage of having national languages spoken by neighbouring countries with much larger populations, as well as favourable salary levels relative to the cost of living. On the other hand, other countries with languages widely spoken outside

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their borders, such as Belgium, France, Portugal and Spain have seen far fewer entries for high-skilled jobs. For the latter two countries, as mentioned above, there have been many entries over the past decade, but largely for lesser-skilled jobs.

In recent years, Denmark and Norway, who share the problem of having national languages that are scarcely spoken outside their borders, have managed to recruit immigrants in numbers which remain modest but are growing strongly (Box II.2). With the recent (December 2008) relaxation of labour migration restrictions in Sweden, inflows have risen slightly in that country as well, despite adverse economic conditions. The flows thus far concern largely highly skilled migrants. Finland has not yet shown signs of attracting highly skilled migrants in comparable numbers.

Generally, Ireland, Switzerland and the United Kingdom among European countries have had active and relatively large migration programmes for high-skilled workers, Switzerland currently satisfying most of its high-skilled needs from within the European

Box II.2. **Highly-skilled migrants in Denmark and Norway**

Denmark and Norway are relatively recent migration countries, where the foreign-born population stood at less than 4 and 5%, respectively at the beginning of the 1990s. Since that time, they have received considerable numbers of humanitarian migrants and saw their foreign-born population increase to 6.6 and 8.7% respectively in 2006. But both countries remain below the OECD average on this count.

Prior to EU enlargement, despite being outside the European Union, Norway was already receiving significant numbers of seasonal migrant workers, especially from Poland. With enlargement and a strongly growing economy, the number of workers from the new accession countries making their way to Norway expanded substantially. Although this was less the case in Denmark, economic growth in that country has been strong as well but with insufficient migration to produce significant growth in the working-age population. Both countries in recent years have had unemployment rates that are among the lowest observed among OECD countries.

Policies to facilitate migration of the highly skilled have been further developed in recent years in both countries and appear to have begun producing results, especially in a context of strong economic growth and demand for labour. High-skilled migration to Denmark and Norway from outside the European Economic Area has increased by factors of almost three and four, respectively from 2004 to 2007. In both countries, India is the principal source country, accounting for 20% of high skilled immigrants to Norway but fully 50 % of those to Denmark. China and the United States are significant source countries for both Denmark and Norway, accounting for some 7 to 11% of inflows, as is also the case of Russia for Norway. Other significant source countries for Norway include the Philippines, Romania, Serbia and the Ukraine. Norwegian highly-skilled migration levels now stand in relative terms at about one-third of Canadian levels.

Recent increases in immigration to these countries demonstrate that a language that is scarcely spoken outside national borders is not necessarily an insurmountable barrier to recruitment. In both countries many residents speak English and employers have recruited directly into employment persons who ostensibly speak that language and can work productively using it while they learn the national language, if indeed their migration intentions are long-term. Whether this is the case is as yet uncertain.

Union and Ireland and the United Kingdom from outside the Union. From one fourth to one third of United Kingdom labour migrants are intra-corporate transfers, the movements of many of whom are governed by the GATS.[10]

The United Kingdom, in particular, has introduced new policies that marry features of migration programmes from a number of other countries. Its Tier 1 programme is perhaps the most selective one in the OECD, with applicants awarded points for a number of characteristics (age, education, salary in the origin country, English-language skills and financial resources) and successful applicants allowed to settle without a firm offer of employment. Its Tier 2 migration programme is modeled on the former work permit system and requires a job offer. It is also points-based, but if the job to be taken is on a shortage occupation list, the permit request is virtually certain to be approved, subject to minimum skill, wage and English- language requirements. This is the first time within the OECD that a points system has been applied to a demand-driven regime. Tier 3, designed for lesser-skilled migration, is inoperative for the present, but the fact that it does exist suggests that recourse to this form of migration in the future is not excluded.

The settlement countries of Australia, Canada and New Zealand are the most significant countries in terms of discretionary highly-skilled permanent labour migration. Perhaps the most important trend in all three countries is the move toward favouring persons already in the country on another status, either because they have a temporary work permit or because they have completed their studies in the country. In New Zealand, about two thirds of permanent skilled immigrants were of this kind in 2005. In Australia, it was 33% and Canada 11% (OECD, 2007a). This is a move away from introducing persons into the domestic labour market who may have had little contact or experience in the country and an attempt to address the problems which such immigrants have had in finding appropriate jobs upon arrival. In the United States as well, green cards granted under the employment preferences have gone in significant proportions (over 80%) to persons already present in the country in recent years.

Permanent skilled labour migration numbers have been increasing in Australia and New Zealand since the mid-1990s, while they have been broadly stable in Canada and the United States. Australia in particular has moved strongly towards recruiting applicants with demonstrated levels of English proficiency, pre-screened qualifications and with an occupation on a skilled occupation list. Both Australia and Canada have introduced programmes to allow for region-based employer-initiated migration. These programmes have been developed because of the tendency for points-based immigrants to concentrate in the largest cities while significant labour shortages developed in smaller centres. In addition, skilled immigrants selected under the points-based systems and arriving without jobs have seen their qualifications and experience earned abroad discounted by many employers. It is expected that direct recruitment by employers can help to redress the imbalance.

The United States admits relatively small numbers of highly-skilled labour migrants in relation to its size. It does so mostly through the so-called "non-immigrant" H-1B visas, which account for about 150 000 entries. 65 000 places are accounted for by the United States GATS commitment, 20 000 are reserved for persons who obtain a higher level university qualification in the United States and the balance consist of persons employed by non-profit and government research laboratories and by universities. All must have a job offer before arrival and many of the persons on H-1B visas eventually obtain green cards through the employment preference route. Indeed, once they apply for green cards,

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their work visas can be extended pending the consideration of their applications. Only about one-fourth of the employment preference immigrants (about 15-20 000 persons) are recruited from outside the country. Other high-skilled entries include intra-corporate transferees, which have been increasing in recent years and stood in 2007 at close to 85 000 persons.

Other countries have had limited highly-skilled labour migration, whether temporary or permanent, except perhaps for persons arriving through the free-movement route. All countries are currently attempting to encourage international students in selected professions to stay on for work after the completion of their studies, either temporarily or permanently (see below).

2.2. Lower-skilled migration

With the exception of migration to southern Europe and migration under free-movement regimes, virtually all legal labour migration for low-skilled jobs in OECD countries is through temporary programmes. Many of these involve intra-OECD or intra-EU migration, such as the German seasonal workers programme[11] or working holiday maker programmes in general. Programmes involving workers from outside the OECD or the European Union tend to be small, involving mostly seasonal workers. In recent years, for example, the United States H-2A (seasonal agricultural worker visa) and H-2B (temporary non-agricultural visa) programmes have admitted some 100 000-120 000 persons, many of them from Mexico, an OECD country. Mexico itself takes in about 40 000 agricultural workers every year, mostly from Guatemala.

Table II.5 shows the distribution of temporary migration programmes by country of destination for the year 2006. Note that the "other" category contains significant numbers of high-skilled migrants, for example for Australia, Canada, the United States (the H-1B visas) and Switzerland, admitted for temporary jobs which can, however, last for several years. It is not yet possible to fully disaggregate by high-skilled/low-skilled for all countries. In general, temporary worker entries are about three times larger than permanent labour migration numbers, but not many involve non-OECD nationals.

The missing category on the low-skilled side is that for unauthorised immigration, which is a significant means of entry into low-skilled jobs for non-OECD nationals, in addition to family and humanitarian migration. Considerable efforts have gone into enforcement in Europe since the last large-scale regularisation in Spain in 2005, particularly with respect to border control and expulsion. However, some countries have recently been allowing more flexibility regarding requests for work permits from persons already in the country, particularly in the presence of labour shortages. This was the case, for example, in Italy and Portugal, until recently.

Japan in principle continues to restrict migration of lesser-skilled workers, but some labour needs of this kind are being filled by immigrants of Japanese descent recruited from South America and through the admission of enterprise trainees, some of whom are allowed to stay on to work for two years following the end of their training period. Korea introduced a work permit programme involving overseas recruitment of lesser-skilled workers starting in 2004, in the wake of repeated problems with its trainee system, which saw many workers leaving the firms which were "training" them for more remunerative but irregular work elsewhere.

Table II.5. **Inflows of temporary migrant workers, selected OECD countries, 2006**

Thousands

	Seasonal workers	Trainees	Working holiday makers	Other temporary workers	Total
Australia	–	6	114	99	219
Austria	–	–	–	4	4
Belgium	8	–	–	34	42
Canada	23	–	28	90	141
Denmark	–	3	–	3	6
France	17	–	–	11	28
Germany	294	2	–	80	377
Italy	98	–	–	–	98
Japan	–	93	5	59	157
Korea	–	65	1	13	78
Mexico	40	–	–	–	40
Netherlands	–	9	–	74	83
New Zealand	6	1	32	47	87
Norway	36	–	–	1	38
Portugal	–	–	–	7	7
Sweden	–	–	–	7	7
Switzerland	–	–	–	112	113
United Kingdom	16	–	44	206	266
United States	37	2	–	256	295
All countries	576	181	224	1 103	2 085

Note: Intracorporate transfers are excluded. The "other temporary workers" rubric may contain flows that properly belong under one of the other categories, but which cannot be disaggregated.
Source: OECD database on International Migration.

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The current situation with respect to low-skilled migration remains a reluctance on the part of many countries to open up in this area, especially in western and northern Europe, where it is felt that there is sufficient slack in the labour market to provide workers for low-skilled jobs, without a need to resort to extra-OECD migration. This reluctance is notably absent in southern Europe, where openness in this regard has resulted in the filling of many low-skilled jobs by immigrants, a significant percentage of whom have good educational levels, that is, at least upper secondary attainment. Western and northern European countries have postponed the decision regarding recruitment for lesser-skilled jobs from outside the European Union, by filling needs in these areas by migrants from the EU accession countries, who tend also to be overqualified for the jobs they are taking up. In both cases, there will presumably be a movement by immigrants who stay on into jobs which correspond more to their qualifications, as they acquire better language proficiency and knowledge of job opportunities in the destination countries.

3. Educational and labour market outcomes of immigrants and their children

The integration outcomes of immigrants and their children have become a matter of concern in many countries. With the transition to family and humanitarian migration which followed the first oil crisis, the difficult economic conditions and the upskilling of jobs, labour market outcomes of immigrants have deteriorated. Outcomes have been observed to improve with duration of stay and educational attainment, but nonetheless tend to lag behind those of native-born persons with comparable characteristics. Domestic populations sometimes reacted negatively to the high unemployment rates among

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immigrants and to the geographic concentration in cities and neighbourhoods of populations from non-European backgrounds. Inadequate outcomes, both educational and in the labour market, observed for the children of immigrants born and educated in the host country, raised doubts about the ability of national institutions to ensure a smooth integration into the society and economy of persons of immigrant origin. The massive arrival of asylum seekers beginning in the early nineties, many of whom were reliant on social transfers while waiting for their claims to be examined, added to the negative image, especially since rates of recognition of the claims were low. The view of public opinion in many countries was that many of the claimants were really "economic migrants" in disguise. In consequence, migration issues became more and more present in the political and electoral debate, and policies reflecting openness to migration more controversial.

In reaction to this situation, governments introduced programmes to combat abuses of migration regimes, to encourage a greater commitment by immigrants to integration and to address particular problems faced by immigrants in the labour market upon arrival[12] (OECD, 2007b; OECD, 2008b; OECD, 2006c). With the prospect of a greater recourse to immigrants in the context of population ageing, the integration of immigrants already in the country has become a matter of high priority.

The labour market problems of current immigrants and their children in many countries, however, concern persons arriving over the past thirty years largely as family and humanitarian migrants. What is being considered for the future is an increase in labour migration. Family and humanitarian migrants generally entered the country without offers of employment and without necessarily having weighed the costs and benefits of migrating in terms of their own expected employability or of future earnings. Empirical results have demonstrated, not surprisingly, that family and humanitarian immigrants have labour force outcomes that are not as good as those of labour migrants (OECD, 2007b). This is trivially true if labour migrants have jobs upon arrival, but also true when they do not, as is often the case for skilled migrants in settlement countries, selected on the basis of characteristics deemed to facilitate labour market integration. Even so, problems have developed here too, with respect to both access to employment and earnings outcomes, compared with the more favourable results observed in the past with immigrants who came from higher income countries (Picot and Sweetman, 2005).

In both of these cases, the experience of past migration provides useful diagnostic information which points to the types of policies which may need to be introduced to reduce the likelihood of unfavourable labour market outcomes for immigrants in the future.

3.1. Labour market outcomes of immigrants

In general, the labour market outcomes of immigrants lag behind those of native-born persons, especially for immigrants from non-OECD or low-income countries (Table II.6). The exceptions to this, in particular with respect to employment rates, concern the destination countries of southern Europe and the United States, all of which have seen high levels of unauthorised labour migrants arriving in search of job opportunities. Some of the differences between immigrant and non-immigrant outcomes are attributable to lower educational attainment levels among immigrants, but in countries where this is the case, differences remain even after controlling for educational attainment and age. And even in countries where immigrant arrivals are on average more highly educated than the native-born, labour market outcomes are not always better. Why is this the case?

Table II.6. **Employment-population ratios of persons 15-64, by sex and region of birth, excluding full-time students, 2007**

Percentage

	Employment/Population ratios								
	Native-born			Foreign-born OECD/EU 25			Foreign-born non-OECD/EU 25		
	All	Men	Women	All	Men	Women	All	Men	Women
Higher employment rates among non-OECD immigrants									
Czech Republic	75	84	65	64	74	55	74	88	60
Greece	68	83	53	64	90	51	74	91	55
Hungary	65	73	58	59	71	49	71	85	60
Italy	64	77	51	63	82	51	71	89	54
Poland	64	71	56	34	41	25	39	51	30
Slovak Republic	69	78	60	64	73	55	61	79	45
Spain	70	82	57	67	79	55	74	86	63
United States	70	73	66	70	78	63	71	82	58
Average – above countries	68	78	58	61	74	51	67	81	53
Higher employment rates among OECD/EU25 immigrants									
Australia	78	85	71	73	81	65	69	81	58
Austria	77	83	70	71	82	63	65	75	55
Belgium	71	78	64	61	70	52	50	63	38
Canada (2008)	78	82	75	75	82	67	74	82	67
Denmark	82	86	78	76	84	69	65	71	60
Finland	76	78	74	76	81	69	62	72	53
France	73	77	68	66	72	61	59	70	48
Luxembourg	72	81	62	77	86	68	65	80	53
Netherlands	79	86	71	73	81	66	61	71	52
Norway	83	87	80	86	89	84	71	77	65
Portugal	75	82	68	80	88	72	79	85	73
Sweden	85	87	83	76	79	74	68	73	63
Switzerland	84	91	77	79	87	70	70	81	60
United Kingdom	76	82	70	79	87	70	67	81	55
Average – above countries	78	83	72	75	82	68	66	75	56
Average – all countries	74	81	67	69	79	61	66	78	55

Note: OECD/EU25: Countries belonging either to the OECD or to the expanded European Union (excluding Bulgaria and Romania). Mexico and Turkey are considered as outside of the OECD for the purposes of this table.
Source: European Union Labour Force Survey (data provided by Eurostat), Labour Force Survey (Australia and Canada) and Current Population Survey (United States).

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In many countries, it is less the labour market outcomes of low-educated than of high-educated immigrants which compare unfavourably with those of their native-born counterparts (Table II.7). Denmark and Sweden are notable exceptions to this. The issues of language proficiency and of whether the qualifications and work experience earned in an origin country are pertinent or equivalent are less important when the tasks to be performed are elementary or can be learned relatively easily on the job. Nonetheless, it remains the case that in most countries, low-educated immigrants like low-educated native-born persons have less favourable labour market outcomes than their more educated counterparts, are subject to higher unemployment and thus put a greater burden on national budgets.

The labour market outcomes for high-skilled immigrants, on the other hand, trail those of the native-born in practically all countries, whether one considers employment or unemployment rates or earnings. For this group, language proficiency and the transferability of qualifications and work experience are significant issues. There are a number of empirical results related to these questions which have appeared over the past

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Table II.7. **Differences in employment-to-population ratios between the foreign-born and the native-born, persons 15-64, by educational attainment, 2007**

Percentage points

	All				Men				Women			
	At best primary	Lower secondary	Upper secondary	Tertiary	At best primary	Lower secondary	Upper secondary	Tertiary	At best primary	Lower secondary	Upper secondary	Tertiary
Australia	–7	–6	–9	–4	–3	–2	–5	–2	–5	–9	–13	–8
Austria	2	1	–7	–13	. .	6	–5	–7	. .	–4	–9	–19
Belgium	–5	–11	–15	–11	0	–12	–12	–7	–8	–10	–18	–15
Canada (2008)	7	–2	–5	–7	14	0	–1	–3	10	–2	–9	–10
Denmark	–14	–7	–14	–9	. .	–4	–12	–10	. .	–11	–15	–9
France	3	–5	–10	–13	9	–4	–5	–9	0	–7	–14	–18
Germany	–3	1	–7	–15	6	4	–6	–12	–6	–4	–10	–19
Greece	19	9	1	–12	18	8	6	–2	11	11	–1	–16
Ireland	5	–2	–1	–6	8	–1	–2	–4	1	–3	–3	–9
Italy	31	7	–2	–7	34	11	7	2	21	6	–7	–12
Luxembourg	27	10	–1	–2	27	–2	1	5	25	14	–3	–9
Netherlands	–11	–9	–15	–10	–12	–10	–13	–7	–9	–9	–17	–13
Spain	21	4	0	–8	17	0	1	–3	21	10	0	–12
Sweden	–12	–12	–13	–10	–9	–12	–12	–10	–8	–11	–14	–10
Switzerland	14	6	–7	–10	36	8	–6	–4	–5	1	–9	–15
United Kingdom	5	–5	–5	–4	. .	8	1	0	. .	–16	–12	–7
United States	40	14	1	–4	54	22	7	0	23	5	–6	–8
Average	7	–1	–7	–9	14	1	–3	–4	5	–2	–9	–12

Note: See notes, Table II.5. A negative value means that the foreign-born have a lower employment-population ratio than the native-born of the same educational attainment level. ". ." estimated difference is based on unreliable employment/population ratios.

Source: European Union Labour Force Survey (data provided by Eurostat), Labour Force Survey (Australia and Canada) and Current Population Survey (United States).

StatLink http://dx.doi.org/10.1787/636636064813

decade, most of them based on Canadian studies, which have explored the issues systematically in an attempt to understand the deterioration in earnings outcomes of Canadian immigrants over the past twenty-five years.

First of all, empirical results for Canada (Green and Worswick, 2003; Ferrer, Green and Riddell, 2006) show that the earnings returns to work experience obtained in a foreign country for recent immigrants are essentially zero, unlike the situation prevailing in the early 1980s when the returns were similar to those for domestic experience. In addition, returns to foreign qualifications are significantly lower (Bonikowska, Green and Riddell, 2008). On the other hand, cognitive skills, as measured in tests administered in households,[13] have been shown to be rewarded no less for immigrants to Canada than they are for the native-born. Indeed, the estimates of the returns to cognitive skills are generally somewhat higher for immigrants than for the native-born.

For immigrants educated abroad, all of the earnings returns to education are accounted for by their cognitive skills. This is not the case for the native-born, whose cognitive skills account for at best one third of the earnings returns to education for women, and less than half this for men. The balance of the returns are considered to be associated with behavioural determinants of earnings, the soft skills such as persistence, communication skills, motivation, ability to work in teams, etc. which individuals learn during the course of their education, which are an integral part of the national socialisation process and which appear to be more highly rewarded in OECD countries than cognitive

skills per se (Bowles, Gintis and Osborne, 2004). It has been claimed that the changing nature of work, in particular the premium placed on interpersonal communication skills, has made it more difficult for highly qualified immigrants to achieve the same kinds of labour market outcomes as in the past (Rosholm, Scott and Husted, 2001).

What about the foreign qualifications themselves? Generally, discussions of this focus on the problem of "recognition", the assumption being that qualifications that are nominally similar are indeed equivalent but are unknown to employers and therefore not remunerated at their actual value. If the qualifications were given some official recognition by educational authorities and employers, it is considered, immigrant labour market outcomes would improve. For this, adequate qualification assessment procedures would need to be in place and the necessary courses introduced to bridge the way to full recognition for those cases where the qualifications need upgrading or adaptation. But this argument does not acknowledge the importance of language proficiency for skill use, as well as the significance of "soft" skills in the workplace.

In addition, one would expect non-recognition behaviour to be self-correcting, with the accumulation of knowledge by employers concerning foreign qualifications from new origin countries and with those who are willing to pay the going wage able to poach talent from underpaying enterprises. The alternative is to assume widespread discrimination by employers across many countries, immigrant origin groups and labour markets. Such discrimination certainly exists but is difficult to quantify precisely on the basis of standard data sources and measurement methods, precisely because the usual proxy measure of skill (educational attainment) may not be measuring quite the same thing for domestic and foreign qualifications. For immigrants educated abroad, the problem is to disentangle unequal labour market outcomes due to discrimination from those due to non-equivalent qualifications. What is the evidence on equivalence?

Firstly, with the exception of Hong Kong (China), Macao, Chinese Taipei and Israel, no non-European non-OECD economy or country has placed more than 10% of its 15 year-olds in the three top (out of six) PISA science proficiency levels (OECD, 2006a).[14] The average percentage for OECD countries (excluding Mexico and Turkey) has been over 30%, with the lowest values for Portugal and Greece at about 18%. Although the number of non-OECD countries participating in PISA is limited and the comparison is not of tertiary education graduates, these results give an indication of the performance of education systems across countries. The comparison here is at aggregate level; any given student from a non-OECD origin country could be a better performer than a student from an OECD country.

The link with tertiary qualifications and adult labour market outcomes is not direct, but a number of studies have attempted to look at this (Sweetman, 2004; Hanushek and Kimko, 2000). The Sweetman study showed that immigrants from origin countries whose pupils had lower average international test scores have lower average returns to their education (proxied by years of schooling) in the Canadian labour market than those from countries which performed well. In addition, the lower returns did not hold for immigrants from the same countries who arrived at a young age and were educated in Canada. Differences in quality (as measured by test scores) were seen to be more important at higher educational attainment levels than at lower ones. The study also looked at returns within attainment categories and found that persons with bachelor's degrees from countries with higher educational quality had higher returns than persons with bachelor's degrees from countries with lower educational quality. Hanushek and Kimko (2000) found similar results for the United States.

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Differences in cognitive skills not only affect earnings of workers, but have been shown to have strong macroeconomic impacts. Although there is consensus concerning the contribution of education to economic growth, economic models using educational attainment have not shown strong "explanatory power". When measures of cognitive skills are introduced into the models, the explained variation in economic growth across countries almost triples (Hanushek and Woessmann, 2008).

Further evidence on the transferability of qualifications comes from results of assessments of foreign qualifications of immigrants in one Canadian province from 1997-2006 (about 18 000 cases in total). This evidence is very partial, because assessment data of this kind are uncommon, but Canadian immigrants tend to have broad geographic coverage, so the results can be taken as indicative.

The assessments were carried out in some 45 regulated professions (CIQ, 2007).[15] Only one third of the immigrant candidates assessed had their qualifications fully recognised, about one half obtained partial recognition (with full recognition obtainable through bridging courses) and the balance saw their qualifications deemed inappropriate in the Canadian labour market. The assessments were carried out by professional bodies, which admittedly may have an interest in limiting access to their professions, but they have also taken place in a context of labour shortages in many of these occupations, with professional groups seeking to hire from the ranks of immigrants. There are as yet no data available on the assessment outcomes by occupation or country of origin of the immigrants.

Further results from a number of OECD countries tend to show that persons with qualifications from a non-OECD country have lower employment-to-population ratios than persons educated in an OECD country (OECD, 2008b). Carlsson and Rooth (2008), however, showed that in Sweden ethnic origin was more important than the country where qualifications were obtained in explaining differences in invitations to job interviews.

These results taken as a whole do not mean that all qualifications from origin countries are to be discounted; there are high-quality institutions in many origin countries. But they do suggest that issues of equivalence between these and those obtainable in an OECD country cannot be ignored.

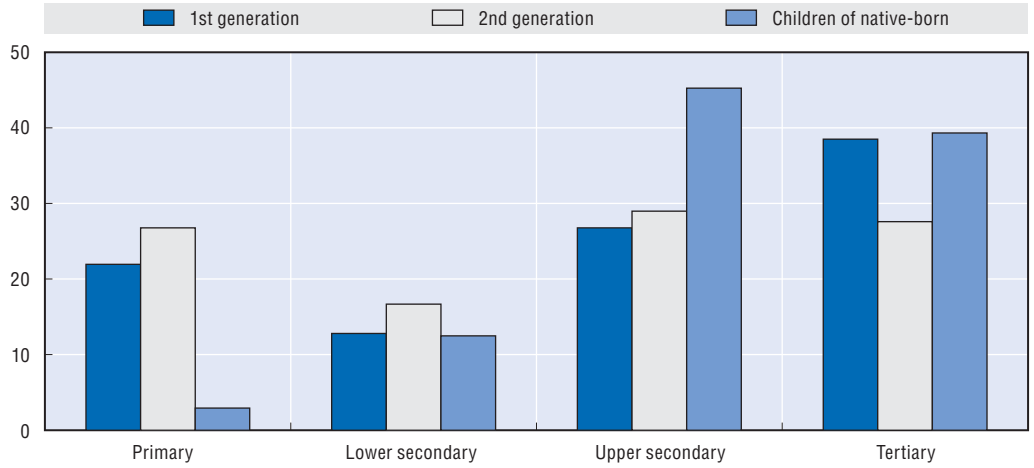
In some cases the equivalence may not necessarily bear on the level but on the type of education or training. A civil engineer educated in a tropical country is unlikely to have knowledge of, or expertise in, freezing-weather road-building or construction. Accounting standards in origin countries may be different from those in destination countries. Endemic diseases may not be the same in origin and destination countries. Such factors may explain why education or training obtained in one country may not be entirely transferable without some adaptation or upgrading in another country.

3.2. Educational and labour force outcomes for the children of immigrants

Although the outcomes of adult immigrants remain a matter for concern, it is unquestionably that of their children which has raised the most concern over the past decade, notably in Europe and especially when those children have been born and educated in the host country. Failure here, as well as calling into question the adaptability of national institutions to the needs of the immigrant population, may tend to maintain exclusion across generations and compromise the possibility of a further recourse to immigration to help meet the challenges of population ageing.

Both the education and the labour market outcomes of the children of immigrants lag behind those of the native-born in many OECD countries (OECD, 2007a). Results tend to be better (while still unfavourable) if the children of immigrants are born and entirely educated in the country, with Sweden, Switzerland, France and the United Kingdom showing the largest improvement in test scores for native-born children of immigrants. To a certain extent, the adverse educational outcomes reflect the impact of social disadvantage, that is, the parental generation often has relatively low educational attainment compared with their native-born counterparts. On average, about 25% of the children of immigrants in OECD countries have mothers with at best primary education; the corresponding figure for the children of native-born mothers is about 3% (Figure II.5).[16]

Figure II.5. **Percent of mothers in each educational attainment level, by immigrant status of children, selected OECD countries, PISA 2003**



Note: The Figure covers only countries with significant immigrant populations. Each country is given equal weight.
Source: OECD Programme for International Student Assessment 2003 data file.

StatLink http://dx.doi.org/10.1787/636185540715

In all societies, there is a tendency for educational advantage and disadvantage to be transmitted across generations. For children of low attainment parents, there is considerable progress achieved, with many at the highest levels of attainment, but the progress is not sufficient overall to attain the national average (Figure II.6). Policy can compensate in part for this educational disadvantage, but success here seems difficult to come by.

Low parental education, however, is not the full story. Although the children of immigrants, whether they were born abroad or were born and entirely educated in the host country, have lower PISA scores on average than the children of native-born parents at all parental educational attainment levels, the "immigrant effect" actually tends to be larger at higher parental educational attainment levels in many countries (Table II.8). Whatever it is that is affecting outcomes for the children of immigrants appears to have a levelling effect that partly counteracts the usually strong connection that is observed between parental education and children's outcomes. As a result, there tends to be less variation in PISA outcomes by parental education among the children of immigrants than among children of the native-born.

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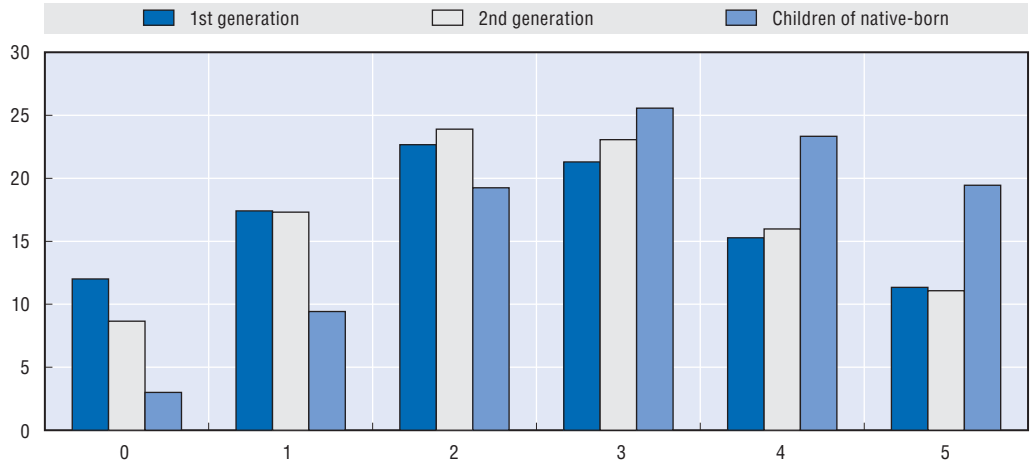
Figure II.6. **Percent of youth at each mathematics proficiency level, by immigrant status, selected OECD countries, PISA 2003**



Note: The Figure covers only countries with significant immigrant populations. Each country is given equal weight.
Source: OECD Programme for International Student Assessment 2003 data file.

StatLink http://dx.doi.org/10.1787/636225112884

Table II.8. **Differences in PISA mathematics scores between children of immigrants and children of native-born, by birth status of children and highest parental education level, 2003**

	Born abroad				Born in the country			
	At best primary	Lower secondary	Upper secondary	Tertiary	At best primary	Lower secondary	Upper secondary	Tertiary
Australia	–7	–4	–15	–4	–5	3	0	–4
Austria	–74	–40	–72	–63	–64	–54	–68	–57
Belgium	–58	–77	–96	–89	–36	–37	–71	–79
Canada	–14	21	–22	–16	38	40	–1	–8
Denmark	–32	–22	–60	–82	–23	–66	–53	–69
France	–48	–52	–69	–49	–14	–9	–25	–48
Germany	–17	–30	–60	–77	–41	–58	–69	–92
Luxembourg	–54	–81	–83	–14	–41	–43	–47	–22
Netherlands	–59	–62	–60	–72	–34	–56	–56	–68
New Zealand	–19	–55	–21	–12	32	–11	–37	–30
Norway	–64	–59	–48	–54	5	1	–49	–45
Sweden	–52	–77	–82	–77	2	–30	–36	–40
Switzerland	–50	–76	–93	–73	–14	–45	–63	–56
United Kingdom	–26	–38	–47	–26	10	3	–14	–11
United States	–37	–44	–56	–50	–12	–24	–39	–43
Average	–41	–47	–59	–51	–13	–26	–42	–45

Notes: ISCED: See notes to Table II.4.
Source: OECD Programme for International Student Assessment (2003) data file.

StatLink http://dx.doi.org/10.1787/636642680024

The impact of parental education overall is not insignificant but it is not especially large (Table II.9). On average, it accounts for about one quarter of the performance differences between the native-born children of immigrants and the children of native-born parents and one-eighth if the children of immigrants were born abroad. The impact of parental education is strongest in relative terms in France, Luxembourg and the United States.

Table II.9. **Differences between PISA mathematics scores of children of immigrants and children of native-born and magnitude of effects due to specified background factors, by birth status of children, 2003**

	Difference in observed scores	Point difference attributable to:					% of observed difference "explained"
		Highest parental education	Immigrant concentration at school	Language spoken at home	Concentration and language	Education, concentration and language	
				15-year olds born abroad			
Australia	–2	5	6	–9	–4	1	–
New Zealand	–8	8	4	–17	–13	–4	56
Canada	–13	2	8	–14	–7	–5	36
United Kingdom	–37	–4	–13	–25	–35	–28	74
United States	–47	–15	–14	–37	–45	–47	101
Luxembourg	–57	–13	–13	5	–10	–23	40
Norway	–60	–7	–2	–29	–31	–38	64
France	–69	–14	–19	–22	–37	–44	63
Netherlands	–72	–6	–27	–24	–47	–46	63
Germany	–74	–13	–36	–30	–57	–63	86
Austria	–76	–11	–24	–34	–49	–51	67
Denmark	–78	–12	–10	–10	–17	–26	33
Sweden	–86	–8	–6	–21	–24	–29	34
Switzerland	–93	–13	–20	–33	–50	–57	62
Belgium	–101	–12	–53	–3	–58	–59	58
Average	–58	–8	–15	–20	–32	–35	60
				15-year olds born in the country			
Australia	–3	–1	6	–7	0	–1	47
Canada	–3	–1	7	–7	0	–3	80
United Kingdom	–18	–8	–13	–13	–24	–24	133
New Zealand	–30	–5	4	–9	–5	–11	35
United States	–33	–15	–16	–27	–37	–42	128
Sweden	–41	–6	–5	–16	–19	–22	54
France	–47	–21	–18	–16	–31	–47	99
Norway	–51	–10	–4	–19	–22	–34	68
Luxembourg	–51	–17	–9	5	–4	–22	44
Switzerland	–67	–13	–20	–26	–44	–52	79
Netherlands	–71	–15	–39	–15	–51	–59	83
Austria	–77	–15	–32	–28	–52	–58	75
Denmark	–80	–20	–14	–11	–22	–38	47
Belgium	–86	–19	–49	–12	–63	–69	80
Germany	–93	–18	–44	–34	–69	–78	84
Average	–50	–12	–17	–16	–30	–37	76

Note: The estimates were obtained by regressing the student scores on the explanatory variables, with indicator variables included for birth status of the children (children of the native-born being the excluded category). Values greater than 100 in the final column indicate that controlling for the characteristics in question yielded outcomes for the children of immigrants which were better than those of the children of non-immigrants.

Source: OECD Programme for International Student Assessment (2003) data file.

StatLink http://dx.doi.org/10.1787/636652822547

In most countries, two other factors are more strongly associated with the PISA outcomes than parental education, namely, the concentration of the children of immigrants in certain classes and the language spoken at home. For most countries, the two factors are almost close to being independent, that is, the impacts are cumulative. Taking both into account reduces the performance differences with children of native-born

persons by 60 to 75% on average. Concentration effects are especially strong in Belgium, the Netherlands and Germany, language-at-home effects in Austria, Germany and the United States.

Even if low parental education does not seem to be a strongly determining factor in explaining performance differences between the children of immigrants and the children of the native-born, it remains the case that in all countries outcome levels are lower on average for children of low-educated parents, whether immigrant or not. A mean performance overall is not attained for the second generation if the distribution of parental attainment is skewed towards lower attainment levels (Figure II.6). If labour needs manifest themselves in lesser-skilled jobs and lower educated immigrants are admitted to fill them, policy will need to better address those factors that are associated with the transmission of disadvantage.

In the light of the educational outcomes, it is not entirely surprising that labour market outcomes for the children of immigrants also tend to lag behind those of the children of native-born persons (OECD, 2007a). The result still holds in some countries if one controls for educational attainment. The extent of actual skill levels may be an issue here, but also differences in occupational choices as well as stereotyping by employers on the basis of ethnic and geographic origin, whether the children were born abroad or not and discrimination in recruitment and hiring. Such discrimination has been demonstrated for persons of ethnic origin in a number of "testing" studies in which fictitious candidates with comparable (domestic) work experience and qualifications but differing in name respond to real job offers in the labour market (Simeone, 2005).

4. Where things stand: Developing the right policies

In most OECD countries, it is expected that labour needs not met from domestic sources in the short- to medium-term will cover the entire skills spectrum. In many European countries, such labour needs, especially lesser-skilled, will likely be filled largely by free circulation labour migration from the European Economic Area. Recourse to discretionary labour migration may not thus be not as great as was once thought. But not all labour needs will be met in this way. In considering the extension of discretionary labour migration to respond to those needs, there are three basic questions which policy has to address: *how many* to admit, *who* to admit and *how* to do so. A further question, once they have been admitted, is how to ensure that they become/remain full participants in the host country society and economy. Much of what follows will be concerned with providing responses to these three questions. Many countries are well along the way to attempting to define such responses themselves. The purpose of this report is to attempt to distill some common elements from the broad experience of OECD countries, as well as to draw some conclusions from cross-country analyses that may not always be obvious from what is happening in a single country alone.

The challenges are not necessarily the same for high-skilled migration as they are for lesser – and particularly low-skilled migration. The question of qualifications, for example, is a crucial one for high-skilled migration, but less pertinent for low-skilled jobs, which immigrants of different education levels and language proficiencies can occupy. The issue of irregular status, on the other hand, tends to be a central one for low-skilled migration, but is less commonly associated with high-skilled migrants.

As will be seen, managing labour migration requires identifying the right compromise between regulation and what makes sense economically, between satisfying immediate labour needs and avoiding adverse downstream consequences on public budgets and social cohesion. Among other things, this requires trying to diagnose the nature of the shortcomings in current policies, if any.

One way to approach the challenge of diagnosis is to look precisely at movements that currently escape management, namely irregular movements, and attempt to assess the reasons why policies may find it difficult to contain or redirect this form of migration into legal channels. This will hopefully provide some clues concerning the types of measures and incentives needed to do so, as well as highlight what appear to be inconsistencies or omissions in current policies. The rationale for certain of the recommendations which come later will then become clearer.

Notes

1. In this figure, the traditional OECD emigration countries consist of the countries of Central and Eastern Europe, southern Europe, the Nordic countries except for Sweden, Ireland and Japan. Some of these were not, strictly speaking, emigration countries per se, but rather countries in which there were few movements inward or outward. The traditional immigration countries consist of the rest of OECD countries, except for Korea, Mexico and Turkey, for which data were not available over the whole period and which are considered, for the purpose of this Figure, as being outside the OECD zone.
2. Even if there continue to be transitional provisions restricting work in some countries to citizens of enlargement countries, the fact that workers can move freely to look for work gives them an advantage in the labour market. Because of this and because of the complications involved in taking into account all of the different arrangements across destination countries, movements of citizens from enlargement countries have been classified as free circulation migration for the purposes of Figure II.4.
3. For Greece and Spain, as well as Italy and Portugal, a significant proportion of labour migration flows over the last decade have been irregular in nature, which it would be fair to describe as "non-discretionary". Such movements are not included in the statistics shown for Italy and Portugal.
4. Under United States law, for example certain temporary labour categories, namely H1 (specialty workers) and L (corporate transferees) are allowed to have "dual intent", namely the intention of becoming a permanent resident while applying for a temporary visa. In practice, dual intent is also recognised for O visas (persons of extraordinary ability). Other temporary migrants (non-immigrants) are not allowed to apply for a green card (permanent residence permit).
5. It allows for migration of adult children and siblings of United States citizens, subject to numerical limits.
6. In practice, European Union enlargement has also meant enlargement of the European Economic Area, which includes Norway, Iceland and Liechtenstein, and covers Switzerland as well, which has a free circulation agreement with the European Union.
7. This estimate is of changes in the resident population of the destination countries due to persons from the new member states. The actual flows were considerably larger than this.
8. Although the agriculture worker programme (the H-2A visa) is upcapped, entries have rarely exceeded 50 000, because there has been little incentive for employers to use this channel when they can hire directly off the street. Entry permits outside of the agricultural sector, where most of the jobs filled by immigrants are found, are capped at 66 000.
9. Irregular immigrants in the United States appear to have responded massively in the decennial census. The estimate of irregular migrants was obtained by comparing the census population figure to that from demographic monitoring of the population since the previous census, taking into account births, deaths and net legal migration.
10. Under the General Agreement on Trade in Services, signatory countries have committed themselves to facilitating the movements of senior managers and specialists within affiliates of multi-national enterprises. There are few restrictions placed on the movements of such persons.

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11. Since Germany has maintained the transitional provisions for the EU accession countries in 2007, persons from the latter countries are still subject to migration restrictions.
12. In principle, special programmes to facilitate the labour market integration of immigrants exist, if at all, only for new arrivals, with mainstream labour market programmes addressing any problems thereafter. In practice, governments have engaged in indirect targeting of immigrants, introducing programmes in areas or for groups in which immigrants or their children are known to be over-represented. See *Jobs for Immigrants* (OECD, 2007b and 2008b).
13. The tests measure functional literacy, that is, the ability to read, understand and answer questions concerning texts, documents and quantitative tasks encountered in everyday life. The phrase "cognitive skills" is the one generally used to describe the types of skills measured by these tests. The tests also measure implicitly mastery of the national language, especially for immigrants.
14. PISA is the acronym for the OECD's Programme for International Student Assessment, which evaluates 15-year-olds in participating countries every three years in reading, mathematics and science. The results cited here apply to the 2006 assessment, for which the principal domain of assessment was science. Results for the other assessments are similar. See *www.pisa.oecd.org*.
15. Over 60% of the assessments concern qualifications in health and human relations.
16. Countries in Figures II.5 and II.6 are given equal weight, but only countries having significant populations of children of immigrants have been retained. These are Australia, Austria, Belgium, Canada, Denmark, France, Germany, Luxembourg, Netherlands, New Zealand, Norway, Sweden, Switzerland and the United States.

PART II

3. Irregular Migration

Irregular migrants can arrive through illegal entry over green or coastal borders, by means of false documents or through legal entry followed by overstay. Evidence suggests that overstay is generally the more common means and that in some countries many irregular workers are declared by their employers. The growth in illegal migration appears to be associated with limited entry channels for low-skilled jobs coupled with a high demand for workers for such jobs. The recourse to hiring directly out of the informal labour market also seems to be linked to the absence of formal recruitment channels. Not all employment of irregular migrants is of this kind. Some involves trafficking networks, intermediaries who exploit immigrants and unscrupulous employers. However, not all employers have a preference for irregular migrants. Costs play a role and with a better blend of incentives and penalties, some and perhaps many movements could be forestalled or redirected into legal channels

Irregular migration is often viewed as an issue involving essentially illegal entry or overstay by immigrants, with the fact that they are in general also engaged in economic activities less prominent in the public eye. This is in part a consequence of the fact that the enforcement means in place tend to focus on border control and on measures to identify and expel persons illegally present on the national territory. Workplace enforcement by contrast tends to be weak in most countries, with the scale of effort being relatively minor relative to the means expended on border control, identity checks and expulsions. It is true that stronger workplace enforcement would affect all businesses. There is some concern that it would perturb the functioning of businesses which respect the rules and not be targeted purely at irregular migrants and their employers.

There are a number of accumulating strands of evidence which paint a more complex picture of irregular migration than one rooted solely in illegality, however, whether this concerns that of the immigrants themselves or of the employers who hire them.

1. The extent of irregular migration

Irregular migration is by definition difficult to estimate, both because it is in general unrecorded and because it may not actually be definable as irregular at the time of border-crossing (see below). There exist estimates for a number of countries (Table II.10), based on a number of different methodologies (see OECD, 2006b), but only Australia, Japan, Korea and the United States release regular statistics on this. Some estimates come from regularisations and yield a number at a point in time, but cover only persons who applied to be regularised, not all of whom were subsequently judged to satisfy the regularisation criteria. It is likely that others who also would have failed to, did not bother applying. The number of persons applying can be considered a lower bound for the unauthorised population.

Virtually all large-scale regularisations have revealed unauthorised populations of at least 1% of the total population. Countries with lower estimates than this of the unauthorised population that can be considered reliable, for example, Australia and Japan, tend to be favoured by geography and to make use of this advantage in enforcement.

Information on the work status of irregular migrants indicate that they tend to be concentrated in a number of sectors, namely agriculture, construction, food processing, hotels and restaurants, household work, cleaning and personal care. The jobs are generally low-skilled and low-paid. The nature of the jobs may indicate a problem of attractivity to the domestic workforce.

Not all irregular migrants arrive to find work. Some are family members of legal or irregular residents and may include children. They will not figure in the discussion which follows.

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Table II.10. **Estimates of irregular migrant populations in selected OECD countries, various years**

Country and reference year	Estimate[1]	% of all foreign residents	% of total population	Source	Method of calculation
Austria (2002)	60 000-100 000	27.1	1.11	Kraler, Albert, David Reichel and Christina Hollomey, "Counting the Uncountable: Data and Trends across Europe", Austria Country Report, Clandestino project.	Range of estimates by various researchers using different methods.
Australia (2006)	46 500	3.7	0.23	SOPEMI Report 2007, referring to data from the Department of Immigration and Citizenship.	Overstayers (double card system)
Belgium (2002 and 2006)	Approximately 85 000 in 2002			SOPEMI Report 2003.	2002 – Survey of 1436 foreign workers, weighted.
	Estimate of 100 000 in 2006	33.6	0.95	Estimate cited in the press in 2008, from senior officers of federal public service.	2006 – No calculation method provided. Estimate seems plausible in the light of 2002 figure.
France (2006)	200 000-400 000	13.1	0.49	Ministry of Interior, 2006.	Based on 150.000 irregulars receiving health care as a minimum (plus 80-100K annually based on denied asylum applications and arrests less regularisations "cas par cas" and departures).
Germany (2007)	100 000 to 1 million (Reference value: 600 000)	13.0	0.73	BAMF – Federal Office for Immigration and Refugees (2008).	Values refer to several "guestimates" repeated since the 1990s.
Greece (2005)	200 000-400 000	55.6	2.69	Kanellopoulos, C. (2005) *Illegally Resident Third Country Nationals in Greece: State Approaches towards them, their Profile and Social Situation*. Athens, Centre of Planning and Economic Research (KEPE).	Analysis of Census, LFS, regularisation and deportation data.
Italy (2006)	500 000-750 000 (Reference value: 712 500)	25.6	1.09	Caritas, Ministry of Labour.	Extrapolation from quota oversubscription, past regularisations.
Japan (2007)	200 800 (170 840 overstayers + estimated 30 000 irregular entries)	9.6	0.16	Immigration Control Report 2007 and Japan Times Online 18 February 2009.	The estimate of overstayers is based on the computer statistics of the Immigration Bureau, while that for illegal entries is based on information provided by foreign nationals caught by law enforcement authorities.
Korea (2006)	106 657 (long term) + 103 835 (short term) = 210 492	33.3	0.43	SOPEMI Report 2007.	No method specified, but evidence seems to point to a kind of double-card system. Only overstayers are counted.
Netherlands (2005)	74 300-183 900	26.8	0.79	van der Heijden *et al.* (2006). *Een Scahtting van het aantal in Nederland verblijvende illegale vreemdelingen in 2005.*	Capture/recapture method, based on identify checks/fingerprinting of irregular migrants.
New Zealand (2006)	17 300	Not available	0.42	SOPEMI Report 2007.	Double card system corrected using information on people who entered without permits.
Norway (Jan. 2006)	10 460-31 917 (average of 18 196, of whom 12 325 are estimated to be asylum seekers)	13.5	0.39	"Developing methods for determining the number of unauthorized foreigners in Norway", Lin-Chun Zhang, *Statistics Norway*, 2008.	Various scenarios based on Poisson Gamma models using data on detected irregular residents and on the ratio of foreign residents who faced criminal charges to the number of legal foreign residents.

Table II.10. **Estimates of irregular migrant populations in selected OECD countries, various years** *(cont.)*

Country and reference year	Estimate[1]	% of all foreign residents	% of total population	Source	Method of calculation
Portugal (2004)	93 000-125 000	27.6	1.04	National questionnaire implemented by the Catholic University to a sample of approximately 1 500 Non-Western foreigners aged 18 or more, that included regular and irregular migrants. Fonseca, L. *et al.* (2005) – *Reunificação familiar e Imigração em Portugal*. Lisbon, ACIME.	Estimated by extrapolation, taking into account national totals of regular immigrants.
Spain (2007)	412 500	13.4	0.94	INE (2007) – Padrón Municipal and SEIE of Ministerio de Trabajo e Inmigracion (2008).	Foreigners registered in the INE Padrón Municipal in 2007 less the number of valid permits.
Sweden (2006)	31 000	10.6	0.34	Data on the regularization of Rejected Asylum Seekers (2006). Interview with Adviser of the Department for Migration and Asylum Policy.	Candidates to the temporary programme of rejected asylum seekers (overstayers excluded).
Switzerland (2004)	80 000-100 000	14.3	1.22	"Sans-papiers en Suisse: c'est le marché de l'emploi qui est déterminant, non pas la politique d'asile". Final report commissioned by the office fédéral des migrations, gfs.berne, Berne 2005).	Delphi method and extrapolation.
United Kingdom (2005)	310 000-570 000	21.2	0.73	*Sizing the illegally resident population in the United Kingdom;* Pinkerton, McLaughlan and Salt, Home Office, 2005.	Estimates based on the analysis of border apprehensions and visas issued.
United States (2007)	11.5-12 million	63.5	3.94	"Estimates of the unauthorized immigrant population living in the United States", Hoefer, Rytina, Baker (September 2008), Department of Homeland Security.	Residual Method.
Totals and averages[2]	15 625 000	41. 3	1.83		
Above European countries	3 332 000	22.2	0.95		
USA	11 800 000	63.5	3.94		
Japan + Korea	411 000	15.1	0.23		
Australia + New Zealand[3]	64 000	4.2	0.26		

1. When an estimate range is specified, the reference value is taken to be the average of the lower and upper limits, except where otherwise indicated.
2. The estimates shown are aggregated over the reference values for the countries in the table. The estimates are intended to be indicative.
3. For the purposes of this calculation, the percentage of foreign residents in New Zealand is assumed to be the same as in Australia.

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2. Modalities of entry

Immigrants become irregular through a number of different channels, in particular, clandestine entry over green or coastal borders; fraudulent entry by means of false documents; and legal entry through a temporary visa or permit followed by an overstay, once the visa or permit expires. Legal entry routes can include tourist or family-visit visas as well as seasonal worker or other temporary permits or visas. They may also include overstaying asylum seekers, who have been granted entry or stay on the basis of the Geneva Convention and then remain in the country, either not appearing at their hearings or not leaving if their request for asylum is refused. Since the rates of recognition of refugee status in destination countries have been low (generally on the order of 10-30% or so), this avenue has constituted a significant source of irregular migration in some countries.

Estimates of the distribution of unauthorised immigrants by modality exist for a number of countries. The most direct estimates are from Italy and Japan and were recorded based on responses to questions to irregular migrants posed at the time of regularisation or at apprehension by the authorities during identity checks (OECD, 2007a). Data for Italy indicate that some 65-70% of unauthorised immigrants are overstayers, another fourth persons who entered with fraudulent documents and the remainder persons who entered illegally, by sea or across borders. Similar statistics for Japan show that some 76% of violators of the Immigration Control Act consisted of overstayers and 19% of persons having entered with fraudulent documents (ICR, 2007). For the United States, despite its long land border with Mexico, it is estimated that fully 45% of the current unauthorised population entered the country legally and overstayed (Pew, 2006).

Opportunities for overstaying are not lacking. The number of visitor visas granted by OECD countries in recent years has exceeded 17 million (Table II.11). Most persons receiving such visas respect the conditions of stay, but others may find work and decide to overstay.

Table II.11. **Visas granted for tourism, business, family visits and transit, selected OECD countries, 2007**

For countries with data

	Number	Refusal rate
United States	4 803 810	na
France	1 880 570	12.9
United Kingdom	1 804 420	na
Germany	1 788 438	8.7
Italy	1 132 583	3.8
Poland	1 105 310	1.5
Spain	761 915	17.0
Finland	704 031	2.0
Czech Republic	599 310	3.0
Greece	557 443	6.1
Hungary	466 503	1.8
Austria	377 420	na
Netherlands	372 567	11.8
Sweden	198 248	11.8
Belgium	185 205	16.5
Portugal	104 319	10.9
Norway	103 584	na
Slovak Republic	96 499	2.6
Denmark	83 338	6.8
Luxembourg	5 612	6.8
Total	17 131 125	8.9

Source: United States: *http://travel.state.gov/pdf/FY07AnnualReportTableXVIB.pdf*. United Kingdom: *www.ukvisas.gov.uk/resources/en/docs/2958881/stats2006-07*. All others: *http://register.consilium.europa.eu/pdf/en/08/st08/st08215.en08.pdf*.

StatLink http://dx.doi.org/10.1787/636663572218

The overstay estimates above suggest that it may be difficult to reduce unauthorised migration through border-control measures alone. In many countries expulsions of persons found to be illegally present have in fact been strengthened in recent years, in an attempt to deal with the illegal stay issue. These measures have tended to be costly, both socially and economically, often involving detention and accompanied return. They rarely attempt to do so by interventions in the workplace. But many irregular immigrants,

whether they enter legally or not, can and do find work. Without employment opportunities or the help of family or friends, it is difficult for irregular immigrants to maintain their presence in the country.

3. Irregular migration and legal work

Why do employers resort to hiring unauthorised immigrants? A first answer would be that they provide a cheap and flexible means of satisfying labour needs, with little commitment to the immigrant workers and at lower cost than the standard market or legally prescribed wage rate. The underlying assumption is that such behaviour concerns rogue employers with few scruples and little respect for labour law. As workplace raids periodically reveal, this is not an uncommon phenomenon, but other evidence suggests that it may not always reflect what is occurring in all workplaces.

It is estimated, for example, that more than 75% of unauthorized migrants working in the United States are actually declared by their employers under false or borrowed social security numbers.[1] A recent attempt by the Department of Homeland Security in the United States to verify with employers the status of declared social security numbers that were not matching up to existing numbers involved some 144 000 "no-match" letters covering some 8 million workers.[2] Although not all of these concerned unauthorised immigrants, it is considered that most of them did. Because the workers are on the books, their wages are a matter of record, which suggests that employers may be paying at least the minimum wage and in some cases, even collectively bargained wages. In establishments not covered by collective bargaining, the irregular status of the immigrant workers may nonetheless place them in an unfavourable bargaining position *vis-à-vis* their employers, even if minimum wages are being paid. Significant wage differences have been found between legal and irregular workers on the books in one state in the United States (Hotchkiss and Quispe-Agnoli, 2008), for example.

Similarly, in France in 2008, some 1 000 immigrant workers, also on their employers' official payrolls, have been regularised as the result of a union initiative made possible by a new law providing for employment-based regularisations for workers in shortage occupations. These are evidently much smaller numbers than those for the United States and it is unknown to what extent their declared status is typical of irregular immigrants in France.

The presumption in both cases is that employers were not aware of the irregular status at the time of hiring, and accepted the documents presented to them at face value. In many cases, this is evidently a subterfuge, providing a degree of immunity to employers and a demonstration of "good faith" in regard to the authorities in the event of verifications. Irregular immigrants make their way onto the payroll in this way because the means for verifying the legal status of potential employees are either inadequate or weakly implemented. This may not be the case in all countries.

In southern European countries, the large-scale regularisations of the past ten years have required that employers supply employment contracts to irregular immigrant workers who are candidates for regularisation, as well as pay a certain number of months of social security arrears. This suggests that most were probably not on the books of their employers, in contrast to the situations described above. Following the regularisation, the workers then enter the regular payroll, at standard wages and working conditions, if this was not already the case. Despite the higher costs of employment associated with the

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regularisations, many and perhaps even most employers nevertheless came forward and participated in the regularisation programmes.[3]

The evidence is fragmentary, but it does suggest that the recourse to unauthorised migrant workers is not always associated with flagrant, deliberate violations of labour laws concerning wages and social security contributions or with systematic attempts to continue avoiding or bypassing them. Employers hiring irregular migrants, it would appear, do not necessarily have a preference for irregular migrant workers. However, it is likely that they do have a preference for lower wages. In one study firms employing declared but irregular migrant workers appeared to enjoy a competitive advantage over firms which did not (Brown, Hotchkiss and Quispe-Agnoli, 2008). Respecting minimum wages for irregular migrant workers evidently does not necessarily imply always paying them wages and fringe benefits that reflect their marginal productivity.

These quasi-legal situations are unlikely to be the prevailing ones in all circumstances or in all countries. In some countries, having irregular migrants officially on the payroll may not be possible. The practice of declaring irregular workers may also be less likely in countries where payroll taxes are high.[4] Still violations of labour laws by some employers with respect to immigrants do exist and need to be combated. As the experience of countries which have carried out repeated regularisations, such as Italy and Spain, has shown, an environment of impunity tends to perpetuate the practice among employers of resorting to the informal labour market, even when governments open up the possibility of legal recruitment from abroad.

Still, the ambivalent behavior of employers in the circumstances described above may well be indicative of genuine labour shortages. In the example cited above, the workers displaced by inflows of irregular migrant workers tended to be other irregular workers rather than legally resident workers. The real question is whether employers hiring irregular migrants would have had less recourse to them had workers with legal residence and work rights been readily available for hire. In practice, there has been a considerable discrepancy between possible entries and the extent of revealed demand.

4. The scarcity of legal entry channels

That legal entry channels for workers to fill lower skilled jobs are limited is common knowledge. But they have existed in some countries which have seen high levels of irregular migration, namely the countries of southern Europe and the United States. In these countries, however, the entry of irregular immigrant workers who looked for and found lower skilled jobs over the past decade has far outstripped the number of legal work permits for long-term migration available for such jobs under the existing legal migration regimes. In the United States, from 2000 to 2005, less than 10 000 permanent work permits were available every year for low-skilled jobs, but an estimated 800 000 irregular migrants entered every year, many of them to work in such jobs (Passel and Cohn, 2008). At a time when Italy was issuing 249 000 non-seasonal work permits from 1998 to 2002, some 700 000 irregular immigrant workers had entered and found work over the four years prior to the regularisation. Likewise in Spain, programmed non-seasonal worker migration amounted to less than 100 000 over 2002-2004, but requests for regularisation in 2005, covering entries since the previous regularisation in 2001, totaled 700 000.

In most other countries outside of southern Europe, the entry possibilities for discretionary permanent low-skilled labour migration are essentially non-existent, except

in a number of limited temporary migration programmes. But irregular immigrants have nonetheless been finding lower-skilled jobs in the household sector, and in construction, hospitality and cleaning services.

The situation is thus one in which governments have been, and in many cases continue to be, unwilling to issue large numbers of long-term permits for lesser-skilled jobs, but in which labour markets have demonstrably been able to absorb significant numbers of immigrants for such jobs. The likely message transmitted to other workers in origin countries is no doubt that employment opportunities are plentiful and irregularity a minor barrier.

The expectation in destination countries has been that vacancies in lesser-skilled jobs would be taken up by unemployed or inactive persons of low attainment levels in the domestic population. This has not been happening, however, in part because the jobs are viewed as unattractive, but also because new entrant youth cohorts are both more educated and declining in size (Box II.3).

In the face of labour needs, some employers have thus been ignoring legal constraints and hiring irregular immigrants in the informal labour market. Under the circumstances, with limited enforcement and a ready availability of workers, the cost to an employer of not hiring would appear to be considerably higher than the risk of detection, especially when underground activities are already common in the economy, as they are in southern Europe (Reyneri, 2003).

It is difficult to know what would have been the outcome for the economies of these countries had enforcement measures in place been effective. The nature and extent of irregular migration in these countries, and in others as well, can be considered to reflect the structure of incentives in place.[5] In a certain sense, labour markets in these countries have found solutions, if not necessarily optimal ones, to their supply problems, in the face of existing constraints. Denying to employers access to a foreign workforce for lesser-skilled jobs would require, by all indications, much stronger enforcement efforts than currently exist.[6] The economic and political consequences of such efforts would need to be weighed against the gains to the domestic economy of opening migration to a broader spectrum of skill levels.

5. The difficulties of offshore recruitment

Even under conditions in which there are sufficient work permits, employers may and in some cases, have continued to resort to hiring immigrants "off the street". This has been the case, for example, in Italy, in which every announcement of annual quotas is met by work permit requests concerning workers who are evidently already in the country and more than likely, already working. Spain since 2005 has put in place offshore recruitment channels, with some success, but the transition to a fully legal regime seems to be a difficult and gradual one.

Recruiting immigrants means matching workers and jobs across borders. For lesser-skilled jobs, formal or organised means for doing so have been generally absent. Low-skilled jobs in the domestic labour market are normally filled through the public employment service, shop-front advertising or through local networks of family or friends. Some employers may use existing immigrant employees to identify potential candidates abroad, but this may not be possible for all employers. The absence of formal recruitment channels for low-skilled jobs was not always the case in some countries in the past.

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Box II.3. **Are immigrants taking jobs for which there are not enough native workers?**

One of the most commonly cited statements in favour of an opening up of migration to lesser-skilled migrants is that they are willing to take on jobs which are not being taken up by native-born persons in the labour force. Indeed, if one looks at the distribution of immigrant employment by occupation, it is generally the case that there is an overrepresentation by recent immigrants in *i)* elementary occupations, and among *ii)* craft and related trades workers and *iii)* service workers and shop and market sales workers. All of these figure in the two lower skill categories of the International Standard Classification of Occupations.

But are these occupations being avoided by domestic workers or are arriving immigrants displacing them?

An analysis of this has been carried out for a number of European countries (Austria, Belgium, Denmark, Spain, Finland, France, Greece, Luxembourg, Norway, the Netherlands, Portugal and the United Kingdom) over the period 1998-2006 and for the United States over the period 1994-2002. For these European countries, the three occupational groups listed above accounted for over 60% of 2006 employment among immigrants who had arrived in the previous eight years, with elementary occupations (street vendors, cleaners, labourers) accounting for about half of these. By contrast, a little over 35% of native-born workers were in the 3 occupational groups and less than 10% in elementary occupations.

The following analysis is an attempt to examine the extent to which movement by recent immigrants into certain occupations is associated with other evolutions or phenomena in the labour market and the economy. The dependent variable is the share of employment in each occupation accounted for by recent immigrants, defined as those who arrived between 1998 and 2006 or 1994 and 2002, respectively. The characteristics describing other features or evolutions in the labour market were as follows:

- The change in the occupation's share of employment over the period; one might expect new immigrants to be moving into occupations whose share of employment is increasing.
- The share of immigrants in the occupation in the earlier year; if there are network effects operating, one would expect to find new immigrants entering occupations where there are already large numbers of immigrants.
- The share of youth aged 20-29 and who are not recent immigrants in the occupation in the later year; if resident youth tend to be overrepresented in the occupation, one might expect new immigrants to be underrepresented, unless the occupation is one in which one finds new entrants generally.
- The share of older workers (55+) in the occupation in 1994, most of whom will have retired by 2002; one would expect that occupations in which older workers are overrepresented will have more vacancies as a result of these retirements; and finally.
- The change in the share of youth in the occupation over the period; if the presence of young residents of the country in the occupation is declining, one might expect to find more new immigrants in the occupation; note that this is different from the third variable above, which only looks at whether resident youth are overrepresented in an occupation, not at whether their representation is changing.

The results (Table II.12) indicate, first of all, that the share of recent immigrants in an occupation tends to be higher if the occupation's share of employment is growing, but the impact is a weak one, especially for non-OECD immigrants for whom it is only marginally significant, and not significant at all for the United States. There is also a strong network effect, that is, recent immigrants are moving into occupations where the share of immigrants is already higher than average. This is especially the case in the United States. Their share of employment in an occupation also tends to be higher in occupations in which resident youth were overrepresented in the later year. In short, new entrants, both youth and immigrants, show a tendency to be entering the same occupations, but the effect is much weaker than the immigrant network effect.

There also appears to be a "replacement effect" in EU countries, operating on two levels: the share of recent immigrants is higher in occupations in which older retiring workers were overrepresented in 1998 and in which there has been a decline in the share of younger residents between 1998 and 2006. The United States results show a similar replacement effect for younger workers but not for older ones.

Box II.3. **Are immigrants taking jobs for which there are not enough native workers?** *(cont.)*

Table II.12. **Factors associated with the share of employment in a given year accounted for by immigrants who entered over the recent period, by occupation, selected EU countries and the United States**

OLS results	Selected EU countries				United States
	3-digit ISCO	2-digit ISCO			3-digit aggregation
	aggregated data 1998-2006	pooled country-level data 1998-2006			1994-2002
		All immigrants		Non-OECD immigrants	
Change in occupation's share of employment over period	0.15*	0.12**	0.10**	0.09*	0.04
Share of immigrants in occupation in earlier year	0.10	0.49***	0.61***	0.43***	0.85***
Share of younger workers in occupation in later year	0.46***	0.13**	0.10*	0.16***	0.17***
Share of older workers in occupation in earlier year	0.35***	0.21***	0.17***	0.25***	–0.15***
Change in share of younger workers in occupation over the period	–0.47***	–0.28***	–0.26***	–0.28***	–0.13**
With country indicator variables	N	N	Y	Y	N
R^2	25	50	57	46	82
Number of observations	120	309	309	291	135

ISCO: International Standard Classification of Occupations. For the United States, the classification used is based on the 1980 Standard Occupational Classification and is an aggregation of 3-digit codes.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.001$. EU Countries included in the regression are Austria, Belgium, Denmark, Spain, Finland, France, Greece, Luxembourg, Norway, the Netherlands, Portugal and the United Kingdom. In the pooled data, each country is given equal weight. All variables have been normalised, so that the coefficients represent the relative strengths of the associations observed.
Source: European Union Labour Force Survey (data provided by Eurostat) and *Current Population Survey* (annual average of monthly data) for the United States.

StatLink http://dx.doi.org/10.1787/636666088653

Is the negative association between the share of recent immigrants in occupations and the change in the share of younger residents the consequence of disinterest on the part of the latter, of demographic decline (fewer younger workers) or of a displacement of younger workers by recent immigrants? It appears to be a combination of the first two. The 20-29 resident youth cohort in the European countries cited above has declined in size by over 8% from 1998 and 2006. In addition, employment rates have increased and unemployment rates have declined significantly at all educational attainment levels for this cohort between 1998 and 2006. In the United States, the resident youth cohort declined in size by about 9% between 1999 and 2002 and employment rates among low-educated resident youth increased. In short, it would not appear that immigrants have been displacing native young workers in either case.

During the guest-worker era before the oil-price shocks, it was often government intermediaries from public employment services who acted as offshore recruiters, but many immigrants also arrived themselves as tourists, found work and were subsequently regularised, on an on-going basis.[7] The situation in southern Europe in the latter part of the 1990s resembled this in several respects, with the exception that regularisations occurred periodically, on a large scale, rather than on an on-going case-by-case basis.

Following EU enlargement, placement agencies in some origin countries have played a role in recruitment, in collaboration with similar agencies in the United Kingdom, which were the link to the actual employers. Here as well, many and perhaps most immigrants came over and found jobs themselves.

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In any event, hiring directly without going through the complications and delays of offshore recruitment is convenient for employers, especially smaller ones. Large firms can build in recruitment delays in their human resource planning, establish offshore recruitment infrastructure or call on recruitment services. Small firms may find it more difficult, costly or burdensome to do so. If employers are to be induced to avoid hiring immigrants directly off-the-street, formal and efficient recruitment services, whether public or private, will need to be developed to bring together potential job matches.

Time delays in the administrative procedures for permit delivery may also pose problems. A system characterised by significant delays or blockages is an encouragement to bypass official channels or to hire before approval is actually granted. Permit delivery has been substantially speeded up in many countries, but largely for hirings of highly-skilled workers in shortage occupations. Table II.13 lists expected current permit delivery times promised for a number of countries, essentially for high-skilled workers. Whether they bear any relation to an actual delivery time is uncertain, except for the two countries listed (Denmark and the United Kingdom), for which the times indicated are actual ones. The delivery times promised are almost all within two months, which does not seem very long. Complaints by multinationals concerning permit delivery times for intra-corporate transfers suggest that the promised turnaround may be optimistic (OECD, 2008e). As was the case for offshore recruitment, employers when faced with long delays may choose to bypass formal routes, when readily available labour is at hand.

Table II.13. **Expected work-permit processing times, selected OECD countries, 2008**

Canada	2 months
Denmark	50% within 17 days, 80% within 32 days, all within 65 days
Finland	90 days
France	1-2 months
Iceland	30 days
Ireland	4-6 weeks
Italy	2 months
New Zealand	75% within 20 days, 95% within 45
Norway	2 months for most work permits
United Kingdom	75% within 1 week, 92% within 3

Note: Figures for Denmark and the United Kingdom reflect actual processing times. For all other countries, the figures represent expected times, as indicated on immigration Internet sites. The processing times apply to all labour migrants, both high- and low-skilled, as appropriate.
Source: Immigration services web sites.

StatLink http://dx.doi.org/10.1787/636684565634

6. Irregular migration: A summary

It would be inaccurate to view irregular migration as entirely the consequence of policy failures and of inadequate procedures, with employers and immigrants merely trying to find an acceptable compromise in a flawed policy environment. Both irregular migrants and the employers who hire them are violating regulations and in some cases, may well be undercutting the wages and working conditions of other workers. But some and perhaps even many employers are apparently respecting at least the basic legal minima. Many migrants, whether they enter legally or not, look for and find work, often in jobs for which there do not appear to be enough natives in the domestic labour market willing to take up the jobs at prevailing wages and working conditions. Discouraging

employers from resorting to immigrants for such jobs would require much stronger enforcement efforts than currently exist. An alternative would be to attempt to redirect it into legal channels and bring it into the mainstream of normal economic activity.

There have been some attempts to do this, in the context of regularisations, but they have tended to favour enforcement at the expense of recruitment, with insufficient attention addressed to labour market and operational issues. They have generally met with mixed success. As a consequence, the very concept of regularisation has come under close scrutiny and indeed, disrepute (Box II.4).

Box II.4. **Regularisations: Rewarding illegality or a necessary evil?**

There are a number of common arguments presented against the practice of regularising or legalising irregular migrants. The first, most commonly advanced in the United States where the term "amnesty" is used, is that it rewards illegality and penalises those who queue and follow the legal channels for entry and work. This argument seems a compelling one. However, in many countries, there is no queue for permanent migration into lesser-skilled-jobs, because the possibilities for entry are either non-existent or very limited. Many irregular migrants actually arrive legally as tourists and overstay once they have found a job. The role of employers in abetting illegality is rarely mentioned in this regard, nor is that of migration policies that are at variance with the needs of the labour market.

A second argument against regularisations, at least those conducted on a large scale, is that they tend to attract further irregular immigrants. While the expectation of an eventual regularisation may well be an element in the migration decision, it is surely the possibility of employment and higher wages than are possible in their countries of origin which are the main drawing card for immigrants. The empirical evidence is not clear on which effect predominates, because past regularisations have only taken place in countries where employment growth has been strong and employment opportunities plentiful. Undoubtedly both play a role. The practice of repeated regularisations, however, as has occurred in the countries of southern Europe, may well transmit the message to potential migrants that this is a normal procedure and that there is little risk in bypassing legal channels.

On the other hand, the absence of significant regularisations since 1986 in the United States and the strong opposition against these do not seem to have stemmed the flow of movements into that country in the face of a strongly growing economy and plentiful jobs.

Another often-raised issue concerning regularisations concerns the opposition between large-scale and case-by-case regularisations. Many who oppose the former speak less critically of the latter. However, since both involve eligibility criteria, it would appear to be more how restrictive the criteria are and how strictly they are applied that distinguishes the two rather than any inherent advantages related to one or the other type. A case-by case approach would appear to imply a closer scrutiny, which may affect the numbers if the assessment of eligibility is discretionary, but may be neutral if it based on objective evidence. A case-by-case consideration of applications based on eligibility criteria of the kind that were specified in the most recent regularisations in Italy and Spain, for example, would not in principle have yielded a substantially different result, since the criteria were objective and the evidence in principle verifiable. Indeed, mass regularisations also involve an examination of individual applications, since not all persons in southern Europe who have applied were regularised. Indeed some 8 and 19% of applicants in Italy and Spain respectively were refused.

Should regularisations be carried out? A number of countries provide for on-going regularisations of irregular migrants, on a case-by-case basis, generally on the basis of employment-based criteria. This is the case, for example in Portugal and has been introduced in Spain in 2005 and in France in 2007. Other countries have carried out regularisations of asylum seekers who remained in the country after being refused and been resident for an extended period (Sweden, Netherlands and Germany).

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Box II.4. **Regularisations: Rewarding illegality or a necessary evil?** *(cont.)*

Regularisations have generally been accompanied by a strengthening of enforcement provisions against irregular movements and attempts to better adapt work-permit procedures to the needs of the labour market. However, the accompanying provisions do not seem to have been followed by a reduction in irregular movements. Why is this? One reason is that a history of impunity does not dissuade employers from resorting to the informal labour market, even in the presence of stronger enforcement provisions. Despite stronger measures on the books, actual practices have not been sufficient to provide an incentive, at least in the short-term, for employers to buy into the formal migration regime.

In addition, the changes to work permit provisions that have been introduced at the same time have not always ensured that work permits are available in adequate numbers and that these are delivered expeditiously, nor have they put in place offshore recruitment facilities that can hope to compete with off-the-street hiring.

If the irregular immigrant population becomes particularly large, as is currently the case in the United States, the mere scale of the population makes the issue an especially controversial and difficult one. Proposals to address it have ranged from mass expulsion at one end of the spectrum, to mass regularisation at the other. Compromise proposals have involved, for example, the return to the country of origin of irregular migrants with a guaranteed right of re-entry by legal channels, or so-called "earned regularisation" in which irregular migrants have to demonstrate stable employment, language fluency, continuous residence, etc. over a certain period in order to be regularised (Papademetriou, 2005).

It is difficult to see how any proposal involving the forced departure of a significant percentage of the unauthorised population could be implemented, either logistically or without imposing considerable disruption and damage to the United States economy as well as hardship to the immigrants themselves and their families. It would involve the departure, whether permanently or temporarily, of some 4 % of the United States population and 5% of its work-force.

The alternative thus would appear to involve some form of regularisation, which could wipe the slate clean relatively quickly, be implementable at reasonable cost, given the scale of the phenomenon, and which would need to acknowledge in some way that irregular immigrants have jumped the migration queue and have engaged in illegality. That acknowledgement might include, for example, a significant fine and delayed access to American citizenship. In a certain sense, many irregular immigrants are already paying and will continue to pay the price of their illegal status, because they are unlikely ever to profit from the unemployment insurance and social security contributions which they have made, on the basis of false or borrowed social security numbers.

The regularisation would evidently also need to be preceded or accompanied by changes in migration policy which address the underlying causes of the presence of irregular immigrant workers rather than attempt only to prevent it. Otherwise, the phenomenon risks repeating itself.

Notes

1. The estimate is from a citation of the chief actuary of the Social Security Administration, reported in the *New York Times* (Porter 2005). It is estimated that contributions from irregular migrants are adding some 7 billion dollars to the Social Security trust funds every year. Because deductions are made at source by employers, immigrants on the payroll are also paying income taxes.
2. The letters covered employers with at least ten no-matches that represented more than 0.5% of the worker wage reports submitted by the employer. For the year 2000, 29% of the no-matches consisted of invalid numbers and 66% of valid numbers for which the name did not match up. The planned recent no-match mail-out was stopped by a court order, on the claim that the social security files had numerous errors and that the jobs of American workers could be in jeopardy if discrepancies could not be resolved. Note that the numbers suggest that each no-match letter covered on average about 60 workers; the firms involved are therefore sizeable.

3. In practice, it may be difficult for employers to stand back, if immigrant employees ask to be regularised.
4. The French example cited above does not support this, but it involves relatively few workers.
5. Many of the examples cited here concern the United States and the countries of southern Europe, which are the ones for which data are available, either because estimation methods have been developed (the United States) or because regularisation programmes have brought into the open the irregular population and enabled a variety of statistics to be produced concerning this group. In the absence of verifiable information for other countries, it may be hasty to conclude that employers and immigrants are not faced with the same dilemmas in other countries.
6. In theory, wages and working conditions would then adjust sufficiently to generate a domestic supply. In practice, this may take time and the outcome may not be optimal in any event.
7. Algerian workers from 1962 through 1971 were allowed to enter France to search for work for nine months and work permits granted to those who were successful.

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PART II

4. A Framework for a Labour Migration Regime

A labour migration regime would need to include the means for identifying the extent of labour needs to be filled through migration, sufficient entry permits to fill the needs, the means for matching potential immigrants to jobs, efficient permit processing and delivery, tools for verifying legal status and effective workplace enforcement. Deficiencies in any of these tend to increase employer recruitment costs and provide incentives to resort to hiring irregular immigrants off the street. Recruitment can be either in-country, through job-search visas granted to potential candidates, or offshore, through intermediaries. Status verification should preferably be seamless, that is part of normal hiring procedures rather than directed specifically at immigrants. Current workplace enforcement appears to entail low monetary risks for employers of irregular migrants, except in cases of gross abuse.

In view of what has been outlined above, a labour migration policy that seeks, among other objectives, to reduce and/or redirect irregular movements into legal channels would need to incorporate at least the following features:

- A means to identify unmet labour needs;
- Work permits in numbers commensurate with the extent of labour needs;
- Means for matching immigrant workers to jobs, either overseas or in-country;
- Efficient permit processing and delivery procedures;
- Means for employers to verify the status of potential employees;
- Effective border control and workplace enforcement procedures.

These features are not peculiar to low-skilled migration; most would also figure as characteristics of a high-skilled migration regime, with, however, perhaps less need for organising recruitment and for verification and strong enforcement.

1. The identification of labour needs

A regulated labour migration regime would, in the first instance, need to incorporate a means to identify labour needs which are not being met in the domestic labour market and ensure that there are sufficient entry possibilities to satisfy those needs. In theory, employers could be considered the group of reference for determining this, but historically, requests by employers have not been considered a fully reliable guide in this regard, at least not without some verification by public authorities to ensure that the requests represent actual labour needs that cannot be filled from domestic sources

Opening up the labour market to migration is not the only response to labour shortages. The economy could be allowed to adjust, through higher wages and better working conditions or through technology, to satisfy the shortages. Training more youth or encouraging occupational or regional mobility may be other policy options,[1] as are attempts to increase the participation rates of persons at the margin of the labour market, including already resident immigrants. But such alternatives may not be able to achieve the objective quickly, especially with respect to shortages resulting from demographic change or from increases in the educational attainment of the domestic population. The latter are structural or secular changes which are either irreversible or if not, certainly difficult to modify significantly in the short-term, if indeed it is even desirable or optimal to do so. There may be benefits to allowing the principle of comparative advantage to operate on skill endowments.

Still, there may exist distortions or dysfunctions in national education and training systems which result in a domestic undersupply of persons in certain occupations, for which migration may be an appropriate response in the short term (OECD, 2008c). Some migration programmes have attempted to address this by earmarking visa or work-permit fees charged to employers to fund training for the domestic population. The United States H-1B visa is an example.

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The objective of satisfying the needs of the labour market has as an implicit corollary the protection of domestic workers against competition from immigrant workers which might result in job loss or in a negative impact on wages and working conditions, in particular for new hires. Most past analyses of wage impacts have tended to show a small negative impact on the earnings of domestic workers with skill levels comparable to that of immigrants (see Longhi *et al.*, 2008 for a comprehensive review).[2] The workers most strongly affected have tended to be previous immigrants. The observed effects are averages, however, which do not reflect the consequences for individual workers who may lose their jobs or suffer substantial earnings losses.

Other studies have looked at the effect on wage inflation and suggest that immigrants may have an important impact in moderating this (Bentolila, Dolado and Jimeno, 2007). The implication is that a significant presence of immigrants on the domestic labour market serves to restrain wage increases in certain occupations, at least to the extent that wages in these occupations are elastic.

Protection for domestic workers tends to be less of a policy concern in the case of high-skilled migration, although it exists here as well. Labour market outcomes for high-skilled workers are generally favourable in any case, with positive wage returns to higher education and shorter unemployment spells (OECD, 2007b, 2008b).

Labour migration policies have traditionally used a number of means to ensure that employer requests for immigrant workers are in response to genuine labour market needs. The methods used to protect the domestic workforce include *employment tests* (individual assessments of employer requests), *lists of eligible or excluded occupations,* and *caps and quotas*. Most OECD countries have adopted policies which employ a combination of these methods, as well as verifications that the wages and working conditions on offer are in conformity with the prevailing ones for the occupation in question.

1.1. Employment tests and shortage lists

The two principal means of ensuring protection of the domestic workforce in demand-driven regimes are the employment test and the occupational shortage list.

Until recently, the employment test was the principal method used and it was generally applied locally. It would appear to have been subject to a certain amount of discretionary application by local employment officials. In some cases, high unemployment conditions were deemed *prima facie* evidence that local alternatives existed, especially for jobs which could be filled by candidates with a broad range of formal qualifications or which required minimal training. In testing the labour market, there may be some flexibility with respect to the type and geographical coverage of the media used to advertise the available job and to the time period it remains advertised. The job description and requirements, as well as the working conditions, can also be phrased to limit the number of potential candidates in the host country. There is evidently a trade-off between the length of the testing period and the extent of media coverage, on the one hand, and the protection afforded to domestic workers, on the other. The application of employment tests may also be complicated by the fact that employers often prefer labour migrants over domestic workers, especially for unskilled work.

In recent years, labour market tests have been applied flexibly in countries where there has existed strong labour demand, such as Italy and Spain. In contrast to what occurred under high unemployment conditions, the labour market test has rarely resulted

in a permit request being refused. In Italy, for example, the employment test introduces an additional obligatory delay that has rarely, according to authorities, led to the hiring of a local worker. In Spain, trade unions supply candidates to the public employment services, but this apparently has rarely resulted in the hiring of a domestic worker. Sweden and Finland have both moved towards eliminating the labour market test altogether, on the basis of the low rejection rates.

France and the United Kingdom have established occupational shortage lists, which facilitate entry by persons offered jobs in occupations on the lists, but maintain the employment test for occupations that are not identified as in shortage. Among other things, this allows for the possibility of immigrant inflows to satisfy shortages that occur locally but may not be present nationally.[3] In other cases, lists operate by exclusion, that is, occupations which are not eligible are specified rather than those which are.

Employment tests thus would appear to be subject to some discretionary application, but may nonetheless provide some flexibility if used in conjunction with an occupational shortage list.

The trend in recent years has been precisely to move towards a broader use of shortage lists as a way of reducing the scope for discretionary decisions and the administrative time delays associated with the processing and granting of work permits. They are used in France, Italy, Spain and the United Kingdom, among others, and have been part of the Australian points system for some time, although used in the latter case to favour applicants with occupations in shortage, by means of granting extra points in the application process, rather than to screen precise requests for permits from employers.

Shortage lists may introduce distortions of their own. Occupations on a list may be more or less broadly or narrowly defined, which can open up the labour market considerably in the former case, but be overly restrictive in the latter. Employers can declare a requirement for an employee with an occupation on the shortage list, when the actual need relates to a different occupation, with an adjustment negotiated with the immigrant before or after arrival in the workplace.

Although the shortage list can make the process more transparent and expeditious, the occupations in shortage need to be identified upstream. The most direct way is a comparison of the number of unfilled vacancies with the number of unemployed persons by occupation, carried out by public employment services (PES). This is one benchmark among several used in Spain and the United Kingdom. This method may be more appropriate for lesser-skilled occupations, for which the coverage of vacancies may be more complete than for skilled occupations, which may be less advertised through the PES. Other measures could include data on occupational wage inflation or from direct surveys of employer labour needs. In practice, governments may use a panoply of statistical indicators, as well as engage in consultations with employer and union groups. Whatever the statistical means of establishing shortages, the lists can be subject to validation by the social partners, which ensures at least a minimum of social consensus. In some cases, occupations identified as being in shortage may be removed from the list if, for example, minor training can prepare willing resident candidates to take up jobs in the occupations in question. The United Kingdom's Migration Advisory Committee has recently developed and implemented a systematic methodology incorporating all of these elements for identifying shortage occupations for the purpose of constituting a shortage list for its Tier 2 skilled work permit applications (Box II.5).

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Box II.5. **The establishment of a shortage list for the United Kingdom**

The United Kingdom has introduced a "Shortage Occupation List", which applies to its Tier 2 skilled worker employer-driven category. An occupation on the Shortage List provides the applicant with sufficient points to exempt him/her from the Resident Labour Market Test and from wage and educational requirements. If the applicant also has the required English-language skills, the employer request is virtually guaranteed to be approved.

A Migration Advisory Committee (MAC) was established in 2007 to determine shortage occupations for the United Kingdom and Scotland.

The MAC uses what it calls a combined top-down and bottom-up approach, using indicators and qualitative contributions from experts, social partners and other stakeholders. It analyses occupations in terms of whether they are skilled, whether they are in shortage, and whether it is sensible to fill them through foreign recruitment. The MAC only considers skilled occupations, since Tier 2 is meant to exclude low-skilled occupations, although the actual educational attainment of the worker may vary. Tier 2 of the points-based system defines "skilled" as at least National Vocational Qualifications (NVQ)[1] level 3 qualifications. The MAC therefore considers occupations where at least 50% of its workforce has this NVQ level or its equivalent under the National Qualifications Framework, although it also applies a median wage threshold (GBP 10 per hour).

The shortage determination is based on indicators. There are 12 indicators of shortage, including vacancy rates, duration and application rates, wage changes and premiums, and employment and unemployment changes.

In addition to identifying occupations that are skilled and in shortage, the Committee also considers whether it is sensible for immigrant labour from outside the European Economic Area to be used to fill shortages. The "sensible" criterion considers foreign recruitment for the occupation in question in the light of general employer preference for cheaper labour and the potential impacts on skill upgrading by native workers on economic growth and on native workers. The MAC considers whether other strategies could resolve the shortages, whether training programmes can provide the needed workers, whether such jobs contribute to overall productivity increases, and whether any evidence suggests that opening to foreign recruitment might have negative impacts on the domestic labour market.

The MAC currently reviews its shortage list about twice annually. The indicators themselves often refer to the previous year.

The first list, published in September 2008, covered 19 occupation titles. The MAC has limited job titles within some of these occupations to specific subcategories, or applied additional wage or recognition criteria. The jobs include construction managers, civil and chemical engineers, a number of other engineering trades; some medical occupations; secondary level mathematics and science teachers; certain highly specialised construction and industrial jobs; and specific jobs such as ballet dancers and skilled chefs. The number of persons employed in the United Kingdom in the covered occupations was 700 000 at the time of publication, indicating that shortages are felt in jobs which make up a significant but not overly large share of employment. The list was revised in Spring 2009.

1. NVQs are work-related, competence-based qualifications; level 3 "involves the application of knowledge in a broad range of varied work activities performed in a wide variety of contexts, most of which are complex and non-routine. There is considerable responsibility and autonomy and control or guidance of others is often required." The MAC estimates that about 45% of the United Kingdom working age-population meets these criteria.

Source: Skilled Shortage Sensible. The recommended shortage occupation lists for the United Kingdom and Scotland, Migration Advisory Committee, Croydon, 9/2008.

A list may identify which occupations are deemed to be in shortage, but may not specify the extent of the shortage. In such cases, shortage lists need to be reviewed regularly to ensure that they continue to reflect the actual labour market situation and that employers do not request additional immigrant workers when there is no longer a supply problem.[4] Employment tests, by contrast, are by definition always verifying the current labour market situation and provide equal treatment for all occupations, although how well they are doing this in practice is uncertain. They are considered a flexible instrument by some, because they do not require what could be conflictual consultation with the social partners. One safeguard concerning the possibility of excessive requests is to incorporate numerical limits (see below), as is done in some countries, such as Italy and Spain, where limits are specified for each occupation at the regional level.

Ideally, a shortage list should distinguish between temporary and more long-term needs, or between cyclical and structural shortages, with the nature of the permit granted being a function of the labour need. But it is not necessarily a simple matter to do this. At the height of the dot-com boom in the late 1900s, a significant shortage of specialists in information and telecommunications technologies was considered to exist, which quickly disappeared when the bubble burst. The estimates of requirements in retrospect were clearly exaggerated.

Likewise, many immigrant workers flocked to the booming construction sectors of Ireland, Spain and the United States in recent years, and many have lost their jobs recently in the financial crisis and resulting collapse of the housing market. As it happens, not all of the immigrant workers hired by employers were recruited from abroad through the work-permit system; some were already present, some were irregular and some arrived under free circulation agreements. But it would have been difficult in any case for migration authorities to deny work permits in the presence of demonstrably strong and persistent demand or to assess how long the demand was going to last.

Note that there is no guarantee that workers admitted with an occupation on a shortage list will necessarily stay with the employer who made the initial permit request or in a region for which the permit was granted. To provide employers with some protection in this regard, especially for jobs that may not be easy to fill, governments sometimes require that immigrants remain in the same occupation or in the same region for a certain period of time, for example one year. This also guarantees some protection to immigrant workers, who can leave the employers who initially recruited them, if working conditions are or become difficult. Australia provides the possibility of permanent residence to certain migrants admitted temporarily who agree to stay working in a region for two years.

Attempts to determine the type and number of migrants to be admitted in the ways described here are inevitably going to be subject to some errors, which may be visible only with the benefit of hindsight. The domestic labour market and employers may be able to adjust to shortages, in untold ways and perhaps even in the short-term, for example by drawing qualified but inactive persons into the workforce, through technology, by making better use of existing workers, or by investment in training of the unemployed or the inactive. An easy recourse to immigrant labour may be profitable to employers and the economy in the short-run but may, in the event of a downturn, result in social and economic costs which the wider society will have to assume, not to mention the immigrants themselves. A number of countries are currently witnessing this first hand, although admittedly, the recent crisis can hardly be considered a "normal" cyclical downturn.

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Which means are more appropriate for determining labour needs? It would appear that shortage lists, which can be based at least in part on objective data, have more advantages than employment tests, which can be subject to manipulation and to discretionary decisions that may vary from area to area and from official to official. Building in a certain flexibility, by providing for employment testing for occupations that are not on the shortage list seems like an acceptable compromise which can take into account local conditions as well as weaknesses in the identification of shortage occupations. This is the approach already taken in a number of significant labour migration countries, such as Spain and the United Kingdom. Some economists have suggested that auctioning work permits may be a more efficient way of allocating these according to employer needs than either of the above methods (Box II.6).

Box II.6. **Auctioning work permits**

What should be the price of a work permit? The actual costs of work permits are very different from one country to another as well as differing by category of worker, permit duration and whether or not the permit is a renewal or a first authorisation. They range from a few euros in Germany and the Netherlands to 1 000 euros in Ireland (for up to 24 months) or more than 1 500 euros in France for workers earning at least 1.5 times the minimum wage (for up to 12 months) and $ 2 320 for H-1B visas in the United States (for up to 36 months but $1 570 for small firms). In some countries, such as the United States or the Netherlands, special fees apply for an accelerated processing of an application. In a few countries, including Belgium and Switzerland, fees are fixed by local or regional authorities.

In most OECD countries the fees are meant to cover administrative costs for processing applications, although there are some exceptions. In the United States, employers have to pay a $500 fee for an H-1B visa, which is used to fund training programmes for American workers. Most recently, the United Kingdom decided to levy a £50 surcharge on most visas applicants to help local authorities cope with the impact of immigration on public services. In any event, in no OECD country does the price of work permits follow market principles, with the objective of adjusting demand to supply.

Some economists have called for introducing more economic rationality in price-setting mechanisms and for making visa allocation more responsive to market conditions. In this perspective, the most widespread proposal consists of selling migration visas via an auction system (*e.g.* Straubhaar, 2000; Kolb; 2007; Hanson; 2007 and 2009: Freeman; 2006). The main objective behind this proposal is to enable receiving countries to capture additional gains from migration, to be used mainly to mitigate the concerns of public opinion concerning the fiscal cost of migration on native-born workers. However, there is no real world example of an actual auctioning of migration permits, so that it is difficult to have a clear idea of well it could work in practice.

While auctioning visas may indeed raise additional monetary benefits compared with posted-price selling models, the expectations of efficiency gains may be exaggerated.

The first problem is that the auction system requires identifying rules to fix the number of visas offered and/or reservation prices. In consequence, the auction system does not contribute to rationalising the supply, that is, to deciding on the optimal level of migration. To some extent, the auction system could indeed even complicate the problem compared with a quota system with fixed prices because it adds a time dimension. A well-functioning auction system would indeed need to adjust supply to the seasonal variation of labour demand from employers.

Box II.6. **Auctioning work permits** *(cont.)*

Furthermore, for an employer the real value of a work permit is based on three main elements : *i)* scarcity of the human resource sought; *ii)* duration of the contract; *iii)* and the expected productivity of the worker. One problem is that the latter is not independent of the type of occupation or even the characteristics of the firm. This means that employers value differently the possibility of recruiting internationally according not only to needs but also to the type of job. This system will thus be biased towards the highly skilled and higher-wage occupations. One way to circumvent this difficulty would consist in establishing sub-quotas by occupations or skill levels, but this would only complicate matters and aggravate the above-mentioned problem with regard to the adjustment of supply to demand.

The recruitment cost which the employer is willing to pay will vary with the duration of the contract. The longer the latter, the more the employer will be willing to pay for recruiting a foreign worker. This means that, unless the work permit is for a fixed duration and renewal is also on sale, the auction system will fail to address short-term needs and may even act as a disincentive to invest in training in order to meet longer term needs.

One argument sometimes mentioned to support the auction system is the fact that it could help to reduce the administrative burden for managing labour migration. In particular, it would help get rid of labour market tests and shortage occupation lists, provided that the reservation price (ie. the minimum price below which work permits are not sold) is high enough to make sure that, all else being equal, employers prefer to recruit locally rather than internationally. A posted-price selling model, based on such a reservation price would, however, have identical properties in terms of reducing administrative procedures, but it would certainly yield less money. Portability is also an issue. Employers who have bid for a work permit expect to have a worker who cannot change employer, which may contradict labour law in some countries or make the employee more vulnerable to exploitation. Solutions to this, such as giving the employer the right to resell the work permit (and therefore the worker![1]) or give a buy-out option to the worker, present additional problems.

Finally, increasing visa fees may have unwanted effects, especially if the costs are borne by immigrants. For instance, higher migration costs may increase the incentive to overstay, especially for temporary or seasonal migration.

All in all, selling work permits via an auction system would probably squeeze more money out of migration but will share the limitations of quota systems and add critical allocation problems. Because of the artificial constraints (quotas, reservation prices), auctions may not bring true market efficiencies to visa allocation. This does not mean that labour migration visa prices could not play a more important role in the management of migration flows. It would be possible, for example, to increase costs of international recruitment above administrative costs in periods of economic slowdown and lower them during expansion periods.

1. This is a common phenomenon is the world of professional sports.

1.2. Caps and quotas

Caps and quotas are means for ensuring that entries do not exceed a certain limit. They do not necessarily, indeed rarely, correspond to precise labour market needs. Caps are a necessary element of supply-driven migration regimes if the potential supply is much larger than the number of workers which the host country has the capacity or is willing to admit in a single year. In demand-driven migration, the needs of the labour market in

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theory limit the numbers, subject to the constraints imposed by the authorities, although here too numerical limits may be imposed as safeguards, as in the Italian and Spanish cases cited above. In some cases, the caps represent the maximum number of workers which a country is willing to admit in a single year, irrespective of employer requests.

The number of persons to be admitted under a migration regime can be limited by specifying a maximum number of admissions, that is, a cap, and as well, by allocating portions of this to subgroups, such as to each category of migration, as is done in Australia, Canada and New Zealand, or to origin countries which have signed readmission agreements, a practice implemented in Italy. The numerical limits in Australia, Canada and New Zealand are actually target values or target-range values, that is, the objective of policy is to admit immigrants up to or close to the target value.[5] In the case of Italy, the quotas allocated to certain countries are essentially guarantees that at least the specified number of work permits will be available for nationals from the countries in question. Tier 1 of the United Kingdom migration regime is an example of a supply-driven programme that operates without a cap. The supply is in principle very large, but the conditions of entry are highly selective, which limits the numbers. The number of persons admitted in recent years has been approximately 20 000.

The United States makes extensive use of caps in its migration programme, whether the categories are demand-or supply-driven. In most cases, the demand by employers or immigrants has largely exceeded the maxima. The H-1B and H-2B work permits in the United States, for example, are capped. The H-1B visa is heavily over-subscribed, with the caps generally attained on the first day that the visas are made available. The 66 000 cap for the H-2B visa, for non-agricultural seasonal or temporary work, is split in two portions over the year. Each half is attained within four months of the visa availability date.

The H-2A visa for agricultural workers, on the other hand, is uncapped and has been increasing strongly in recent years. In 2005 the number granted was some 87 000 and this increased to almost 130 000 in 2007, including returning workers. Employers requesting such a visa must demonstrate that the need is temporary, that qualified resident workers are not available at the time and place needed and that the worker's employment will not adversely affect the wages and working conditions of similarly employed resident workers. Despite the lack of a cap, the number of workers admitted is relatively modest for the United States, which may reflect the fact that agricultural labour needs are more long-term or that employers find it easier to hire ostensibly eligible workers off-the-street.

Discretionary green-card categories in the United States are also capped. These include adult siblings and children of United States citizens. Here too, the number of eligible candidates largely exceeds the caps, however, resulting in large backlogs. The green-card lottery by definition attracts large numbers of applicants for its 40 000 annual allotment of green cards. Employment-preference green cards are also capped and could attract many more immigrants with jobs than are provided for by the 140 000 cap, which includes family members.

Caps are also applied in the temporary migration programme of the United Kingdom, in the seasonal agricultural worker scheme and the low-skilled sector-based scheme. There are generally also limits specified for migration in the context of bilateral agreements, most of which cover seasonal workers and trainees (OECD, 2004a). Switzerland has recently applied caps by permit type (short-term, annual) to both free-circulation migrants from the European Union and to immigrants from non-EU countries.

Ensuring that the caps or target levels are respected requires some administrative infrastructure and a management of the flow of applications. There do not appear to be any hard-and-fixed rules used in practice for identifying an appropriate level at which to set a cap. Some caps appear to be set very high and to constitute a kind of "safety limit", more for reasons of public opinion than as an actual management tool. This was the case, for example, with the numerical limit which existed in Switzerland prior to the free-circulation agreement with the European Union, which was reached only once, at which point it was raised.

Caps or targets are rarely if ever used to attempt to specify exact labour market needs. The supply-driven skilled migration systems of Australia, Canada and New Zealand come closest to such a model, but the target numbers are not closely tied to vacancies and have a demographic as well as labour market objective.

The specification of caps and numerical limits is not without risks. If the limit is set too low or the conditions seem restrictive, the labour market may become tight and employers tempted to bend the rules. An overly high limit can be an issue, for example, if immigrants are admitted without prior jobs during adverse economic conditions. Empirical results suggest that immigrants in this situation have more difficulty finding work upon arrival and that there is a persistent negative effect on future labour market outcomes (Aydemir and Skuterud, 2004; Aslund and Rooth, 2007).

Caps have traditionally not been used in European labour migration, the employment test generally having ensured that the number of requests was not excessive, under the prevailing economic conditions and labour supply, without any other safeguard. Such an approach depends on the willingness of employers to play by the rules. The UK work permit programme has also been traditionally uncapped, yielding in recent years entries of skilled migrants of on average about 40 000 for work assignments of less than one year and 40 000-50 000 for more than one year.

There are examples of labour migration caps which have not been reached because of a lack of demand. The UK Sectors-Based Scheme, a one-year permit for low-skilled workers in food processing or hospitality, has never filled its quotas. The German Green Card, a work permit for computer specialists introduced in 2001 and providing for up to a five years' stay, filled less than 70% of its planned limit. It has since been abandoned.

The example of the UK work-permit scheme suggests that the absence of caps does not necessarily lead to massive numbers of employer requests, even for a mainstream programme under strong growth conditions, provided that there are certain constraints, for example minimum educational requirements or a labour market test. EU enlargement, on the other hand, demonstrated that movements can become large, when immigration is largely supply-driven, transport costs are low and jobs plentiful.

One virtue of caps or numerical limits, and perhaps the main one, is in transmitting to public opinion the message that immigration is not without restrictions and that there is a pre-determined mechanism for ensuring that the numbers do not increase without bound (see OECD, 2005b for a more extensive treatment of this issue).

2. The issue of recruitment

The most basic problem faced by an employer seeking immigrant labour, in the absence of appropriate domestic supply, is how to identify potential candidates for employment outside the country. One could consider that recruitment is an employer

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problem and that the role of government is essentially to examine permit requests, decide whether or not they are acceptable and if so, to process them and ensure that there is no abuse. Although this is likely to be the case for highly-skilled needs, it is less obvious for recruitment into lower skilled jobs, particularly in the case of small enterprises or in cases where there are no private intermediaries who can take on the role of identifying appropriate candidates.

Before looking into recruitment issues per se, there are a number of measures which governments can and, indeed, in some countries have taken, to increase the labour supply of immigrant workers without resorting in the first instance to increases in lesser-skilled labour migration per se. They concern what might be called "incidental labour migration", that is, situations in which persons arrive in the country for reasons other than work, and where their participation in the labour market is encouraged as an easy and low-risk source of labour supply for the destination country. The most obvious examples are working holidaymakers and international students.

2.1. Incidental labour migration

Both of these categories concern the migration of youth who generally have not yet entered the permanent labour supply in their countries of origin, but may perhaps have done part-time work in lesser-skilled jobs during the school year or the holiday months. Working holiday makers generally concern youth aged under 30, in some cases with the added requirement of holding a tertiary education. Such persons are allowed to work half of their visa period (one or two years), generally in lesser-skilled employment. This form of migration has been used, most notably in Australia and New Zealand, to satisfy temporary labour needs in agriculture and tourism-related activities, for example, restaurants (Table II.5 above).

Work by international students has become considerably liberalised in recent years, with the right to work part-time during the academic year and full-time during the summer months now being granted along with the student visa.[6] Unlike working holidaymakers, there is generally no restriction on the type of work allowed. In many countries, the number of international students is much larger than the number of permanent labour immigrants entering each year, so that the contribution to the workforce is potentially sizable. However, there are records of abuses, with students registering for but not following a programme of study, in order to work, often full-time.

Although both of these groups have been growing in size and can provide a boost to temporary labour needs in a number of sectors, they cannot by themselves address the labour shortages that are expected to develop in OECD countries, many of which are structural in nature. The demographic shortfall in countries accumulates over time, while each of these groups consists of temporary migrants whose stock will increase significantly only with large increases in the annual intake.

2.2. Recruitment: In-country or abroad

There are two principal ways in which job/employee matching can be done when the employer is in one country and the potential employee in another. The first is for the employer to recruit abroad, the second is to allow the non-resident job-seeker to enter the country to look for work. We will consider the second of these first.

Job-search visas

***a)* The case of higher skilled migrants.** The introduction of selected skilled immigrants into the domestic labour market as job-seekers has been the way in which Australia, Canada and New Zealand have traditionally admitted permanent immigrants into the country. The tradition of the direct selection of migrants by the national administration rather than by employers developed for a number of reasons. First, migration policy in these countries had traditionally a population objective that was broader than that of responding to the immediate needs of the labour market. In addition, because of the more limited communication and transportation possibilities, as well as the more domestic orientation of most enterprises at the time, it was likely the case that only the largest employers were in a position to look beyond their borders to satisfy their labour needs. It was impractical for most employers to do so, in a way that seems unimaginable today, when cross-border recruitment via the Internet is a simple matter and relative transportation costs have declined considerably.

The identification and recruitment of appropriately qualified immigrants to introduce into the domestic labour market by the national administration guaranteed a steady supply of additional labour resources over and above those available from domestic sources. The involvement of the national administration also meant that, at least in principle, possible externalities extending beyond the immediate labour needs of a small number of employers could be taken into account. This is one of the motivations underlying the United Kingdom Tier 1 migration category, for example, which is very selective and attracts to the United Kingdom highly qualified candidates that might not otherwise arrive under employer sponsorship. Finally, the entry of immigrants as job-seekers with the right of permanent residence also ensured that immigrants were not placed in a situation in which this right effectively depended on a specific employer decision.

Many of these reasons no longer apply and indeed, as noted earlier, settlement countries have been finding it more difficult to select candidates for labour market success over the past two decades. The trend in these countries is to move towards a system in which persons with a job offer from a region are given priority treatment or in which persons who are already in the country or have a prior job offer are favoured through additional points, although neither of these guarantees admission.

The Australian, Canadian and New Zealand examples illustrate systems in which the granting of the right of residence to a labour migrant is not conditional on searching for and finding work after entry, although it is expected that the migrant will do so. Rights to social transfers may be limited in the early years of residence, as is the case during the first two years for immigrants in Australia's skilled migration programme (OECD, 2007b).

There exist labour migration programmes in which the right of residence is only granted to job-seekers once they have found work and been hired. These programmes concern largely the higher skilled. Denmark offers a six-month job-search visa to those who qualify under a point system selection process; they must find employment either within shortage occupations or above a salary threshold and change their status to a 3-year renewable work permit. Norway offers a similar job-search visa but generally grants only 3 months to find employment. Many and perhaps most OECD countries offer international students finishing a university programme the opportunity to seek work in the country. The maximum length of time of the job-search extension varies, from more than 6 months

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to 1 year (Germany, Netherlands, Norway, United Kingdom), although most OECD countries grant 6-month job-search visas (Denmark, Finland, France, Ireland, Japan,[7] New Zealand). Other countries allow conversion from study to work in the presence of a job-offer, although some restrictions may apply, such as an annual quota (Italy) or sector exclusions. In most cases, graduating students are exempt from the labour market test usually applied to foreigners. Since many jobs require fluency in the national language, the population of potential migrants may be limited for some national languages, especially in those countries in which programmes for international students are taught in another language, notably English.

***b)* Lesser-skilled migrants.** OECD countries have rarely formally offered similar possibilities of job search to non-residents who do not hold tertiary or professional qualifications. For these immigrants, a prior job offer was and is almost always a prerequisite for entry. The few exceptions concern a programme in Italy (approximately 10 000 entries in each of 2000 and 2001) in which job-search visas were granted to sponsored immigrants in Italy from 1998 to 2002 and a small trial programme in Spain which began in 2005 for persons looking for work in the domestic sector. However, in neither case were the numerical limits for the visas attained. The numerous requirements imposed on sponsors in Italy may well have acted as a disincentive, as did the restriction to the domestic sector in Spain, at a time when there existed many better-paying opportunities in other occupations.

Although formal cases of job-search visas for lesser-skilled migrants are relatively rare, there have in fact been situations in many countries in which a residence permit has been granted to persons who entered and found work, although this was not in the context of a specific migration programme. They concern the case of irregular migrants who entered destination countries illegally or overstayed, found work and were subsequently regularised, subject to their holding a job. For the immigrants in this category who have entered the country with entry visas, the situations mirror in practice what would be occurring with migration regimes operating with job-search visas.

If the willingness of employers to employ and regularise immigrants of this kind is any indication, the informal "regimes" in these countries seem to have delivered to the labour market workers who met employer productivity standards. Given this, one could envisage actually formalising the process, that is, offering job-search visas to potential candidates for employment who satisfy certain basic conditions, rather than continuing to issue tourist or family-visit visas to persons whose main interest appears to be in working and who overstay for this reason. A work and residence permit would then be issued when a job was found, subject to whatever additional conditions the destination country might wish to specify, which could include, for example, the requirement that the job offer be for an occupation on a shortage list.

Although this type of measure has not been formally introduced in any country, the procedures in place in some that allow for on-going regularisations of irregular immigrants (generally work-based) essentially amount to this. In France, the employment-based regularisations allowed under the current law are granted on the condition, among others, that the occupation is on a shortage list.

There is evidently a risk in ostensibly legalising a form of migration which has contributed substantially to irregular migration numbers in many countries. However,

on-site job search by labour migrants seems in retrospect to have been highly successful in meeting the needs of employers with regard to lesser-skilled jobs over the past decade.

In addition, the visa-granting process has essentially acted as an implicit screening mechanism for candidates, in that persons wanting a tourist or family-visit visa have had to satisfy certain conditions, among them having a round-trip ticket, sufficient funds for the duration of the stay and, in some cases, an address in the destination country. This requires a certain income level and contacts with legal residents of the destination country, who may be family members or friends. The visa conditions, plus the fact that only a fraction of those granted visas are actually interested in overstaying and working, currently seem to be imposing *de facto* limits on the number of irregular migrants entering through this route, since there are no caps on the number of tourist visas. Should job-search visas be made formally available, however, many more candidates for entry may be coming forward than are arriving currently through diverted tourist and family visit visas. The number of candidates would thus likely have to be subject to a cap.

Irregular migrants arriving in this way often and perhaps even generally have had no prior contact with potential employers before admission yet have high employment rates, exceeding those of the native-born. This is in marked contrast to outcomes for non-OECD immigrants who have arrived for family and humanitarian reasons over the past two decades and which lag behind those of the native-born. Many irregular migrants have found work in relatively lesser-skilled occupations which did not require extensive training or language proficiency and where it was therefore possible to take up work relatively quickly, in a range of occupations.

There are a number of other issues to consider associated with this kind of migration. Labour needs may not always be for jobs with limited qualification requirements. In more and more countries, for example, shortages in skilled trades are appearing. Visa conditions would then need to incorporate some occupational or educational criteria, with the means to verify the validity of the documents presented as proof. With more precise occupational requirements, it may make sense to involve employers or representatives of employers directly, rather than to verify the qualifications and to rely entirely on the matching efficiency of the labour market. This means more formal recruitment in the country of origin, an issue that is addressed below.

With a cap, it may also happen that there exist more candidates than visas, which may direct some of the demand into the former means of entry, namely tourist and family-visit visas. In addition, some candidates arriving to search for work may not find jobs. In both cases the consequence could be a return to classical irregular migration situations, in the first case if the "tourists" find work and overstay, in the second if the job-seekers remain after the expiry of their search period. One would thus need to ensure visa numbers commensurate with demand and some job-search assistance after arrival.

Although the possibility of abuse cannot be excluded, in the presence of strong labour demand, the opening up of entry possibilities through job-search visas or other means of entry should have the effect of redirecting some and perhaps many irregular movements into legal channels, if indeed employers can be induced to follow the rules. Some unauthorised movements will remain, but other means of addressing these can come into play, among them the development of simple and effective ways for employers to verify the residence and work status of potential candidates for employment as well as better workplace enforcement.

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Recruitment abroad

The alternative to job-search visas with their inherent risks is to carry out direct recruitment abroad. During the guest-worker era, many immigrants were recruited overseas either by employers, representatives of employers or officials of the national employment agencies. Certain bilateral labour agreements in force today involve the employment agencies of both origin and destination countries (OECD, 2004a) or other intermediaries, some of them private in nature. The migration covered in bilateral agreements tends to be predictable, such as for seasonal employment, and thus possible to plan for in advance.

Aside from these, however, there are few entry possibilities for lesser-skilled workers in many countries and perhaps as a consequence, little in the way of recruitment infrastructure or recent experience with this kind of migration.

In a situation in which labour shortages are going to be structural and recurrent, overseas hiring for lesser-skilled jobs will require the development of means of recruitment which can address the needs of firms in a reasonably expeditious manner. In Spain, for example, employer agricultural organisations pool employer requests and recruit collectively in their name. Some involvement of national authorities may be necessary, to avoid the risk that recruitment or placement agencies could act as gate-keepers and extract rents from potential candidates. This is generally illegal in most OECD countries (any hiring fees have to be paid by the eventual employer), but may not always be easily enforced or enforceable for offshore agencies. There may also be a need to promote adequate employment services in origin countries to aid in the recruitment process and in identifying and training candidates with the appropriate occupational profiles.

What kind of recruitment times would be possible or appropriate? These depend on a number of factors, among them the nature of the occupation, the job requirements and the number of applicants, among others. A survey of large firms (250+ employees) in the United Kingdom revealed average recruitment times (that is, the time between the decision to hire and the start of the job) for domestic hirings of 7 to 8 weeks, with hiring costs for an average job running at about 30-36% of the annual salary (ADECCO, 2008). Recruitment times and costs are likely lower for lesser-skilled positions.

Overseas recruitment is more time-consuming and costly, especially if there are specific skill needs, and will involve satisfying regulatory requirements. As seen earlier, work-permit processing times promised by immigration departments in many countries do not seem excessive. If these turnaround times can be taken at face value, permit delivery per se does not appear to be as significant a problem as overseas recruitment itself.

Small firms may not be able themselves to easily recruit from abroad, among other reasons because of the costs involved, nor able to accept the additional delays associated with formal international recruitment. In practice, employers who do recruit from abroad, particularly lesser-skilled persons, often rely on current immigrant employees in order to identify further candidates for employment from the same country. Indeed, it seems to be generally the case that under conditions of strong labour demand and with a significant immigrant presence, employers rarely have problems identifying specific migrant workers for work-permit requests. Still, in the absence of job-search visas which bring workers to the destination country, not all employers may have access to information networks that pave the way for offshore recruitment, so that some means of formal recruitment in origin countries will need to develop. The current labour migration system in Spain already

incorporates dispositions of this kind, which are subsidised by the government, the objective being to encourage employer buy-in into formal overseas recruitment. "Anonymous" recruitment is carried out in collaboration with public employment services of countries with which Spain has signed bilateral labour recruitment agreements (Box II.7).

Box II.7. **The Spanish system for recruitment in the country of origin**

Spain has two channels for labour migration: the General Regime and the "Contingente". The General Regime allows employers to ask for authorisation to hire a foreign worker by name (nominative system), while the Contingente is for anonymous requests when employers have not identified a specific candidate. Recruitment in the country of origin is handled under the latter system, under which 43 000 workers came to Spain in 2008, while three times this many arrived under the General Regime.

The Contingente, created in 2000, allows employers to hire "anonymous" workers using the recruitment system put in place by the Spanish Public Employment Service (PES), INEM. The Contingente is intended to cover both stable (permanent) and temporary jobs. To hire for a permanent job under the Contingente, the job must be on an annual provincial list of approved occupations.[1] The Contingente occupations are specified through a process run by the Secretariat of State of the Ministry of Labour and Immigration which starts with provincial forecasts of demand for single occupations. Employers make the proposal to the regional PES, which consults the unions and makes its own analysis. The regional PES then passes the proposal to the Secretariat of State, which conducts consultations with social partners at the national level, and sends the proposal to the INEM which can make comments, based on a check with the unemployment registers. Its recommendations, however, are not binding. There is a cap for each occupation in each province, although these caps have never been reached. The caps may be reduced during an economic downturn.

Contingente recruitment is done by the Spanish Ministry of Labour and Immigration in collaboration with the PES of the countries with which Spain has bilateral labour recruitment agreements.[2] Employers can select the country from which they want to recruit under the Contingente. The local PES advertises the positions and does a preselection of candidates. A review is then conducted, with a commission composed of a representative of the local PES and the Ministry of Labour official at the Spanish consulate (seconded from INEM). The participation of the employer is strongly encouraged. Employers must intend to recruit at least 10 workers in order to use this system (in exceptional cases, a minimum of 5 is allowed). This effectively excludes small businesses, although their associations can conduct recruitment for them (only the agricultural sector takes advantage of this possibility). Employers pay a small fee for each application (an average of 170 Euros), and the additional costs are subsidised by the Spanish government. The process takes 4-5 months from the moment the employer makes a request to the arrival of the worker.

Temporary employment, of up to 9 months, is not subject to a cap, but there is a labour market test done at a national level even when the job is listed in the Contingente. Most entries under the Contingente system are in fact for temporary work. While the Contingente is anonymous, workers who have done one cycle of temporary work under the Contingente may return the following year by nominal request without going through the selection process. Agricultural employers' associations recruit workers by bundling farmers' contracts; the labour contract is signed by the individual farmer even if the

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Box II.7. **The Spanish system for recruitment in the country of origin** *(cont.)*

association has done the selection. Employers are responsible for half the round-trip transportation costs and transport to and from the jobsite. Employers must also "facilitate" accommodation for the temporary workers. While any sector can recruit temporary foreign workers, only the agricultural sector uses this system.

COAG, a farmers' organisation, handles recruitment of 15-18 000 workers annually under the temporary Contingente. The challenge for COAG is to pass workers from farmer to farmer and harvest to harvest. Farmers express preferences for certain kinds of workers (women for strawberry harvesting, for example). Return rates have improved markedly since 2000, when the first Contingente was used in Andalusia and 70% of workers overstayed. Now 80% of the workers brought by COAG are returning workers. Most are unskilled although some shepherds and livestock workers are more skilled.

An increasing portion of Contingente permanent recruitment involves training in the origin country. A Ministry of Labour sub-law of 2/2007 established the rules for such training, which is partly paid for by the Spanish PES and partly by employers. Major recruiters have used the system to incorporate brief training programmes into the recruitment process. One large restaurant and hospitality company recruits 1 200-1 500 annually through the programme; INEM covers the cost of training while the company identifies the vocational training sites, teachers and programme. One large construction company collaborated with the Ministry of Labour to train and recruit 75 workers in Dakar for facility services and heavy industrial cleaning. Costs were covered by the company but were competitive with private agency fees. Another training programme is aimed at more qualified workers in Senegal and is partly subsidised by the Spanish government.

1. The list and the process by which it is determined is different from the Catalogue of Hard-to-Fill Occupations for the General Regime, a quarterly list which exempts nominations for occupations on the list from a labour market test. There is, however, some overlap. Occupations which were eliminated from the Catalogue with the economic downturn disappeared from the 2009 Contingente as well.
2. Spain has bilateral agreements with Columbia, Ecuador, Peru, Dominican Republic, Morocco and Senegal. It also has a health sector agreement with the Philippines and pilot agreements with Mali, Mauritania, Senegal, Argentina, El Salvador, Honduras, Mexico, Paraguay and the Philippines. Spain is negotiating additional agreements with Mexico and Ukraine. Each bilateral agreement foresees a joint supervisory body and this is how Spain attempts to control possible corruption, which has been a problem in some countries.

Reducing the incentive to hire from the informal labour market also means putting some effort into reducing administrative delays. Among the means for doing this is the establishment of lists of interested workers in origin countries satisfying certain pre-specified conditions (age, occupation, education, health status, the absence of a criminal record, etc.). Whether employers would be willing to do "anonymous hiring" would depend on their trust in the screening system, as well as the nature of the job vacancy. It is likely that some jobs, for example those concerning care for children or for the elderly, would generally require either a personal interview or rigorous certification procedures, as currently exist for domestic homecare workers in some countries.

On the employer side, a pre-certification of employers with regard to business status, size, solvency, past labour law violations, etc. would avoid delays at the time of permit request.

Procedures involving pre-approval of potential immigrants or employers are already in place in some countries. New Zealand, for example, currently invites persons interested in

migrating to self-assess themselves online against the selection criteria and if they are eligible, to lodge an "expression of interest" in becoming a resident of New Zealand. They then enter a pool, from which persons are drawn and invited to apply. Korean firms currently select immigrant workers from a designated list of candidates compiled by public employment agencies in origin countries. The United Kingdom, on the other hand, currently requires enterprises who intend to sponsor immigrants to be licensed before submitting a work-permit request. It also rates enterprises according to the past record of abuse. The licenses are not automatically granted and a refusal is not subject to appeal.

3. Enforcement mechanisms

One deficiency in a number of countries that opens the door, if not always to abuses, then at least to a bypassing of regulations, is the inadequate means in place to ensure that employers can verify the immigrant status of candidates for employment and to carry out effective workplace control. The first is a prerequisite to the second, because only with a simple and effective verification system, as well as ample possibilities to satisfy unmet labour needs efficiently through legal channels is it credible to implement a low-tolerance policy regarding the employment of unauthorised immigrants.

The employment of irregular immigrants seems to be facilitated by the existence of a large underground economy, where enforcement mechanisms are weak and employers enjoy relative immunity (OECD, 2004b). Indeed, it is difficult to imagine an employer-based enforcement mechanism that addresses effectively the employment of irregular migrants that does not also extend more broadly to the underground economy and the informal employment of residents, domains that are more politically delicate to address, because of the populations and numbers involved.

3.1. The verification of residence status

As noted above, not all employment of irregular migrants is undeclared, nor do employers necessarily avoid regularising their unauthorised workers when this possibility is offered, even if it entails higher costs for them. In some countries, this may be a minority phenomenon, however, with low wages and poor working conditions being the more common lot among unauthorised immigrants. Although employers may not wish to be placed in the position of enforcing migration regulations, the introduction of electronic procedures for hirings, for example the registration of new employees for the purposes of transmitting social security contributions, can constitute a *de facto* enforcement system which it would be difficult to bypass. It would limit hiring of irregular immigrants to those employers who continue to violate both labour standards and migration regulations, even in the presence of a legal supply.

The United States E-Verify system, for example, is an Internet-based system which is directly aimed at "determining employment eligibility of new hires and the validity of their Social Security numbers". Its use is voluntary except for federal government employment, federal contractors and in certain states where its use has been made compulsory by state law. Less than 2% of enterprises currently (early 2009) are registered users, but there were about 6.5 million queries in the 2008 fiscal year, which amounts to about 11% of all hirings, if each query corresponds to a hiring. Non-confirmations amount to less than 4% of queries, with about 10% of these eventually being reconciled. Currently, the E-Verify system does not apply to past hirings, but as its use expands, it will clearly limit the possibilities of future hirings of irregular migrants.

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3.2. Workplace enforcement

Direct workplace inspection is another means by which irregular migrants and their employers can be identified. Irregular work, by both legal residents and irregular migrants, are among the many possible violations of labour laws and workplace safety and security requirements which are subject to inspection and which include legal wage levels and working life standards for workers in general, and for immigrant workers in particular. The likelihood of inspections tends to vary across countries but seems to rarely exceed 1 in 10, that is, at best one in ten establishments are inspected every year. The inspection rate also differs significantly according to establishment size.

In France, for example, about 1 in 17 of eligible establishments (private-sector establishments with employees) were inspected in 2005 (IT, 2006), but the inspection rate was much higher for establishments with 50 or more employees (approximately 1 in 4) than for establishments with less than 10 employees (1 in 23). The penalties for an employer hiring an irregular worker are a prison sentence of up to five years and a fine of up to 15 000 Euros per worker. For an enterprise, the fine is up to 75 000 Euros per worker. The prison sentence would likely act as a deterrent if it were effectively imposed, but if it is not (generally the case), then the only risk for an employer is the fine. Given the likelihood of being inspected and under the assumption that the inspection succeeds in identifying irregular workers, the monetary risk to a small employer is thus a maximum of about 650 Euros per worker (= 15 000/23), not an especially high risk. To a mid-sized employer (10-49 employees), it would be a maximum of about 1 600 Euros per irregular worker, or five times this if it were levied on the enterprise instead of the employer/owner.

In Spain (ITS, 2008), the fines imposed in 2007 on employers for irregular work by immigrants were approximately 6 600 Euros per irregular worker. With an overall inspection rate of about 1 in 14, this implies a monetary risk of about 470 Euros per irregular worker for an average employer, again not a very large amount. Penal sanctions amount to between 24 and 60 months in prison, but are not applied if the administrative fines are levied.

In the Netherlands from 2005 on, the fine for employing an illegal foreign worker is 8 000 Euros for a commercial business and 4 000 Euros for a family household. Here as well, the number of inspections (11 000) is low relative to the number of enterprises (about 800 000 at end-year 2007), but more than half of the latter are 1-person firms. The ostensible monetary risk for an enterprise is about 110 Euros per irregular migrant. The inspection rate, however, does not fully reflect the risk for an employer because inspections are not random, but rather tend to focus on high-risk sectors such as construction and horticulture. But even if the probability of inspection for such sectors is five times the average, the expected monetary risk for an employer remains low.

Whether or not these estimates of monetary risks are typical of other countries is not known. If they are, it would appear that the monetary risk for an employer of hiring an irregular worker is largely insufficient to act as a serious deterrent. Significantly larger fines or substantially higher inspection rates would be required, targeted at sectors with a high incidence of irregular employment. Both France and Spain, for example, have in the vicinity of 1 500 inspectors, each of which is responsible for some 1 000 to 1 100 enterprises. Verifying the resident status of immigrant workers is a minor part of their mandate, which involves much more broadly ensuring that labour laws are respected,

especially with respect to health and safety issues. There are generally objections to putting in place more frequent inspections, which often emphasise the perturbing effect which it can have in the workplace, but the current average frequency observed for the three countries considered here (at most about once every fifteen years on average) can scarcely be considered as excessive. The alternative would be to greatly increase the fines. There is, however, no information available on the relative effectiveness of this measure as opposed to increasing the inspection rate. The impact may not be a simple proportional one in either case.

New measures to be introduced in 2009 in the European Union are intended to introduce more harmonisation in the severity and extent of enforcement across EU countries (Box II.8).

Box II.8. **Workplace enforcement measures planned (2009) in the European Union**

Under new regulations, before recruiting a third-country national, employers in the European Union will be required to verify that the worker has a residence or other stay permit and to notify the appropriate national authorities. Employers who demonstrate that they have carried out these obligations will not be liable to sanctions.

Employers of irregular migrants who have not carried out the pre-recruitment check will be subject to sanctions which can include:

- Fines (including the cost of returning the irregular migrant to the home country);
- The back-payment of outstanding wages, taxes and social security contributions to the worker;
- Other administrative measures. These may mean exclusion from public benefits, aid and subsidies, including EU funding, as well as from public contracts, for up to five years.

Firms that use subcontractors can be held liable for misdeeds of the latter if they hire the subcontractor with full knowledge of the situation. The liability extends to any other firm in a subcontracting chain.

Criminal penalties are called for in the following situations:

- Repeated offenses;
- Employment of a large number of irregular migrants;
- Exploitative working conditions;
- Hiring irregular workers who are known to be victims of trafficking;
- Illegal employment of minors.

Member States will be required to conduct effective and adequate inspections to monitor the respect for the regulation. Risk sectors need to be identified and the number and result of work inspections in these sectors reported to the European Commission.

Bilateral agreements

In cases when irregular movements between specific origin and destination countries are especially large, bilateral agreements may have a role to play in smoothing the transition towards a regime grounded in legality. This could involve co-operation on border control and return as well as on recruitment. Such agreements already exist in a number of

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countries, such as France, Italy and Spain, and often involve facilitated or minimum possibilities for entry in return for co-operation on readmission of irregular migrants.

Notes

1. See, as an example of a broad-based approach to addressing skill shortages, the Australian National Skills Shortage Strategy: *www.getatrade.gov.au/fact_sheets/fact.htm*.
2. Ottaviano and Peri (2008) show a positive wage effect for native-born workers. Their results estimate the elasticity of substitution between workers with a high-school diploma and those without one to be quite large, which strongly reduces the competition effect between immigrants and workers with no diploma. They also allow for the possibility of capital adjustment.
3. It has been argued that local shortages are best dealt with through internal migration rather than through international migration (MAC, 2008).
4. In Spain the lists are reviewed every three months; in the United Kingdom it is planned to conduct a partial review every six months with a full review after two years.
5. Values are allocated as well to non-discretionary migration categories, such as immediate family members or recognised asylum seekers, but these categories are not actually subject to limit. These particular target values are predicted based on a knowledge of the number of applications in the pipeline, current processing times and past acceptance rates of immigration offers by prospective immigrants.
6. Provisions restricting work to the university campus, where they existed, have been done away with.
7. In Japan, a temporary visitor visa of 90 days, renewable once, is granted to graduating students for the purpose of finding work.

PART II

5. The Issue of Temporary Versus Permanent Migration

There is renewed attention to temporary migration in recent years, because it is believed to be one way to avoid the adverse social consequences of the uneven integration of some low-educated immigrants as well as to reduce the impact of brain drain on origin countries. However, migration regimes need to take into account the nature of labour market needs and it seems likely that many of these will be longer term in nature. "Forcing" temporary migration may be possible, but only with strong enforcement measures or through significant incentives. Employers in any event would likely oppose temporary migration for permanent needs on economic grounds. Mode 4 would be one way of transferring the responsibility of return to origin country enterprises, but it could not be introduced without also allowing domestic employers to recruit immigrants. In any event, it does not address the issue of how temporary movements to address permanent needs could be reasonably implemented.

The question of whether or not migration should be temporary or permanent is one of the main issues underlying current discussions concerning international migration policies. There are a number of reasons for this. First of all, temporary labour migration is seen by many as one way to avoid the adverse social consequences which is believed will result from the migration of low-educated workers, as well as win support for migration from host-country populations. Secondly, the temporary or "circular"[1] migration of highly-skilled workers is considered to reduce the negative impact of brain drain from origin countries and to be accompanied by a more equitable sharing of the benefits of migration between origin and sending countries. Thirdly, although past temporary migration policies are often viewed as failures, with the perception that temporary migration has inevitably turned into permanent migration, it is considered that the experience of the past with respect to temporary migration may no longer be applicable and that new partnerships between origin and destination countries can make this form of migration work to the benefit of both.

1. The transition from temporary to permanent

The assumption that temporary migration inevitably turns into permanent migration begs the question of how precisely this occurs. The transformation into permanent migration does not happen legally unless it is actually allowed by the host country, so the presumption must be that governments are unable to resist the political pressures from employers, migrants and other groups to make movements that were initially intended to be temporary more longer term. The example cited often is that of guest workers in Europe from the Second World War to the first oil crisis in 1973, many of whom stayed on when labour migration was halted. However, this overlooks the fact that there were considerable back-and-forth movements over the post-war period of relatively open labour migration and that many labour migrants to Europe at the time did in fact go back. But many also stayed. To avoid having to retrain new arriving cohorts to replace those who were doing the job but were required to return by law, employers at the time lobbied to ensure that work permits were renewed for workers they wished to keep and who wanted to stay. On economic grounds, there was no systematic attempt to enforce returns (Böhning, 1981). When the opportunity to re-enter following a return to the origin country ended with the oil crisis, many of those who were present in Europe and who may have had return intentions stayed on and brought in their families, adding to the number of those who had already made this decision before movements came to a halt.

The historical picture on temporary labour migration thus seems a somewhat mixed one, with perceptions heavily influenced by the events which followed the first oil crisis. Currently, there exist successful temporary migration programmes in a number of OECD countries involving citizens from less developed countries (OECD, 2004a). These programmes, generally small in scale, will continue and can be expected to be extended where appropriate to satisfy certain types of labour needs. The programmes are characterised by the fact that the work involved is temporary in nature (for example, seasonal work), that stakeholders in both the origin and destination country are involved

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in the planning and implementation of the programme and that there are measures in place to ensure the return of the migrants to their countries of origin (see OECD, 2008d). One of these measures is often the opportunity for employers to have the same employees back in subsequent years. This is viewed as an incentive for both employers and workers to respect the rules.

2. Temporary migration: The current view

Currently, discussion of temporary migration centres on the possibility of using this form of migration to satisfy low-skilled labour needs of all kinds, not only those which are by nature temporary. This would mean cycling in repeated cohorts of workers for defined periods to occupy the same jobs and ensuring their return at the completion of the planned work period, with no or little possibility of changing status.

Could this strategy work? There are reasons to suspect that expectations here may be exaggerated. The reward in current temporary programmes for respecting the temporary requirement is… to make it less temporary! Still one could envisage extending temporary migration programmes to encompass not only jobs which are by nature temporary but also occupations in which, for example, there is considerable labour turnover or jobs for which initial training costs are low. In this way, employers would not be facing exceptional costs or situations that are very different from those which they are accustomed to. Some of the sectors and low-skilled jobs in which immigrants are currently concentrated, such as food processing, cleaning, domestic help, hospitality, etc. tend to be jobs of this kind.

The issue is whether temporary employment relationships can in fact be effectively enforced at reasonable cost when the labour needs of employers may be longer term and when many immigrants may wish to maximise their savings before envisaging a return, if at all, to the home country. Empirical results suggest that spontaneous returns tend to occur to countries where there are economic opportunities (OECD, 2008d). It is difficult to believe in the viability of temporary migration programmes that would go against the immediate economic interests of both employers and immigrants, not to mention broader macroeconomic considerations.

The current record on trade-offs in countries between legality and economic considerations has not always favoured the former. As we have seen, significant numbers of employers hire irregular workers for low-skilled jobs despite penalties, even if in some cases they protect themselves against eventual fines by having the workers on the books, with the presumption of ignorance of their illegal status which this implies. Workplace enforcement for employment of irregular migrants in many countries tends to be sporadic and weak, with little likelihood of detection and few cases resulting in penal convictions in the event of detection.

One could argue that a high incidence of irregular workers is a sign of policy failure, in particular the failure to recognise the existence of genuine labour needs, especially low-skilled ones, and to provide adequate work permits to satisfy these. A migration policy which would allow for movements, but insist on their temporariness would have a greater likelihood of success than one which allows no or few such movements. The costs to employers of artificially changing members of their workforce on a periodic basis to respect regulations would be much less than that of not having the right to recruit from abroad. But it would still be higher than hiring workers on a basis which corresponds to real economic needs.

3. Constraints on temporary migration programmes

There are also other constraints. Stays under temporary migration programmes that extended beyond, for example, two years according to European Union rules, would be associated with the right to family reunification. With family reunification, saving by immigrants declines and family life and the schooling of children set in. Enforcing returns then becomes problematical at best, for reasons of human rights, among others. In other words, stays would likely need to be strongly limited in time, without the right of renewal or of family reunification, for temporary migration to work.

In addition, the number of temporary labour migrants required to satisfy ever-increasing permanent labour needs would need to increase as well, as would therefore the annual turnover of temporary labour migrants, with disruptive impacts on enterprises as well as on housing, public services for immigrants, etc. as compared with a more stable workforce. A inflow of 1 000 permanent workers in a sector per year, for example, would require after six years, annual inflows of three times this number of 2-year temporary migrants to satisfy the same labour requirements, and after ten years of five times. Even if temporary stays were or could be made to be respected by means of incentives or enforcement, the extent of flows required to satisfy accumulating permanent needs is a significant obstacle to a large-scale temporary migration regime.

The feasibility of temporary migration programmes to fill at least certain needs would turn on the question of whether returns would be respected. In addition to workplace enforcement and the possibility of re-migration, there are a number of other methods involving economic incentives that have been proposed to encourage returns. Among these are the posting of bonds by employers for each temporary immigrant hired, which would be forfeited if an immigrant did not return. But it is not clear how employers could reasonably be held accountable for a failure to return. A second option concerns the retention of the social insurance contributions of both the immigrant and the employer in a special fund, with the amounts being paid to the worker as a lump sum in the country of origin upon return. This is a form of forced savings, could amount to several months' salary for a two-year stay and would constitute a significant incentive for return. This has actually been implemented by Switzerland which, parenthetically, has the highest return rate of long-term migrants in the OECD. Over the past ten years, departures numerically have been 60% of entries.

Other means involve the notion of collective responsibility. This notion is applied implicitly in the granting of tourist and business visas to foreign nationals. In most countries of destination, the visa requirement is waived for certain countries of origin, because of signed international agreements, because the countries tend to be at similar levels of development or because the overstay rates of citizens of these countries are low or expected to be so. For citizens of other countries, a formal application process is necessary and additional conditions need to be satisfied. Processing may be more stringent and refusals higher for nationals from countries which have a perceived record of overstaying. The same kind of procedures could be applied to low-skilled labour migration permit applicants, provide there exist means of estimating overstay. There is little information, however, on how effective such measures are in ensuring compliance. In addition, applying restrictions to a group because of delinquent behaviour by a minority has discriminatory overtones and indeed may be less effective than providing economic incentives to individual workers to respect the rules.

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4. Satisfying temporary needs through Mode 4 of the GATS

All of the above concern situations in which an arriving immigrant is employed directly by a destination country employer. A second means of employing lesser-skilled immigrant workers has come to prominence in recent years in connection with the Doha Round trade negotiations, although the discussion there has tended to focus on movements of highly qualified persons, especially within multinationals. This second means concerns workers arriving to provide services as self-employed persons based in the country of origin or as employees of an enterprise based in the country of origin. It is known as "Mode 4" in the parlance of the General Agreement on Trade in Services, in reference to the four modes by which a foreign service-provider can supply services to the citizens or enterprises of another country, of which the one described here happens to be the fourth in the list and the only one which involves the movement of workers across borders. This form of service provision could involve, for example, a building services company based abroad bidding and winning a contract to clean windows in office buildings and bringing in its workers for a temporary period to carry out the terms of the contract. The requests and offers under the Doha round negotiations, however, have tended to focus on service provision by highly-skilled specialists, such as architects, accountants and computer professionals.

Mode 4 could be beneficial to immigrants from less developed countries if they were paid according to the salary scale of the host country and subject to the same working conditions as regular workers. The latter requirements are indeed generally imposed by labour laws in OECD countries and ensure that the domestic labour market is protected from unfair competition while guaranteeing host-country labour rights for the immigrant worker. However, they also tend to undermine the comparative advantage which an enterprise from a less developed country might have in bidding on a service contract. This may not be a handicap if domestic enterprises are unable to supply the same services because of a shortage of workers.

From a migration management perspective, the advantage of this form of labour migration is that the responsibility for ensuring returns can be transferred to the foreign enterprise offering services, with the possibility to continue doing business in the host country being dependent on its ability to guarantee this.

However, the right of foreign firms to engage in service-provision by bidding on contracts and bringing in workers from abroad to carry out the contracted work could likely not be introduced without giving domestic firms the same right, that is, the right to recruit workers temporarily from abroad under ordinary worker migration.[2] Thus, Mode 4 would have to compete with regular worker migration. In any event, employers would have no more incentive to hire temporary service-providers under Mode 4 than temporary employees, if their labour needs were longer term in nature.

5. More flexibility with regard to temporary mobility of highly-skilled workers

While temporary migration may indeed not be the answer for general migration policy, it is nonetheless a useful tool for satisfying certain temporary highly-skilled labour needs. This is the case for multinational enterprises, who have been lobbying for more flexible regimes with regard to intra-corporate mobility, for broader skill levels than just the very elite. Enterprises which have only a domestic presence could profit from the same flexibility, for contracting service-providers from abroad or for direct hiring of highly

qualified workers for short assignments. Often such assignments need to be carried out at short notice and could benefit from a migration regime that recognizes the low risks involved and the overall gains from a more efficient allocation of labour across international borders.

Notes

1. Circular migration means essentially repeated temporary movements between origin and destination country.
2. Interestingly, at the time of EU enlargement, cross-border service provision was allowed even by countries who were applying transitional rules, that is to say, there were restrictions on domestic firms in many countries with regard to the hiring of workers from the accession countries but enterprises from the same countries could bring in their workers to provide cross-border services in EU15 countries.

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PART II

6. Specificities in Managing Highly-skilled Migration

Virtually all OECD countries expect that there will be a need for highly skilled migrants, especially in scientific and technological occupations, in coming years. Language proficiency issues are far more significant for this type of migration, as are issues related to qualifications and work experience obtained in a developing country, which OECD employers have tended to discount. Migration policy can address this by favouring employer-driven migration; by favouring immigrants with qualifications earned in the host country, in another OECD country or in institutions elsewhere that are considered equivalent; or by providing information to immigrants about their qualifications and the possibilities of upgrading these where required prior to entry. International student migration in particular seems a promising way of expanding highly skilled migration, all the more so because youth cohorts are declining in many OECD countries.

Virtually all OECD countries expect that there will be a need for highly-skilled migrants, especially in scientific and technological occupations, in coming years. Not only are the retiring age cohorts larger, the entering cohorts are fewer in number. In practice, this means that the supply of highly skilled new entrants into the workforce may well decline, so that recourse to migration may be necessary, not only to replace retiring workers, but also to expand business activity. This form of migration is viewed positively, because the generally favourable labour market outcomes of high skilled migrants imply a net fiscal gain for the destination country and, as experience has shown, generally better integration prospects for both immigrants and their children as well.

1. Attracting highly-skilled immigrants

Offshore recruitment of the highly skilled is different in nature from that of the low-skilled, because of their greater familiarity with new communication technologies and easy access to Internet information posting and consultation, which facilitates the job-matching process considerably. However, lowering barriers and creating entry possibilities as many countries have done does not guarantee a plethora of candidates. Active recruitment measures may be necessary, involving developing and disseminating promotional material, participating in recruitment or job fairs, streamlining procedures and offering stay conditions that are competitive with what is offered in other countries. Denmark, for example, has set up a "work in Denmark" centre at its embassy in New Delhi, to attract highly-skilled immigrants, such as health care workers, engineers and IT and communications specialists. Most countries have made special efforts aimed at the very high-skilled, in particular doctorate holders and researchers, whose movements currently are, in practice if not in principle, largely unregulated (Box II.9).

For many countries, actively recruiting highly-skilled workers is, to a certain extent, entering uncharted territory. Recent experience with migration concerns largely family and humanitarian migration, in which integration into the society and economy of the host country could and often did take place over several years. Moreover, the experience, often limited, with labour migration in many countries was essentially one that was demand-driven, in which employers requested permits for persons identified as candidates for specific jobs. In other words, there was prior contact between the employer and the worker and some agreement had been reached concerning the terms of employment, which presumably took account of linguistic, qualification and work-experience issues. The question of language may not even have entered the picture, either because the candidate already spoke the language of the host country, because an international language known by the candidate was spoken in the workplace, or because the work involved did not require a mastery of the host-country language. If expected high-skilled labour shortages become widespread, however, recruitment will need to go beyond these special cases.

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Box II.9. **Attracting and retaining the very highly skilled**

Alongside sustained growth in foreign direct investment (FDI), in trade and in the internationalisation of research and development (R&D), mobility of human resources in science and technology (HRST) has become a central aspect of globalisation. Migration of talent now plays an important role in shaping skilled labour forces throughout the OECD area. The importance of mobility stems from its contribution to the creation and diffusion of knowledge. Not only does it aid in the production and dissemination of codified knowledge, it is also an important means of transmitting tacit knowledge.

Most countries recognise the importance of retaining and attracting HRST and have policies to assist and encourage mobility. The recent report *The Global Competition for Talent: Mobility of the Highly Skilled* (OECD, 2008h) established an inventory of government policy practices and programmes to encourage the inward and outward international mobility of HRST, including doctorate holders, doctoral students and researchers, and gathered information on evaluations that had been undertaken to assess the impact of such practices and programmes.

In some countries, these policies are part of an explicit mobility strategy, but in others they are not. This increases the risk of a lack of coherence between policies on inflows, outflows and the diaspora. Ideally, mobility policies should be part of a mobility strategy that contributes to the country's objectives for science, technology and innovation, and which sets out the rationale for intervention in mobility issues. Few countries have specific strategies to maintain contact with their diaspora, although many use economic incentives to attract back talented HRST. There also appears to be some policy coherence with development and aid policies.

Policies range from economic incentives to encourage inflows, immigration-oriented assistance, recognition procedures for foreign qualifications, social and cultural support, and support for research abroad. Each of these policy areas relies on a range of mechanisms, including scholarships, fellowships, grants, facilitated procedures, institutional arrangements and service centres. Some countries (see below) focus on just a few policy mechanisms, while others offer "something for everyone".

Policies providing economic incentives for inflows of HRST include fellowships, grants and projects funding, scholarships and allowances and tax benefits and subsidies. The approaches range widely across countries: some countries have a large number of policies across a number of policy categories, while others only have a few programmes in selected categories. At one extreme is the Czech Republic, which has no policies that explicitly offer economic incentives to inflows of HRST. Finland and Switzerland have focused their efforts on a few programmes that offer economic incentives; in Switzerland's case, this is likely due to the attractive salaries and other conditions that already attract researchers and other HRST to the country. Korea and New Zealand offer the broadest range of programmes, with incentives offered via fellowships, grants, scholarships, tax benefits and other policies. The United Kingdom has the largest number of programmes, including a wide range of collaboration-targeted funding programmes provided through its Research Councils.

Another policy area concerns immigration policy-oriented approaches to facilitating inflows of HRST. A number of OECD countries offer mobility opportunities via their general high-skill migration policies. Many countries have targeted policies to assist HRST inflows, ranging from special visas to facilitated procedures that reduce delays or waive certain requirements.

Box II.9. **Attracting and retaining the very highly skilled** *(cont.)*

Finally, OECD countries also offer social and cultural support to facilitate inflows of HRST. Most countries have non-targeted assistance that helps migrants in general to settle in their new environment, with support offered by non-governmental organisations (NGOs), community organisations, educational institutions and government agencies. Several countries have web-based information sites that offer information on social and cultural support as part of their broader information provision. Offering the most targeted assistance are Austria, Belgium, the Czech Republic, the Netherlands and the United Kingdom, which have launched researcher mobility centres as part of the European Network of Mobility Centres.[1] These centres, with local service centres often located at universities, offer a wide variety of services to mobile researchers.

The national level policies are supported by policies and programmes for mobility offered by universities and other institutions. At this level, the most common mobility assistance provided concerns social support related to language, housing, visas, insurance and other similar issues. Student exchanges are also popular, as are travel grants for research abroad. Policies and programmes at the institutional level, with their greater focus on information provision and practical social/cultural assistance and greater assistance for short-term visits, complement those at the national level.

It is difficult to assess whether the mobility policies offered by countries are "best practice", as few policies have been evaluated. However, some lessons can be drawn from available evaluation material, including the importance of setting appropriate funding levels and programme durations for the target population (according to desired skill level and field of work). Some interesting questions emerge regarding personal objectives *versus* programme objectives, in particular, whether the long-term goals of programmes will be achieved if personal objectives diverge from those of the programme. Evaluations show the importance of good data collection, planned from the outset, to enable an assessment of a programme's efficiency and effectiveness.

1. Recently relaunched by the EU Science and Research Commission, under a new web portal named EURAXESS – Researchers in Motion. This portal combines in a single access point the former European Researchers' Mobility Portal, the ERA-MORE Network, the European Charter and Code, and ERA-Link. See *http://ec.europa.eu/euraxess/index_en.cfm*.

2. Language proficiency issues

Not all countries have the same linguistic advantages with respect to highly skilled migration. English-speaking countries are in a privileged position, as are those with a national language that is widely spoken outside the national borders in emerging countries. These include in particular French (Africa), Spanish (Latin America) and Portuguese (Africa and Brazil). The availability of a pool of native-speakers outside the national borders means that employers can envisage recruiting workers from abroad directly into jobs but also that the costs of migrating will be less for immigrants because they will not need to invest as much in learning a language to the level required to perform productively in the workplace. It is true that not all jobs require the same linguistic proficiency and indeed, immigrants have tended to sort themselves into jobs according to the language mastery required (Chiswick and Miller, 2007).

Generally, it can be expected that countries for which there exists essentially no language basin for the national language outside their borders may be in a less favoured situation, with respect to jobs for which a mastery of the host-country language is needed. However, the possibility of direct recruitment into other kinds of jobs may still exist under certain conditions. If English or some other language is widely spoken by residents as

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second languages, they can serve as transition languages in the workplace, while immigrants learn the host-country language in parallel. As was seen earlier, Denmark and Norway appear to be having some recruitment successes in this regard.

Still, for these countries, the provision of language learning for the immigrant will need to become an essential part of recruitment, whether funded by the employer and/or the government. Language learning is not necessarily a small budget item. The amount of language learning required for a highly-skilled immigrant with no knowledge of the host-country language in order to function at a high level in the workplace or to be able to take education or instruction in a second language can be large, especially if it requires the ability to write.

The Foreign Service Institute (FSI) of the United States Department of State has estimated the amount of language instruction required to achieve speaking and reading "General Professional Proficiency"[1] in a number of languages for a native speaker of English. The results are presented here as indicative of what may be needed. The estimates are based on the experiences of FSI students, who are almost 40 years old, have a good aptitude in formal language study and know several other foreign languages. The class sizes are no larger than six persons and the weekly schedule consists of 25 class hours plus 3-4 hours of self-study per day. Under these conditions, the estimated class hours are 575-600 (23-24 weeks) for most Western European languages, such as Danish, Dutch, French, Italian or Swedish; 750 for German; 1 100 (44 weeks) for languages with significant linguistic and/or cultural differences with English, such as Greek, Hebrew, Russian, Tagalog, Turkish or Vietnamese; and 2 200 hours (88 weeks with the second year of study in-country) for languages which are exceptionally difficult for native English speakers, such as Arabic, Japanese and Mandarin.

Currently, immigrants can receive funded language instruction for up to 2 000 hours in Denmark, 1 300 hours in Australia, 1 200 hours in Canada, 600 in Germany, 400 in France and 200 in Belgium. The instruction is not necessarily available to all immigrants, nor does language learning take place in parallel with work, a handicap in situations where employers place little value in foreign work experience. The time investment required of a skilled immigrant as well as the opportunity cost of learning a new language to the required level do not seem compatible with a temporary employment assignment. Note that the issue is less important for persons moving to take up temporary or low-skilled jobs, where the proficiency required is not as significant.[2] This was visible following EU enlargement, when most high-educated migrants from the new accession countries, although having some command of English, generally sought and found lesser-skilled jobs in Ireland and the United Kingdom, because their English proficiency was not sufficient to be hired into high-skilled jobs.

The settlement countries offer points for language proficiency, but none has gone quite as far as Australia in this regard, requiring as it does reading, writing and speaking proficiency of "competent" level[3] (or "vocational" level for a skilled trade occupation), based on examinations, before an application in the skilled migration programme will be accepted. The evidence suggests, not surprisingly, that the implementation of this requirement has significantly improved the outcomes shortly after arrival of persons in the skilled migration stream (Richardson and Lester, 2004). In Canada, immigrants are allowed to self-assess their language proficiency in applying for immigration, although they are invited to submit objective evidence if they have some.

In the supply-driven regimes of Australia, Canada and New Zealand, governments exercise a pro-active role in introducing immigrants into the country. This type of regime

may be appropriate as well for countries with languages not spoken outside their borders and where direct recruitment by employers into jobs may be problematical as a result. Such a role would involve the same kinds of migration policy decisions made by the governments and administrations of the settlement countries every year regarding their skilled migration schemes, namely, how many persons should be admitted and what age, educational level and/or occupations they should have. It also means doing what is necessary to ensure a steady stream of applicants. This means, among other things, publicising the country, its openness to migration and its advantages for potential migrants. It may also mean introducing certain incentives in order to make the idea of immigrating an attractive one, both juridically and financially.

The most obvious incentive used by settlement countries to transmit to candidates for migration that they are interested in permanent migrants is to offer the right of permanent residence upon entry and a relatively rapid road to citizenship. Both are inducements to make a settlement decision and can act as incentives to invest more strongly in host-country human capital, by guaranteeing a long period over which to accumulate returns.

Outside of the settlement countries, the right of permanent residence has traditionally never been granted upon entry, whatever the education level of immigrants, except perhaps to resettled refugees. In practice, it does not seem to have strongly affected retention rates (IMO, 2007a), which are almost as high in European countries as in the settlement countries for permanent-type immigrants, perhaps because much of the migration has been family and humanitarian in character, groups for which returns are less frequent. Labour migrants tend to be more mobile, except when accompanied by their families.

Certain countries (OECD, 2004c) provide tax advantages during the first few years of residence to highly-skilled migrants, as an inducement to immigration and, parenthetically, an aid in settlement. How successful these have been in attracting potential candidates, however, is unclear. High tax regimes or strong wage compression in some countries have sometimes been advanced as factors which discourage certain highly-skilled immigrants from applying for jobs, but evidence on this is limited, because countries with such characteristics have not sought labour migrants until recently. In any event, it seems unlikely that policies which affect the entire population and are the product of history and national consensus would be changed to increase a country's attractiveness to a small fraction of highly qualified persons.

3. Other strategies

3.1. Region-based migration

The dispersion of labour migrants across a country has taken a number of different forms depending on the nature of the migration.

In employer-driven regimes, the geographic distribution tends to be a function of where employer needs manifest themselves, although the location of the job offer may influence the number of potential foreign candidates, who may be more attracted to centres that are known internationally and where there may already exist significant ethnic enclaves. In the supply-driven regimes, high-skilled immigrants have tended to concentrate in the largest cities, leaving smaller centres struggling to satisfy their particular labour requirements. This is what has been happening in Australia and Canada. On the other hand, when labour migration has been into lesser-skilled jobs under conditions of limited regulation, as in southern Europe, the United States and in the United Kingdom and Ireland following EU

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enlargement, labour migrants have tended to spread themselves broadly across national labour markets, although still with some concentration in large centres. This may well be a function of housing prices, which tend to be higher in the larger centres and would take up a larger proportion of worker wages from low-skilled jobs.

In a number of OECD countries, municipalities or regions suffering from greater than average demographic decline have been looking to immigration to maintain their populations and revitalise their communities, etc. The prospect of demographic decline can be a powerful motivating force for municipalities wishing to maintain a certain economic vitality and result in an opening up of opportunities for immigrants outside of large centres. The wish to offset population decline, however, will always be tributary to the existence of local employment opportunities and to the ability of communities to attract candidates to apply for these (Box II.10).

Box II.10. **Attracting talent to local areas**

In the context of demographic decline and rising mobility, many communities are engaging in activities to attract new talent to support their economic development. The overall trend in most OECD countries which in the past have recruited labour migrants for settlement without requiring a prior job offer is to move towards demand-driven migration, in which admission is conditional on a job offer from an employer. Even when there exist employment opportunities, however, attracting immigrants from abroad to settle in small centres away from the large metropolitan agglomerates that are internationally known is a challenge.

Local employers and indeed, local employment offices as well, may have little experience with international recruiting or with labour migration requirements initially. Identifying appropriate candidates may thus itself be daunting, not to mention convincing them to settle in areas characterised by relatively homogeneous populations and with little in the way of immigrant services. Competing with job offers in larger centres may be difficult. Australia has addressed this by offering the possibility of permanent residence to migrants with regional visas who remain in regions for longer than two years and who might not otherwise be accepted under the standard permanent regime. In some cases, the minimum points required to be accepted are either waived or the threshold reduced. Local institutions and governments have a role to play in facilitating recruitment by employers and providing needed assistance with housing, social services, etc. to immigrants upon arrival.

Regions may perceive migration as a quick-fix tool for addressing labour shortages, without due consideration to adapting education and training systems to a new population and to the issue of retention.

The Australian policies described above assume that enough integration in the local community occurs after two years to guarantee a certain retention, even if there is likely to be some loss.

If labour migrants are employed upon arrival, they also tend to come with their families or are joined by them, so that employment opportunities for spouses may play a significant role in retention. A key factor in facilitating access by immigrants to good quality employment commensurate with their skills is transparency in the labour market. When the skills and requirements for local jobs are clearly visible to both immigrants and local education and training systems, this can speed up the process of helping people to retrain for new positions. Also important are methods of assessing the skills of immigrants in less formal ways, on the job if possible.

Source: "A Fine Balance: Managing Migration to Meet Labour Market Needs", OECD Local Economic and Employment Development Programme.

3.2. Changes in status

One strategy that is being adopted by more and more countries is that of facilitating the longer term stay of persons already present in the country on a temporary basis. This could include temporary high-skilled workers, trainees, exchange visitors, intra-corporate transfers and international students. The objective is to encourage any interest in staying, provided that it has been associated with some investment in the destination country, whether in the form of study, employment or significant contacts with residents or employers. Sweden, for example, has created a route from temporary to permanent residence status for labour immigrants of all skill levels, provided they have had a temporary work permit for four years and still have a job. However, changes from temporary to permanent worker status may result in practice in a weakening of the measures normally applied to job offers to ensure protection of the domestic workforce. Although this may mean blurring the line between the temporary and permanent migration regimes, the risk is viewed as less significant for highly skilled than it is for lesser-skilled migration.

4. Addressing the issue of foreign qualifications and work experience among highly skilled migrants

As noted earlier, one major issue with respect to highly qualified migrants is the fact that employers generally attach less value to qualifications and experience earned outside of the OECD.

Qualifications and experience earned abroad do not necessarily pose problems for immigration policy, except when immigrants are admitted without jobs and without an assessment of the value of their qualifications in the labour market prior to arrival. Expectations of immigrants about the nature of labour market rewards in OECD countries for certain qualifications may not then be realised and this may result in dismay and disillusionment among immigrants concerning the migration decision.

There are a number of means available to migration policy to ensure that there is a closer correspondence between the returns to the formal qualifications and work experience of immigrants and those of native-born persons or between the expectations of immigrants and their outcomes in the labour market of the destination country. Most of these attempt to finesse the problem by ensuring that some kind of assessment occurs upstream, prior to arrival.

4.1. Favouring employer-driven migration

The first of these means is to favour demand-driven migration in which the employer and the potential immigrant negotiate directly the terms and conditions of employment before the arrival of the immigrant. In this way, the migration decision can be conditional on the immigrant's own assessment of the returns to expatriation, based on an actual job offer. This does not guarantee that immigrants with qualifications nominally equivalent to those of a native-born person will have comparable labour market outcomes and in particular earnings, but will at least ensure that the migration decision takes into account how employers in the destination country value their qualifications and experience.

The second is to favour immigrant candidates who have been educated in the country or in a country whose qualifications are recognised as being comparable to those obtained in the country. We consider the second of these first.

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4.2. The assessment and recognition of foreign qualifications

Currently, only a few countries assess or provide the opportunity to assess educational qualifications prior to entry. Sometimes it is a prerequisite for immigration, such as in Australia, where persons expecting to apply in the skilled migration stream must have their qualifications assessed and recognised before their application is accepted. Factors taken into account include the education system of the country where the education was obtained, the institution granting the diploma or degree, and the level, structure, length and content of the programme of study undertaken. The assessments are carried out by professional bodies or by educational or training bodies for more generic qualifications. The assessment carried out at this stage, however, does not guarantee licensing after arrival (see OECD, 2007b) if this is needed. Many occupations are regulated at the state level and requirements can differ from state to state. The strong qualifications (and language) screening carried out by Australia appears to have been instrumental in improving significantly immigrant outcomes for recent arrivals (Richardson and Lester, 2004; OECD, 2007b).[4]

New Zealand identifies specific educational institutions from about 30 countries, specifying how many points are awarded in its points system for qualifications from these institutions. Qualifications from institutions which are not specified for the 30 countries, or from other countries, must be assessed by the New Zealand Qualifications Authority.

The United Kingdom awards points in both its supply- and demand-driven tiers (tiers 1 and 2) for qualifications from institutions all over the world. The number of points awarded for specific qualifications from specific institutions is specified directly online and potential immigrants can determine their likely eligibility under this programme. The points are based on an assessment of their equivalence to recognised qualifications in the United Kingdom, although it is not specified exactly how this assessment is done. Qualifications not specifically identified must be assessed by a national agency mandated to do this, the United Kingdom National Academic Recognition Information Centre (UK NARIC).

Assessments in all three countries involve fees for persons requesting an assessment.

Canada encourages potential immigrants to inform themselves about the applicability of their qualifications in the Canadian labour market before immigrating. It has developed orientation sessions in a number of overseas locations (India, China and the Philippines), where individuals selected under the national skilled worker category can acquire some understanding while overseas of the requirements of the labour market in Canada, including the foreign credential recognition process, a provincial jurisdiction. In addition, a body known as the Foreign Credentials Referral Office was recently established to provide information and referral services for foreign-trained workers already in Canada. However, the majority of the visits to its website (400 000 in its first year of operation) are actually from overseas, giving some indication of the scale of interest by potential immigrants. The points system in Canada continues to "assess" qualifications at face value, assuming no differences in quality across countries.

All of the above ensure that some form of pre-arrival assessment of, or information on, foreign qualifications is provided to immigrants. Nonetheless, there will remain cases where immigrants arrive without jobs and where the correspondence between formal qualifications and experience earned abroad and that obtained or required in the destination country for a particular occupation will need to be established. With in-country assessment services, provided at reasonable cost, immigrants can learn the status of their qualifications and what additional education or training, if any, are required to obtain equivalence.

A framework for recognition was developed in the Lisbon Recognition Convention (1997) and signed by most OECD countries, but implementation has been partial. The convention calls, among other things, for the establishment of national information centres to provide advice on the recognition of foreign qualifications to students, graduates, employers, higher education institutions and other interested parties or persons (see Bergan and Rauhvargers, 2006).

The cross-country sharing and pooling of information on foreign qualifications would be a useful and natural step in increasing available information on the issue and thereby making the process more transparent. Because mutual recognition of qualifications across OECD countries tends to be relatively common if not universal, one might expect assessment information available in one country with respect to equivalence to be transferable to other countries.

In cases where qualifications are deemed not to be fully equivalent, the existence of timely bridging courses would ensure that immigrants can make the transition to full equivalence. This requires a certain flexibility among local educational institutions, both with respect to course offerings, programme modularity and timing, so that immigrants are kept out of the labour market for minimum periods.

In the absence of assessment information and in the context of uncertainty by employers concerning foreign qualifications and work experience, a number of OECD countries have put in place public employment measures that are geared to allowing immigrants already present in the country to demonstrate their skills on-the-job. The most common measure consists of subsidising a job for a given period, as an incentive for the employer to take on an immigrant on a trial basis, with the possibility of an offer of employment at wages commensurate with the level of demonstrated skills. Others include on-the-job assessment of skills, etc. (Box II.11).

4.3. The migration of international students

The assessment and recognition procedures outlined above are not necessary if immigrants have qualifications obtained in the country of destination. Studying in a country provides the opportunity to acquire country-specific knowledge and to adjust to the country's mores before making a longer-term commitment; to acquire (and often directly demonstrate) proficiency in the host-country language;[5] and to obtain a local degree readily recognised in the host country's labour market. It also signals certain qualities about the potential immigrant to the host country, including perseverance, self-management and willingness to adapt. Persons having studied in the country also have acquired some knowledge of job-search techniques and work practices in the country of study, paving the way for a successful transition into the workforce.[6]

In addition, student migrants are young, which means in practice that the broader social returns to their education accumulate over their entire working life and that they do not suffer the discount on foreign experience that is sometimes observed for immigrants arriving after a certain period of work experience in the country of origin.

The settlement countries require that international students who wish to remain apply for permanent residence under their skilled migration programmes, where they are accorded additional points for qualifications obtained in the country. Although in principle there is no guarantee that they will be accepted for admission, having qualifications obtained in the country substantially enhances their chances of being accepted.

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Box II.11. **Programmes to assist highly-skilled immigrants to make the transition into employment**

Highly killed migration is favoured by all OECD countries. It is expected that immigrants with high education levels, after mastering the host-country language, should be able to make their way with relative ease in the domestic labour market. But for any new immigrant, irrespective of skill level, entering the labour market in a new country can be an unexpected challenge. This applies in particular to highly-skilled migrants who arrive without a job offer – either because they immigrated as family or humanitarian migrants or because they arrived as "independent" skilled migrants under a points system. Such migrants often lack knowledge about job search and recruitment channels specific to the host country, and have few contacts with potential employers.

In many countries, there are now programmes in place which aim to tackle these problems, by bringing immigrants into contact with prospective employers and allowing the latter to "test" immigrants' skills at low risk. These programmes typically consist of a mix of subsidised or unpaid work-placements, often linked with job-specific vocational skills and language training.

In *Portugal*, two non-governmental organisations (the Gulbenkian Foundation and the Jesuit Refugee Service) developed jointly with universities and various ministries (Health, Interior and Foreign Affairs) a programme for foreign-trained doctors who were found to be working in low-skilled occupations such as in construction or cleaning. The programme provided for the translation of documents, bridging courses in the faculty of medicine, as well as comprehensive preparation material, internships in teaching hospitals, and vocation-specific language training. Participants had to pass a final assessment examination. At the end of the pilot project, about 90% of the participants were employed as doctors. The medical doctors were accompanied up to one year after completion of the programme to ensure a lasting integration. The programme has now been mainstreamed.

In *Australia*, some states have established programmes to overcome the problem of overqualification among recent skilled independent migrants, that is, the tendency for them to be working in jobs for which they are formally overqualified. In Victoria, for example, the Overseas Qualified Professionals Program (OQPP) provides recently arrived professionals who acquired their skills abroad with a work-experience placement, to enhance their opportunities for employment in their profession. The participants must be either unemployed or employed in low-skilled jobs. The programme consists of an initial six-week training period to develop job-search skills, followed by a four to six-week work-experience placement in their field or in a closely related occupation. The work-placement component is generally not remunerated. The programme includes mentoring elements and industry-specific networking sessions with employers and professional associations to provide further orientation and networking opportunities. Six months after completing the programme, more than 60% of participants were in paid employment in a field corresponding to their skills and experience.

In *Sweden*, a "Trial opportunity" programme was launched in 2004 for individuals who lacked work experience in Sweden. The purpose of the programme was to give immigrants an opportunity, at an early stage, to demonstrate their knowledge and competence in an authentic working atmosphere at a private company, public institution or non-profit organisation. If the trial opportunity is not followed by an actual job offer, the individual receives a certificate from the employer. The scheme can be combined with an assessment of professional skills. The programme was initiated by the Confederation of Swedish Enterprises and the Swedish authorities to improve the labour market participation of immigrants. About 40% of the participating immigrants had a job three months after the scheme. More recently, the Government has assigned a number of universities and colleges to arrange supplementary courses for people with a foreign university degree in law, education, health and public administration. The programme was introduced to provide an opportunity to adjust foreign credentials to the Swedish labour market and thereby facilitate access to employment for highly-skilled immigrants in their field of study.

In *Denmark*, regional knowledge centres for the assessment of the skills and qualifications of immigrants have been established since 2004 by the Ministry of Employment in co-operation with the confederations of employers and trade unions. The task of the knowledge centres is to assist employers, municipalities, etc. in the general assessment of immigrant skills, and to systematise and diffuse methods of assessment. This mainly refers to practical competences, but also includes so-called "soft skills" (*i.e.* personal and social skills). The assessment is generally done in workplace situations at companies. These centres also issue so-called "competence cards" for immigrants which show how the person's skills relate to concrete labour market needs.

In countries with demand-driven migration systems, international students who have completed their studies in an OECD country are allowed to stay to search for work during a specified period, which varies according to country. They are allowed to stay on if they find work in their field of study. Employers generally do not need to determine if there are native-born workers available who could take on the jobs which they are offered. In short, their status is similar to that of native-born persons entering the labour market following the completion of their studies. The opportunity is generally only provided for fields of study related to scientific and technical occupations.

Stay rates of international students

The exact numbers of students staying on following the completion of their studies is known only for a few countries. Foreign graduates who settled in Australia upon completion of their studies through the Skilled-Independent student visa programme numbered close to 9 000 in 2002, or about 18.7% of all foreign graduates. However, this is not the only source of student migration. Others are admitted as spouses of citizens or permanent residents and still others apply from offshore after leaving the country. By 2005, it was estimated that about 52% of the skilled migration programme consisted of persons with an Australian qualification. This amounts to some 30-35% of foreign graduates. Stay rates for certain nationalities are higher. 66% of Indian graduates and 38% of Chinese graduates, for example, stayed on.

According to Citizenship and Immigration Canada, between 15% and 20% of foreign students can be expected to eventually settle and work in Canada (ICMPD, 2006). In New Zealand, of all first-time students between 1998 and 2005, 13% had received a permanent residence permit by 2006 (ICMPD, 2006). In Norway, of all students not originating from the European Economic Area (EEA) studying there between 1991 and 2005, 18% stayed in the country after graduation (considerably greater than the 9% for EEA students) (ICMPD, 2006). For the United Kingdom, a survey sent to non-UK EU students and overseas students six months after graduation from an UK tertiary institution indicated that around 27% of 2004/05 graduates were employed in the United Kingdom (up from 19% of graduates in 2000/01) (ICMPD, 2006). For Japan, some 8 000 graduating students stayed on in 2006, which suggests a stay rate of about 20 to 30%.[7]

For the United States, 22% of persons acceding to permanent residence through the "employment preference" route had prior student experience in the country (Massey and Malone, 2002). Likewise, 23% of persons with an H-1B visa are estimated to have had a prior student visa (US INS, 2000). However, there are no firm data on stay rates except for doctoral completers, who have been documented at much higher rates than the above, with two-year stay rates of almost 70% in 1999, ranging from 75% in physical and computer sciences and engineering to 40-45% in economics and agricultural science. Stay rates by country of origin vary considerably, with about 20-25% of doctoral completers from Brazil and Indonesia indicating plans to stay in the United States, but over 80% of those from China and India and between 60 and 70% from Peru, Iran and Nigeria (Finn, 2003). Stay rates for tertiary graduates as a whole are certainly much lower than this.

The range of values suggests that stay rates of between 15 and 35% can probably be expected for most countries. The rates for Norway and Japan, for example, suggest that language is not necessarily an impediment. There have been rather large and significant increases in stay rates for both Australia and the United Kingdom since the turn of the century, but there may well be a limit to how high stay rates can get. Although study abroad can be an important step in paving the way to emigration, not all students engage in foreign study with this as their main objective. The Australian example probably illustrates

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the maximum that can be attained at the current time through student migration. With enrolment of international students of close to 18% of the total tertiary student population, the highest percentage of any OECD country and stay rates that are also relatively high, the immigration of international students through the skilled migration stream in Australia yields a little over 1 skilled migrant per 1 000 population.

Prospects for increasing student migration

The decline in youth cohorts underway in many countries means that there is or will be spare capacity in the tertiary education systems that could be used to expand the tertiary participation rate of native-born youth, if this is low or, alternatively, to increase the number of international students. This would mean maintaining current financing levels for tertiary education or increasing tuition fees for foreign students.[8] Most countries with high international tertiary student enrolments charge higher tuition fees for international students than for domestic students. The one major exception is France, where tuition fees are nominal in any event.

Preference could be given, for example, to students having completed their studies in fields for which the number of resident students is insufficient to satisfy demand. This could be a strategy applicable to both higher-level vocational as well as university-level technical and professional fields. The experience of Australia highlighted above suggests that introducing criteria that favour the immigration of students who complete their studies in the country tends to lead to increases in enrolment levels by young people from abroad wishing to couple education in an OECD country with a chance at immigration once they have completed their studies. It has also stimulated the growth of private educational institutions offering programmes to international students with migration intentions. Countries where tuition fees are low for international students may thus well be able to attract students under these conditions. Box II.12 outlines a simulation of the international student enrolment rates required to achieve a given rate of student migration.

High stay rates of the kind that Australia has been achieving, however, seem possible only if international study includes shorter programmes, such as the high-level vocational and technical programmes in Australia that provide eligibility for immigration at lower cost and difficulty than the higher education bachelors and masters programmes.

One current problem and dilemma is that programmes for international students in many countries are provided more and more in English (OECD, 2008f), which may help to attract students from abroad, but scarcely prepares potential immigrants for settlement and rapid integration into the host country, when English is not the national language. It is far from clear that the kind of post-completion language learning incentives currently being provided in some countries (for example, funding for language learning for those who stay on in Finland) are the best way to do this. An alternative would be to provide scholarships or "national treatment" for students willing to study in the host-country language, with the offer of permanent migration upon successful completion, while charging tuition fees for English-language programmes. The lock-in effect of the investment in language learning would make immigration by graduates going this route a much more likely eventuality. The Czech Republic has implemented precisely this kind of differential fee structure, to induce international students to study in Czech. Japan currently provides preparatory language instruction ranging from 6 months to 2 years duration to future international students in China and Malaysia (Huang, 2006). Portugal provides language courses once international students have arrived in the country, while educational institutions in Sweden offer courses in Swedish for international students.

Box II.12. **Student enrolment and stay**

Table II.14 shows the results of a simulation that attempts to estimate what would be the expected intake of international student migrants in OECD countries, assuming an international student enrolment level equivalent to 5 international students per 1 000 population and stay rates comparable to those of Australia's. This enrolment level is lower than that of the three OECD countries having the highest international student enrolment rates, but higher than that of all others. For cross-country comparisons, the per-1 000 population enrolment rate gives a much better indication of the potential contribution of international students to migration than the share of international students, which depends on the enrolment levels of domestic students.

Note first of all the large differences in the extent of international student enrolment across countries in 2006, ranging from as little as 0.3 per 1 000 population in Poland and the Slovak Republic to almost 9 in Australia and New Zealand. Increasing international student levels so that they are at least at the 5 per 1 000 population for all OECD countries in the table implies more than doubling the total number of international students in OECD countries, with the United States accounting for about one third of the increase and Japan for about one fifth. International student enrolment would then average almost 11% of all tertiary enrolment compared to the current 5%.

This level of international student mobility would yield some 630 000 student immigrants per year at current Australian stay rates. For reasons of convenience and data availability, the stay rate used for the simulation is measured as the ratio of the graduating students in Australia who stayed on in 2006/2007 to the total enrolment of international students. The value is relatively large for Australia (approximately 0.12), because international students who wish to apply need only complete two years of study in Australia and have obtained a degree, diploma or trade qualification. The average duration of study is therefore less than the usual three or four years required to obtain a bachelor's degree.

The contribution of this migration to population growth would be about 0.6 per 1 000 in all countries, by construction, except Australia, New Zealand and the United Kingdom, the three countries for which the extent of international enrolment already exceeds 5 per thousand. Note that in most countries, the contribution of international students to migration under this scenario significantly exceeds permanent labour migration levels as of 2006.

Are these scenarios realistic? With respect to enrolment, this would involve at best a doubling of international student numbers for some countries, which seems well within the realm of the possible. This is the case, for example, for Austria, Belgium, Canada, Finland, France, Germany, Ireland, Sweden and Switzerland. Other countries, on the other hand, would need to significantly increase their international student enrolment levels. The latter have been increasing by between 7 and 8% per year since the year 2000, which implies a doubling of numbers within a decade.

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Box II.12. **Student enrolment and stay** *(cont.)*

Table II.14. **International student enrolment (2006) and simulation of student migration assuming an enrolment of 5 international students per 1 000 population and current Australian stay rates**

Country of destination	Actual situation			Simulation				2006 permanent labour migration rate per 1000 population[9]
	All international students 2006			Enrolment and immigration, international students at simulated values				
				International student enrolments		Simulated annual student migration at Australian stay rates		
	Total enrolment	As % of tertiary enrolment	Per 1000 population	At assumed rate of 5 per 1000 population	Resulting enrolment rate	Number	Per 1000 population	
Australia	184 710	17.8	8.9	184 710	17.8	22 858	1.1	2.0
Austria[2]	30 366	12.0	3.7	41 410	15.7	5 125	0.6	0.2
Belgium[3]	24 854	6.3	2.4	52 709	12.5	6 523	0.6	0.2
Canada[1, 2, 4, 5]	148 164	14.6	4.5	163 247	15.9	20 202	0.6	1.8
Czech Republic	17 057	5.1	1.7	51 255	13.8	6 343	0.6	na
Denmark	10 952	4.8	2.0	27 173	11.1	3 363	0.6	0.5
Finland[7]	11 514	3.7	2.2	26 335	8.1	3 259	0.6	0.2
France[1]	247 510	11.2	4.0	306 765	13.6	37 962	0.6	0.1
Germany[1, 6]	261 363	11.4	3.2	411 840	16.9	50 966	0.6	0.1
Greece[1]	16 558	2.5	1.5	55 745	8.1	6 898	0.6	na
Hungary	12 381	2.8	1.2	50 355	10.6	6 231	0.6	na
Iceland[1]	715	4.5	2.3	1 522	9.2	188	0.6	na
Ireland[7, 8]	12 740	6.8	3.0	21 165	10.9	2 619	0.6	na
Italy[1]	48 766	2.4	0.8	292 175	12.9	36 157	0.6	0.7
Japan	119 120	2.9	0.9	638 850	13.9	79 058	0.6	0.2
Korea[1]	22 260	0.7	0.5	241 486	7.1	29 884	0.6	na
Netherlands[6]	27 037	4.7	1.7	81 730	12.9	10 114	0.6	0.4
New Zealand	36 900	15.5	8.8	36 900	15.5	4 566	1.1	2.8
Norway	4 114	1.9	0.9	23 305	10.0	2 884	0.6	0.3
Poland[1]	11 365	0.5	0.3	190 660	8.2	23 594	0.6	na
Portugal[1]	17 077	4.6	1.6	52 930	13.1	6 550	0.6	0.5
Slovak Republic	1 613	0.8	0.3	26 956	12.1	3 336	0.6	na
Spain	18 206	1.0	0.4	220 340	11.1	27 267	0.6	na
Sweden	21 315	5.0	2.3	45 405	10.2	5 619	0.6	0.0
Switzerland[7]	28 016	13.7	3.7	37 420	17.5	4 631	0.6	0.2
United Kingdom	330 078	14.1	5.4	330 078	14.1	40 847	0.7	1.4
United States	584 814	3.3	2.0	1 493 774	8.1	184 856	0.6	0.4
Total	2 271 621	5.0	2.3	5 106 239	10.7	631 901	0.6	

Notes: In the 2006/2007 fiscal year, some 22 858 permanent residence visas were granted in Australia to graduating overseas students. This yields a stay rate relative to enrolment of 0.12 = 22 858/184 710. The enrolments of countries already exceeding 5 per 1000 population have been left unchanged.

Except where indicated, data for countries relate to non-resident students.

1. International students are students of foreign nationality.
2. Excludes tertiary-type B programmes.
3. Excludes data for social advancement education.
4. Reference year 2005.
5. Excludes private institutions.
6. Excludes advanced research programmes.
7. Data by country of origin relate to international students defined on the basis of their country of prior education.
8. Excludes part-time students.
9. Excludes free-circulation movements.

Source: OECD Education at a Glance 2008 and Secretariat calculations.

StatLink http://dx.doi.org/10.1787/636708611446

Notes

1. This is the third level on a six-level scale, varying from level 0 (no proficiency) to level 5 (native or bilingual proficiency). At the third level, a person is "able to speak the language with sufficient structural accuracy and vocabulary to participate effectively in most formal and informal conversations on practical, social and professional topics". This does not cover writing proficiency, which may also be required in many high-skilled jobs.
2. Even if the work to be performed does not require a high level of language proficiency, active participation by immigrants in society requires a minimum level, as does fostering language acquisition by their children.
3. The candidate must "be able to read and understand a variety of English texts with reasonably good comprehension; write English well enough to communicate effectively for most purposes; understand spoken English competently in a range of situations; speak English fairly fluently and accurately in a range of contexts."
4. They have also been introduced during a period of strong economic growth and a tight labour market.
5. The language requirement was waived in 1999 for finishing students applying for the skilled migration programme in Australia, on the assumption that students who studied in English in Australia for at least two years (the minimum requirement) would have the necessary English language proficiency. This has not turned out to be the case for all of them (Birrell, Hawthorne and Richardson, 2006).
6. This sub-section draws significantly on Tremblay, Roseveare, Santiago and Duguay (forthcoming).
7. The stock of international students was about 115 000 in 2006.
8. The question of funding will be addressed more extensively in a later section on development impacts.

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PART II

7. Ensuring the Integration of Immigrants and their Children

Not all integration-related problems can be addressed through entry policies which attempt to maximise the chances of success. Some will remain and it is fair to say that success in this area has been elusive. The ability of low-educated labour migrants to re-integrate the ranks of the work-force may be an issue, if they lose the jobs for which they were originally recruited. Children of immigrants seem to suffer less from the educational disadvantage of their parents than from geographic and social isolation. Early, intensive contact with the national language is essential to future success, as is a better knowledge of available career paths and employment prospects. Poor educational and labour market outcomes among some youth leads to ethnic stereotyping by employers, which harms employment chances even among the better qualified. Policies need to focus on hiring and recruitment practices to reduce these forms of discrimination.

A number of the measures outlined above are designed, through entry policies, to avoid certain problems which OECD countries have encountered in the past with respect to the integration of immigrants in the labour market and of possible further negative consequences for their children in this regard as well (see also Box II.13 in this regard). This is not to say that policies could not be developed to address integration difficulties whatever the nature of the population of entry, but that full success in this area has been elusive, despite the plethora of programmes that have been developed and implemented to address the problems (OECD, 2007b and 2008b; OECD, 2006c).

Some of these are not immediate, but may surface only with a certain lag. Low-educated permanent labour migrants under a demand-driven system will have jobs upon arrival, so that initially at least their labour market integration should not be at issue. But what of the future, of their ability to function in the broader society and to assist and accompany their children?

1. The question of long-term employability

One significant concern regarding the immigration of low-educated workers is their long-term employability if they lose the jobs for which they were initially recruited, whether for medical reasons, economic downturns or technological change. This is not an issue which is particular to immigrants, but may have some specific implications if they have education levels that are considerably below a standard minimum as well as a less-than-adequate mastery of the host-country language. This may complicate the adjustment/retraining process, in the absence or scarcity of other low-skilled jobs which they can move into. This is a particularly pertinent issue in the current downturn.

The aggregate evidence on this shows some but not a strong cause for concern Figure II.7), although some caution should be exercised in interpreting the results. The employment ratios by age shown are not based on longitudinal data, so that differences by age group cannot necessarily be taken to indicate the evolution of employment as immigrants age. The results also exclude the countries of Central and Eastern Europe but especially of southern Europe, where the movements in recent years have been particularly large and rather different in nature from those of the past. Finally, the data reflect outcomes largely for family and humanitarian migrants, who have generally arrived in destination countries without jobs.

For both men and women, the employment curves by educational attainment for native-born and foreign-born are relatively similar, with the employment ratios being larger, by about 8 to 15 points on average for men and 12 to 20 points for women. There are signs of a deterioration in employment ratios with age of low-educated foreign-born men relative to native-born men, from 8 points difference for the 25-29 age group to 15 points difference for the 45-49, but a decline in the difference thereafter. It is difficult to conclude that long-term employability is a serious issue on the basis of these results, which suggest

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Box II.13. **Migration policy and screening of low-educated migrants**

Because of the uneven integration record of low-educated immigrants and their children, migration for low-skilled employment remains a contentious issue in most countries. The operating assumption appears to be that such migration would necessarily involve low-educated workers and that current difficulties would be compounded by the arrival of new cohorts of such workers, over and above those arriving already through family and humanitarian channels, over which migration policy has limited discretionary control. Although migration policy imposes minimum skill requirements for high-skilled migration, in the form of education, occupational types or wage levels, it has never addressed the issue of minimum requirements with respect to migration for low-skilled jobs.

The question, however, is a pertinent one, for the reason that minimum obligatory school attendance requirements exist for the domestic population, which in principle correspond to at least less than upper secondary attainment. The levels expected of resident youth going through the educational system are normally considered the minimum necessary to be able to function in society as responsible citizens, if not necessarily to do so adequately or effectively. There seems no obvious reason not to consider such requirements necessary for immigrant arrivals as well.

Historically, however, many labour migrants to OECD countries have arrived with education levels below that of the domestic population. Many of the guest workers in Europe, for example, had at best primary education levels, yet were clearly able to find and hold jobs. There are generally no formal educational requirements per se for low-skilled jobs and many current job-holders, both immigrant and non-immigrant, have less than the current compulsory education level. In addition, many persons with low-skilled jobs may acquire skills and knowledge on the job and be able to take on work for which their formal qualifications would not normally qualify them. In jobs involving basic safety and security standards, however, one would expect job-holders to have the basic literacy skills necessary to understand written instructions. An additional rationale for screening labour migrants in this way is that the link between education and labour market outcomes holds even at low attainment levels, that is, persons with compulsory education levels on average do better in the labour market over the longer term than those who have less than this.

On the other hand, many of the jobs for which there are not enough domestic takers, tend to be low-skilled jobs and may well not attract candidates with better than minimum qualifications, or at least not for very long. How many are currently being filled by low-educated labour migrants?

Countries which have seen significant labour migration into low-skilled jobs over the past ten years are the United States and the countries of southern Europe. Table II.15 shows the picture for these countries, based on the immigrants still present and employed in 2007 in the United States and in 2006 in southern Europe. It indicates that most immigrants to southern Europe and the United States holding low-skilled jobs (labourers) and who arrived over the previous ten years had at least lower secondary attainment (77% and 72%, respectively). Indeed, the percentages having at least upper secondary education were 50 and 60%, respectively. Migration from Mexico, Guatemala or El Salvador also consisted primarily of persons with at least compulsory education (lower secondary), with about 59% of recent migrants having at least this level for the former two countries and more than two thirds in the case of El Salvador. The percentage of upper secondary graduates in labourers' jobs was about ten percentage points less in both cases.

Thus, it would appear that most migration into low-skilled jobs in these countries was in principle more highly educated than the nature of the jobs would have led one to believe, which suggests that positive self-selection has played a role in the migration process. Among the occupations examined, there was only one which was overwhelmingly invested by persons with less than lower secondary attainment, namely farming, fishing and forestry workers in the United States, where 71% of workers had less than lower secondary attainment.[1]

Box II.13. **Migration policy and screening of low-educated migrants** *(cont.)*

Table II.15. **Educational levels of immigrants in occupations of different skill levels, southern Europe (2006) and the United States (2007)**

Educational attainment level	Occupational skill level					All workers
	Managers and business owners	Professionals	Associate professionals	Clerks, trades and craft workers	Labourers	
	ISCO 1	ISCO 2	ISCO 3	ISCO 4-8	ISCO 9	
Greece, Italy, Portugal, Spain						
At most primary	18.2	0.7	0.9	12.2	22.6	15.1
Lower secondary	17.3	0.7	9.6	25.4	24.7	23.4
Upper secondary	30.1	10.9	32.9	44.5	41.3	41.4
Tertiary	34.4	87.7	56.7	18.0	11.4	20.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
United States						
At most primary	4.7	0.3	0.7	19.1	28.2	17.7
Lower secondary	2.8	0.0	0.0	7.3	12.0	7.1
Upper secondary	25.7	14.9	12.2	40.4	46.3	37.7
Tertiary	66.8	84.9	87.1	33.2	13.5	37.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: European Union Labour Force Survey for southern European countries (data provided by Eurostat), Current Population Survey for the United States.

StatLink http://dx.doi.org/10.1787/636710472443

It is difficult to know to what extent formal migration channels for low-skilled jobs would attract the same kind of candidates for employment as seen above. A significant part of the migration movements in these cases was irregular in nature and most migrants may have had little to no knowledge of what possible jobs were awaiting them. The need to earn a livelihood may have conditioned their initial choices, with the jobs viewed as transitional ones, if they had limited knowledge of the language of the host country, if their qualifications were not fully transferable or if there were able to find no other jobs initially. Over time, one might expect them to move up the occupational ladder and take on jobs that are more in line with their formal qualifications, creating vacancies in the low-skilled jobs which they have been holding and which would have to be filled again.

In short, although the argument in favour of educational screening for low-skilled jobs may seem compelling at first sight, the issue is not an obvious one, except perhaps in the case of candidates without the most basic literacy skills, whose integration into developed country societies is likely to be problematical and who would not be able to lodge an application without assistance in any event. In addition, a minimum educational level is no guarantee of labour market success; it is simply associated with better outcomes on average over the longer term. Screening on the basis of formal attainment alone may exclude candidates with significant experience or having specialised skills obtained outside formal educational institutions and for which there may be a particular need. Other characteristics may offset the handicap of low formal education. Finally, this kind of screening may be difficult to apply in cases where geographical proximity and strong immigrant networks help to reduce the cost of migration.

1. The occupational classifications used were the 3-digit ISCO for European countries and the 2-digit, 53-category classification for the United States, recoded to ISCO.

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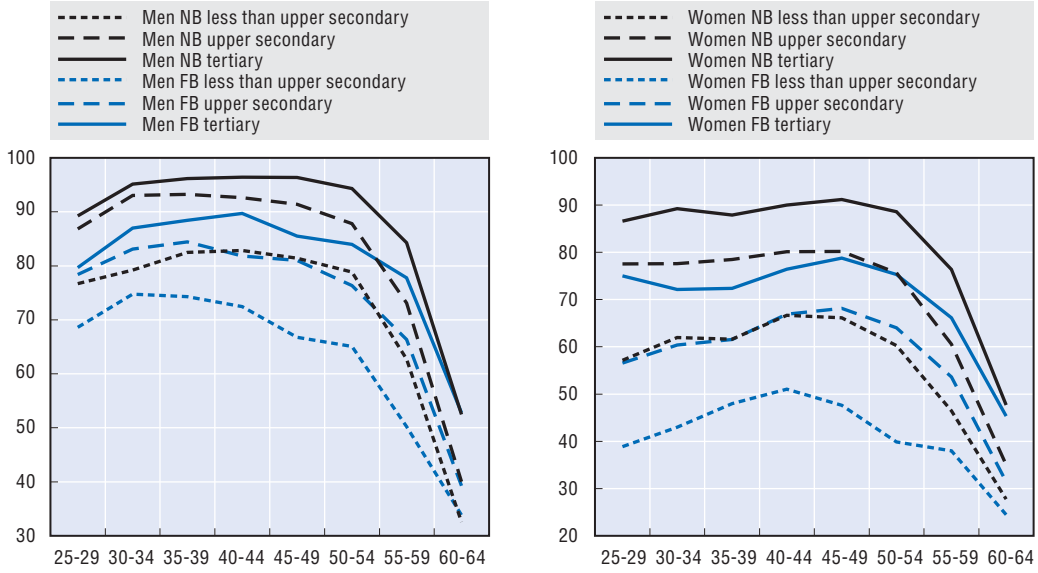
Figure II.7. **Employment-population ratios of native-born (NB) and foreign-born (FB) persons, by age and educational attainment, northern European countries, 2006**

Percentage



Note: Excludes Central and Eastern European countries as well as Germany, for which the foreign-born/native-born distinction was not available.The ratios shown are averages, in which each country is given equal weight.

Source: European Union Labour Force Survey (data provided by Eurostat).

StatLink http://dx.doi.org/10.1787/636278381484

that immigrants, even those low-educated, are able to maintain their position in the labour market relatively well as they age. This is the situation on average; that for individual countries and over time may differ somewhat from this.

Whether the situation would be similar for labour migrants is uncertain. Such migrants have the advantage of having jobs soon after arrival, and the inertia of favourable early outcomes may persist for some time. Employment ratios of low-educated migrants aged 25-29 in southern Europe, for example, are fully 10 points higher than those of the native-born of the same educational attainment. This advantage does tend to decline with age and reaches zero for the 40-45 age-group, after which the two track closely. The similarity with the situation described above does lead one to ponder, but does not change the nature of the conclusion, namely that low-educated men may suffer a drop in employment rates with age relative to low-educated native-born men, but that it would be an exaggeration to say that they are being selectively eliminated from the workforce. However, the quality of employment or career progression may be particular issues over time for low-educated immigrants compared to the native-born of similar attainment.

At this stage, not enough is known about the decline in labour market outcomes with age of low-educated immigrants, or indeed its magnitude and reality, to conclude that it warrants a targeted policy intervention.

The situation for foreign-born women shows no obvious deterioration of results over time. Indeed for women of upper secondary education (if not for lower secondary), there would appear to be even an improvement of the employment ratio with age.

2. Addressing the unfavourable outcomes for children of low-educated immigrants

As was seen earlier in this report, the unfavourable educational outcomes of the children of immigrants are associated with a high concentration of immigrants in classes (and in specific localities) and with the fact that the language spoken at home is not the national language. The association with parental education was stronger only for a few countries. These results indicate that for most countries the children appear to suffer more from geographical and social isolation from native-speakers than from social disadvantage. They argue in favour of policies that aim to avoid or reduce excessive concentrations of the immigrant population in certain geographic areas or of the children of immigrants in certain schools, as well as policies to enhance language proficiency of the children of immigrants at an early age. High concentrations of immigrant children in schools may be difficult to eliminate without a strong intervention in housing markets or in the school enrolment mix. In consequence, investing significantly in pre-schools and schools where there are greater concentrations of immigrants would need to be considered.

Such policies have been introduced some time ago in a number of countries, among them France and the Netherlands (see OECD, 2008b), but admittedly do not seem to have had large impacts, judging from the persistence of their PISA performance gaps relative to those observed in other countries. Whether the additional funding was appropriately used, however, is not certain. In France, for example, the extra funds went largely towards wage premiums for teachers willing to teach in the priority education zones rather than, for example, significant reductions in class size or additional remedial support. Some recent changes in policies in that country are attempting some new approaches (OECD, 2008b).

Public provision of language learning for all arriving immigrants would be an option to ensure, if not that the host-country language would be spoken more frequently in an immigrant household, which may be unrealistic, then at least that all members of the household would have a basic understanding of the host-country language and be able to interact in it, when necessary. The availability of publicly funded language instruction for all immigrants is available in some countries (Canada, Sweden), but would need to be more broadly considered.

Measures to bring immigrant children into early childhood education would need to be strongly encouraged, to make up for the limited contact with the national language in the home environment. This would need to take place in pre-schools in which there was a significant proportion of children of native-speakers, to avoid reproducing the home linguistic environment.

As seen earlier, labour market outcomes for the children of immigrants also tend to be unfavourable relative to children of the native-born in many countries. To a certain extent, this is a reflection of the fact that educational outcomes are not as good, but in some cases differences remain even when educational levels are identical and were obtained in the country. In some cases, lower employment rates for children of immigrants appear to be associated with underrepresentation among persons employed in the public service (OECD, 2008b). For other countries, lower earnings levels within educational attainment levels have been linked to lower skill levels, as measured by test scores (Nordin and Rooth, 2007). Limited access to job and employer networks also manifest themselves through fewer apprenticeship places and longer transitions into the first job (OECD, 2007b; OECD, 2008).

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Mentoring is one programme which has been shown to be effective almost everywhere in transmitting to youth of immigrant origin information about job search, interview and work practices, as well as in making links to potential employers. It is also inexpensive to implement, the mentors being generally volunteers, who undergo a limited amount of training.

In many countries, discrimination testing in which fictitious job applications are made to actual job advertisements has revealed a lower rate of invitations to interviews for persons with "ethnic" names compared to persons with "native" names having equivalent educational qualifications and work experience (obtained in the host country for both groups). Some of this may reflect discrimination based on preferences, but it may also be attributable to statistical discrimination as a result of stereotyping. Indeed, there exist a number of studies which tend to nuance the implication of outright discrimination.

Persons who obtain the nationality of the host country, for example, have a large employment rate premium that cannot be related to fundamental changes in their human capital or productivity and certainly do not reflect any change in ethnic origin or appearance (Fougère and Safi, 2006; OECD, 2008b). Immigrants who change their names have been shown to undergo greater wage progression following the change than those who have not, despite identical earnings trajectories before the name change (Arai, 2007). Native-born persons with a native first name but an immigrant last name have been shown to have a higher job interview rate than when both names are associated with an immigrant origin. However, they continue to have a lower interview rate than persons whose first and last names are of native origin (Cediey and Foroni, 2007). Finally, persons of immigrant origin who apply for work through an intermediary (for example, the public employment agency), have a higher interview invitation rate than those who apply directly (Adia, 2006).

In short, some of the observed discrimination may not be based on preferences and therefore especially responsive to policy initiatives. It would appear that employers are not always necessarily anti-immigrant, but rather appear to be looking for familiarity, for signs that the candidate in some way resembles native workers with respect to workplace behaviour and productivity. Policies need to focus on hiring and recruitment practices to reduce these forms of discrimination and to convey to employers both the merits and the necessity of diversity in the workplace.

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PART II

8. Migration and Development

Expectations concerning the potential contribution of international migration to the welfare of populations and to development in origin countries are high. Remittances have played a role in changing attitudes towards migration, but so also have the contribution of returned migrants and of the migrant diaspora to economic development in some countries. Migration to OECD countries, however, represents only a very small fraction of non-OECD populations and even a doubling of current migration levels would scarcely change this very much. Migrants themselves and their families are the main beneficiaries of migration, as well as those origin countries who are overrepresented in migration movements. Disincentives to returns should be removed, because the forging of stronger links between immigrants and origin countries increases transfers of knowledge and technology as well as investments. Brain drain risks could be reduced by increasing the supply of highly skilled persons, permitting some recruitment by destination countries without adverse effects on origin countries.

There are considerable expectations in many origin countries concerning international migration and its current and possible future contribution to the economic welfare of populations and to development in these countries. This has arisen in part because of the realisation by countries and development specialists of the scale of remittances from immigrants working in OECD countries and elsewhere to their families in the countries of origin. Income disparities between origin and destinations countries are large and even a relatively short stay in a rich country can result in savings that can significantly improve the quality of life of migrants and their families in both host and origin countries.

Remittances have also changed the nature of the debate concerning the brain drain of highly educated persons from poor to rich countries. The highly skilled also remit and can contribute to development prospects in their countries of origin through transfers of knowledge, technology and business know-how, even if they do not return. Efforts are currently focused in many countries on mobilising the emigrant diaspora in favour of development, through investment, collaborative projects or sharing of knowledge and know-how.

Are expectations about the possible developmental benefits of international migration realistic? What are the likely impacts of the possible changes in OECD migration policies previously mentioned? What type of policy responses could contribute to maximizing the benefits and minimizing the costs of international migration on origin countries? Are these responses compatible with the migration objectives of destination countries? How can policies in the field of migration be made coherent with development objectives?

1. The impact of international migration on origin countries, migrants and their families

There is at least one group for whom the benefits of international migration are generally unambiguous, and that is migrants and their families. The vast majority of individuals migrate because they expect that better employment opportunities and higher wages abroad will help increase their standard of living and that of their families. The possibility to offer a better future to their children also acts as a strong motivation for moving permanently or temporarily overseas.

When migrants leave their family behind, they usually send back home a share of their income as remittances, which can be used for *i)* household's current expenses; *ii)* investments – in particular if they expect to return in their home country at a later stage but also to support investment in health and education; *iii)* to provide a safety net in the event of a negative economic shock; or *iv)* to pay for the cost of migrating to the host country of those who remained behind. When migrants are able to bring in their families, they tend to spend and save a larger share of their income in the destination country. Household consumption is larger, incentives to remit lower and the likelihood of return smaller.

Individuals may also migrate for motives not directly related to work, in particular for study, with or without the intention to return to their origin countries afterwards. As

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indicated previously, this migration is currently gaining importance. Studying in an OECD country opens access to a much wider range of curricula and fields of study, the possibility to learn a foreign language, and to obtain widely accepted qualifications and degrees. Having studied abroad generally results in better employment opportunities in the destination country as well as in the home country.

International migration also involves costs and drawbacks, which are associated with the weakening of family ties and the loss of connections with social networks in the country of origin as well as with integration difficulties in the labour market and society of the destination country. Nonetheless, the possibility to migrate generally makes migrants and their families better off.

At the macroeconomic level, the impact of international migration on origin countries is more difficult to assess but is likely to be relatively small overall, although not necessarily so for specific countries. From a purely demographic standpoint, international migration remains a minor phenomenon in regard to origin countries. In 2000, there were about 57 million persons born in non-OECD countries and living in the OECD zone.[1] They represented about 5% of the OECD total population but about than 1.1% of the population of their countries of origin. There are, however, important variations across countries, with lower expatriation rates in larger Asian countries and higher percentages in small countries and island states. In most Sub-Saharan African countries, less than 1% of the population has emigrated to OECD countries. Net legal migration to the OECD reached almost 3 million persons in 2006, corresponding to less than 0.05% of the population living outside the OECD area.

However, the links between international migration and the economic development of origin countries go beyond simple demographic accounting and needs to take into account the impact of remittances, the emigration of human capital and return migration, among others. Although economic convergence between origin and destination countries can be expected to reduce the flows of migrants eventually, this will require significant increases in investment, trade and development.

1.1. Remittances

In a number of developing countries, remittances sent by international migrants represent a significant source of income and of foreign currency. Remittances have increased continuously and strongly over the past decades; more than 10-fold in the last 20 years to reach $251 billion in 2007 (Table II.16).[2] This strong increase can be related to the observed increase in migrant flows but is also affected by a number of statistical artifacts, in particular the increase in data coverage as a result of transfers switching from informal to formal channels. This is attributable to reduced transaction costs and to the increased scrutiny of informal transfers in the context of the fight against terrorism. Remittances play an increasingly important role in many developing countries, notably in Asia and Latin America, both for households and the economy as a whole. They constitute a relatively stable source of foreign currency. In small countries, their volume often rivals that of Official Development Assistance and foreign direct investment.

As is the case with emigration numbers relative to home-country populations, remittance transfers are overall a small percentage of origin-country GDP levels, but a much more significant one for specific countries with many expatriates. Remittances from high-income OECD countries were about 39% larger than official development aid (ODA) in 2007 ($ 164 billion *vs* $ 118 billion). In contrast to ODA, their impact is more focused on

Table II.16. **Remittance flows to developing countries, 2002-2008 (USD billion)**

Inflows	2002	2003	2004	2005	2006	2007	2008	Change 2008-07 (%)	Annual change 2002-08 (%)
Developing countries	**116**	**143**	**164**	**195**	**229**	**281**	**305**	9	17
East Asia and Pacific	30	35	39	47	53	65	70	8	15
Europe and Central Asia	14	16	22	31	38	50	53	6	25
Latin America and Caribbean	28	37	43	50	59	63	63	0	14
Middle-East and North Africa	15	20	23	24	26	31	34	10	15
South Asia	24	30	29	33	40	52	66	27	18
Sub-Saharan Africa	5	6	8	9	13	19	20	5	26
Low-income countries	15	17	20	24	29	43	49	15	22
Middle-income countries	100	127	143	169	197	238	256	7	17
Lower MIC's	71	89	95	110	127	155	170	10	16
Upper MIC's	30	38	48	60	70	82	85	3	19
High income OECD	**53**	**61**	**67**	**68**	**74**	**86**	**88**	**12**	**9**
High income non-OECD	**1**	**2**	**3**	**4**	**4**	**4**	**5**	**7**	**31**
World	**170**	**207**	**235**	**268**	**307**	**371**	**398**	7	15
Outflows	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**Change 2006-07 (%)**	**Annual change 2002-07 (%)**
All developing countries	19	22	30	34	43	54	na	23	23
High income OECD	89	101	115	126	142	164	na	13	13
High income non-OECD	24	23	23	24	28	30	na	2	5
World	131	147	167	185	213	248	na	13	14

Source: World Bank tabulations based on data from IMF Balance of Payments Statistics Yearbook 2008 and data releases from central banks, national statistical agencies, and World Bank country desks. Shaded cells are estimated. Remittances are defined as the sum of workers' remittances, compensation of employees, and migrant transfers – for data definitions and the entire dataset, see www.worldbank.org/prospects/migrationandremittances.

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individual recipients than on the broader community, although some remittances may be used to fund community infrastructure. The expenditure of remittances locally also has multiplier effects in the broader economy, that is, their impact spills over beyond the receiving household.

Remittances can play a positive role in tackling poverty in developing countries. Its impact, however, should not be overestimated since migration movements do not primarily come from the poorest countries nor do they concern the poorest people of origin countries. A recent study of the World Bank on Latin American countries shows that on average "*for each percentage point increase in the share of remittances to GDP, the fraction of the population living in poverty is reduced by about 0.4%*" (WB, 2006). Furthermore, the study shows that the impact of remittances on poverty and inequality varies considerably across countries, depending on the general level of development, initial inequality and on the segments of the income distribution where remittance-receiving households are concentrated. In general, the more selective the migration policy of destination countries, the less significant is the impact on poverty in the home country.

To a large extent, the distinction between "productive" (investment) and "non-productive" (consumption) uses of remittances is artificial. Remittances are *private* transfers and the amounts involved belong to the migrants and their families, who also decide on their allocation. However, studies show that a marginal increase in remittances leads to a marginal increase in investment; remittances would thus appear to act as a source of credit in settings where households have no other access to credit.

Governments may offer incentives to migrants to increase the volume of remittances and to influence the uses to which they are put in the countries of origin. There are indeed numerous examples of such attempts, many of which have been unsuccessful because they have failed to recognize the primacy of individual choice is this area. Policy should indeed facilitate, rather than impose, channels or uses of remittances, notably through a sound banking system, respect for property rights and good governance (OECD, 2005a).

1.2. Highly-skilled migration and the risk of brain drain

Migration of highly-skilled workers from developing countries to the OECD has been increasing in recent years in response to both push and pull factors (see above) a phenomenon which has been viewed by some as a net transfer of human capital from South to North. The increasing level of education in origin countries, on the one hand, more selective migration policies and labour market needs in receiving countries, as well as increased mobility in general and internet recruitment help to explain this trend.[3] If destination countries and migrants generally benefit from international mobility of highly-skilled workers, the impact on sending countries is less clear.

First, not all highly-skilled migrants were employed in their country of origin before emigrating (some were studying abroad). Unemployment of highly-skilled persons is often high in less developed countries because of low demand for highly skilled labour from the private sector and government budgetary constraints which limit public-sector job opportunities. Secondly, the recent economic literature (Stark, Helmenstein and Prskawetz, 1997; Mountford, 1997; Beine, Docquier, Rappoport, 2008) argues that wider migration opportunities for the highly skilled tend to increase the expected returns to education, which in turn leads to increased investment in human capital in the home country. Under certain restrictive conditions this additional investment could be sufficient to offset entirely the depletion effect on human resources in the country of origin due to emigration.

Recent data (Dumont and Lemaitre, 2005; OECD, 2008g) have shown that, as of around 2000, the emigration rate of persons with a tertiary degree towards OECD countries was relatively low (*i.e.* less than 5%) in most large countries such as Brazil, Indonesia, Bangladesh, India and China. At the other end of the spectrum, smaller countries – a number of which are islands such as Jamaica, Haiti, Trinidad and Tobago, Mauritius and Fiji – have more than 40% of their highly-skilled populations living abroad, rising sometimes to as much as 80% (Table II.17). The emigration rate of highly-skilled women is generally higher than that of highly-skilled men. This is true overall – the average emigration rate of tertiary-educated women is 17.6% as compared to 13.1% for men – but it also holds for almost all origin countries (Dumont, Martin and Spielvogel, 2007).

These results show that while the brain-gain effect may exceed the brain drain effect for large countries, such as India, Brazil or China, it is unlikely to be true in many less developed countries (Beine *et al.*, 2008). In general, the size of the domestic labour market and the share of tertiary educated in the workforce in the home country are strongly associated with the expatriation rate of the highly skilled. The lack of opportunities for professionals to work in their fields may be a strong determinant of emigration and thus may be as much a symptom as a cause of low economic development.

1.3. Return migration and transfers of skills and technology

While not easy to define and measure, return or secondary migration is more common than is generally believed. Recent OECD evidence shows that as much as 20 to 50% of

Table II.17. **Emigration rates of the highly qualified to OECD countries, ca 2000**
(Highly qualified expatriates as a percentage of all native-born tertiary graduates)

Top 20		Bottom 20	
Guyana	76.9	United States	0.4
Jamaica	72.6	Japan	1.2
Guinea-Bissau	70.3	Brazil	1.5
Haiti	68.0	Thailand	1.5
Trinidad and Tobago	66.1	Indonesia	1.5
Mozambique	52.3	Paraguay	1.8
Mauritius	50.1	Argentina	1.8
Barbados	47.1	Australia	2.4
Fiji	42.9	Spain	2.4
Gambia	42.3	Myanmar	2.5
Sierra Leone	32.4	China	2.6
Ghana	31.4	Peru	2.9
Kenya	27.8	Turkey	3.0
Cyprus	26.0	Canada	3.0
Hong Kong (China)	25.3	Bangladesh	3.0
Uganda	24.9	Nepal	3.2
Congo	24.6	Bolivia	3.2
Liberia	24.4	India	3.4
Ireland	22.6	Egypt	3.4
Sri Lanka	20.2	Venezuela	3.5

Notes: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".
The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.
Source: Database on Immigrants in OECD countries (DIOC).

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immigrants either return or move to a third country in the first five years after they have emigrated to an OECD destination country (OECD, 2008d). More return migration flows are observed among countries of similar economic development levels than from high-income to low-income economies. For example, return migration rates to OECD countries are on average twice as high as those to less developed countries. Return migration tends to be high in the early years following emigration (which often reflects a failed migration) and close to retirement.

Under which circumstances do migrants return and is it beneficial for the economic development of their country of origin? Like the original migration movement, return migration involves comparing alternative opportunities in the home and destination countries, subject to the fixed costs associated with (return) migration. A voluntary return will thus notably occur if the economic conditions in the home country are sufficiently attractive and stable. As with the original decision, the economic development of the home country is an important factor in the return decision but is not sufficient to ensure a return. Indeed, most returns appear to be spontaneous decisions taken by migrants themselves and their families, with relatively little impact on the return decision of policies designed by either host or origin countries to foster this. Return migration can also take place even in circumstances where economic conditions are not promising. This may be due to preferences for lifestyle, family considerations or a failed attempt at integration in the host economy.

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The contribution of migrants to the development of their origin country results from a combination of the resources they transfer upon their return and the returns to these. The resources can be of three kinds. First, migrants bring back with them the education and working experience they have acquired abroad. Second, they return with fixed assets they have acquired while abroad and with financial capital in the form of savings, which they may repatriate in various ways. Finally, they have specific social capital obtained from their migration experience. Return migration can have a positive impact through business creation as well as the adoption of new technologies and work practices.

India and Chinese Taipei provide examples of economies where returns have been promoted by origin countries and where significant transfers of knowledge to the home economy have occurred. The networks and linkages created by migrants when they move endure even after return and have provided a significant stimulus to both research and technological development in the home country (OECD, 2008h). However, it is also the case that expatriation rates of the tertiary educated for these examples never attained the levels that have been observed in some African and Caribbean countries and that the migrants returned to economies that were already well developed and ready to receive them. It is not clear that these models transfer easily to the developing country economies being considered here.

On a final note, there are no macroeconomic assessments of the impact of return migration, in part because the required data are missing, but also because in most cases, the effect is likely to be a small one, given the low volume of returns (they are a fraction of an already small fraction of the population of the origin country). The impact, however, may be more significant in certain regions or sectors of the economy of origin countries.

2. The developmental impact of future migration trends

International migration involves both opportunities and challenges for all stakeholders. Destination countries are concerned about the integration of immigrants but look overseas for the workforce and skills in which there are shortages. Origin countries welcome remittances, as well as the skills which return migrants bring home with them, but express fears about brain drain.

The impact of international migration on origin countries can be expected to vary as a function of a number of factors which are the object of migration policy, such as the number of migrants, their characteristics, the nature of the migration (whether temporary or permanent) and the conditions of stay. Such factors can be expected to have significant effects on the nature of movements, even if they may be subverted in some cases by irregular migration. It is not only the scale of movements which is at issue, but also their distribution. It cannot be assumed that the future will simply reproduce the past or that what appears most advantageous in theory will prevail in practice. Some of the consequences of expected changes in policy are considered below.

2.1. The extent and distribution of possible migration flows

As noted previously, current net migration flows to the OECD represent 0.05% of the population living outside the OECD area. This is a small number. How much larger can it get in the near future? Increasing the OECD-wide net migration rate to the current Canadian rate, for example, which is one of the higher migration rates in the OECD, would involve an approximate doubling of current net migration levels from outside the OECD. By

contrast, the annual population growth over the next ten years in these countries is projected to be about 1.2% per year. On the other hand, the new admissions to OECD countries would involve an additional 30 million immigrants for OECD countries over ten years. The total would constitute an unprecedentedly high migration rate for OECD countries as a whole over the past 60 years, but is less than that of several OECD countries currently, among them Ireland, New Zealand, Spain and Switzerland. Still, there is evidently a considerable difference between the demographic impact on origin countries and that on OECD countries.

Migration movements are very unequally distributed (Table II.18aa and II.18bb) across origin countries and this in part is what makes their impact on certain of these countries visible. More than three quarters of migrants from non-OECD countries come from countries accounting for less than 20% of the non-OECD population.[4] By contrast, 71 countries of origin accounting for 82% of the non-OECD population have expatriation rates of less than 1%.

Thus, while migration may benefit the migrants themselves and recipients of remittances in all countries, it seems likely that it will reach only a small share of the non-OECD population. Moreover, in only a small minority of countries will there be a critical enough mass for the gains to extend much more broadly across the economy and society.

International migration can thus be expected to bring some assistance to development efforts, but is likely to be highly targeted in its impact. It cannot compete with broad-based development of the kind seen in many countries of Asia over recent decades, which have raised large percentages of origin-country populations out of poverty.

2.2. A change in source countries?

Can migration movements be expected to diversify over time and to benefit a larger group of people, or perhaps more accurately, a different group of countries? Although the source country distribution of immigrants does change over time, it does tend to perpetuate itself. For example, the correlation in 2001 between the share of non-OECD immigrants by source country who arrived in the previous ten years and that of those who arrived in the ten years before that was approximately 0.87 (including Mexico among the origin countries would bring the correlation to over 0.95).[5] The change in the source country distribution of entries is about 17% over the two periods, that is, it would take a reallocation of about 17% of immigrants across source countries to make the distribution for the later period coincide with that for the earlier one.

The change in source countries may be a gradual, natural progression which reflects where countries stand in their migration and development cycles (OECD, 2007c). Labour migration from southern to northern Europe, for example, has fallen to low levels with the rise of income levels in southern Europe. Labour migration from Turkey has also fallen, but largely because of restricted entry policies in Europe. Migration from Mexico, however, remains high because of persistent poverty in rural areas and attractive employment opportunities to the north. The geographic proximity of Mexico to the United States and their growing economic interdependence makes it unlikely that Mexico will be quickly supplanted as a significant source country of immigrants for the United States for some time.

One might expect that with a greater recourse to employer-driven labour migration in the future, the immigrant source-country distribution may change from that which has been observed on the basis of family, humanitarian and perhaps even, irregular migration.

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Table II.18a. **Concentration of migration movements to OECD countries, 2001**

Origin countries with expatriation rates of	Number	Percent of immigrants in OECD countries	Percent of total population outside the OECD
Less than 1%	71	22.7	82.4
Between 1 and 2%	23	11.7	6.9
Between 2 and 5%	29	22.2	6.7
Between 5 and 10%	14	31.3	3.6
Between 10 and 20%	10	5.7	0.3
Greater than 20%	12	6.4	0.2
All countries	159	100.0	100.0

Note: Mexico and Turkey are considered as being outside the OECD zone for the purposes of this table.
Source: Database on immig.rants in OECD countries (DIOC) and United Nations population totals.

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Table II.18b. **Countries with expatriation rates to OECD countries greater than 5%, 2001**

	Population (2001) (000s)	Emigrants in OECD countries (000s)	Expatriation rate
United States Virgin Islands	113	57	34
Netherlands Antilles	185	89	33
Grenada	103	49	32
Guam	159	72	31
Tonga	99	44	31
Suriname	443	195	31
Guyana	741	323	30
Samoa	180	78	30
Puerto Rico	3 962	1 441	27
Jamaica	2 656	841	24
Saint Vincent and the Grenadines	118	37	24
Barbados	294	91	24
Malta	401	100	20
Cape Verde	464	106	19
Trinidad and Tobago	1 321	293	18
Albania	3 122	623	17
Belize	253	45	15
Cyprus	816	140	15
Saint Lucia	157	26	14
Fiji	811	128	14
Bosnia-Herzegovina	3 887	594	13
El Salvador	6 351	887	12
Bahamas	311	34	10
Croatia	4 599	499	10
Serbia and Montenegro	10 915	1 132	9
Iceland	292	28	9
Hong Kong (China)	6 897	643	9
Mexico	101 806	9 430	8
Lebanon	3 854	351	8
Dominican Republic	8 971	780	8
Cuba	11 471	962	8
Macedonia	2 041	162	7
Mauritius	1 210	94	7
Aruba	94	7	7
Haiti	8 757	506	5
Morocco	29 334	1 604	5
Total	217 185	22 492	9

Notes: The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the "Cyprus issue".
The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus
Source: Database on immigrants in OECD countries (DIOC) and United Nations population totals.

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With managed employer-driven migration, employers have a significant role in selecting migrants and their recruitment choices will be a function of the expected or perceived skills and productivity of potential migrants. Language proficiency can be expected to play a greater role, as well as the country or educational institution where qualifications were obtained. To the extent that historical ties between origin and destination countries involve the use of a common language, there may nonetheless be some continuity in the source-country distribution in some destination countries, because of the importance of language proficiency in workplace integration and productivity. In addition, the forces for persistence are strong and have strong economic and social roots, such as networks of family and friends and the lower costs of settling in.

2.3. Temporary vs permanent migration

If the doubling in migration inflows described above were to consist entirely of remitting workers, the potential impact would be sizeable for those origin countries participating significantly in the movements. This, however, presupposes temporary stays, with the families of migrants left behind in the origin country. As already mentioned, remittances to the origin country are indeed higher under temporary migration (Dustmann and Mestres, 2008; and OECD, 2005a). Skills acquired and work practices learned in destination countries can be applied in the origin country upon return (OECD, 2008c). And there would be broader transfers of knowledge and technology. From this perspective, temporary or circular migration would seem a more beneficial migration regime for origin countries and increasing the prospects for these in a way that is compatible with labour needs in destination countries a policy advantageous to populations in origin countries.

From the viewpoint of migrants, however, substituting temporary for permanent migration, leads to a reduction in entitlements by immigrants in the country of destination, but it also means that the gains from international migration are distributed more broadly, since more individuals will be able to acquire short-term migration experience. Individual migrants, however, are unlikely to be in favour of measures which reduce their expected benefits from migration.

For the origin country, returns would be economically beneficial, however, only if there are sufficient employment opportunities to absorb the returning flow of labour. It is not clear that this is always the case, in particular in the least developed countries. The lack of employment opportunities may often be the reason for the migration in the first place. For highly-skilled workers, the expected gain to the home country from their return will depend on how long they stay and also to what extent they are able to make an efficient use of their skills upon return.

By contrast, for the destination country and employers, it seems unrealistic to expect that a large-scale temporary migration regime, for a number of reasons which have been outlined above, could become the cornerstone of future labour migration policy.

If large-scale temporary schemes do not seem practical or economically sensible, progammes of the kind that already exist for temporary labour needs have proven useful and workable in many countries (OECD, 2004a). In addition, more flexible temporary migration regimes for the highly skilled, as described earlier, hold few risks for both origin and destination countries and can play a useful role both in labour re-allocation and in the diffusion of knowledge across borders.

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2.4. Education levels and skills of emigrants

Migration is a selective process, partly because receiving countries and employers are directly selecting migrants but also because access to information and the cost of migration make it less likely that it will be the poorest or the least educated who are migrating.[6] Indeed, labour migrants to southern Europe over the past decade, even into low-skilled (labourers) jobs, have been more educated than one would normally have expected when considering the educational attainment distribution of source countries. Indeed, their educational attainments are closer to a distribution skewed towards the high end of the educational attainment distribution of source countries (Table II.19).

Table II.19. **Educational attainment of recent immigrants to southern Europe *vs.* attainment levels in origin countries, 2006**

Percentages

	In southern Europe				In the country of origin			
	At most primary	Lower secondary	Upper secondary	Tertiary	At most primary	Lower secondary	Upper secondary	Tertiary
Argentina	9.3	15.3	35.9	39.5	21.3	48.5	22.4	7.8
Bulgaria	13.9	18.3	35.9	31.9	16.5	52.9	18.3	12.4
Bolivia	15.0	18.1	48.9	18.0	59.8	22.8	11.8	5.6
Brazil	20.8	31.0	34.1	14.0	65.6	22.4	8.4	3.7
Colombia	11.6	21.2	47.3	19.9	53.6	28.8	13.3	4.4
Ecuador	22.9	22.6	44.1	10.4	47.8	29.8	14.8	7.6
Peru	16.1	27.1	38.1	18.7	35.6	31.1	23.6	9.7
Romania	9.2	23.8	55.4	11.7	17.3	51.6	26.4	4.8

Note: Recent immigrants are those who arrived in the ten years up to 2006. The data cover the population 15 and over.
Source: European Union Labour Force Survey (data provided by Eurostat) for recent immigrants. For the population in the country of origin, the data are calculated from the Barro and Lee dataset, Center for International Development, Harvard University, (*www.cid.harvard.edu/ciddata/ciddata.html*).

StatLink http://dx.doi.org/10.1787/636833204354

These results suggest that, in many OECD countries, the fact that future labour market needs will concern lower-skilled occupations, at least in part, does not necessarily mean that there will be more migration of low-educated persons.

2.5. Likely impacts of migration trends – a summary

Thus, although labour migration to OECD countries in the near future can be expected to bring considerable gains to the immigrants and countries involved, it seems unlikely to bring all of the benefits to all origin countries that seem to be expected of it. It will be limited in magnitude in relation to the population of non-OECD countries but significant for a minority of these; it will be, more often than not, permanent in character; it seems likely to involve persons of above-average educational level, even for lesser-skilled jobs; and employer preferences with respect to skills and productivity will play a major role in some countries.

3. Favouring gains from labour migration with a view to improving policy coherence for development

If migration yields unambiguous benefits for the migrants and their families, its impact on the economic development of origin countries remains uncertain and in general

relatively small. Favourable policies can nonetheless ensure that expected benefits associated with migration are realised in practice. If there is no single, one-size-fits-all type of policy response, it is possible to identify a number of measures which could contribute to enhancing the coherence of migration policy with development objectives. While immigration has brought diversity and dynamism to destination countries, future movements need to be better managed and policies more coherent to support development outcomes in origin countries.

Six key areas have been identified:[7] *i)* reducing obstacles to labour mobility; *ii)* reducing the cost of remittances and promoting private-sector development; *iii)* increasing the available supply of skills in origin countries; *iv)* better sharing the cost of education and training between receiving and origin countries; *v)* increasing international student enrolment; and *vi)* developing pre-migration education and training for permanent migrants.

3.1. Reducing obstacles to labour mobility

Increasing the possibilities of legal entry for lesser-skilled jobs, *in accordance with labour market needs*, should redirect some and perhaps many irregular movements into legal channels. Although this will not increase total movements, it will at least reduce some of the inefficiencies associated with current migration regimes and can free up funds that are now unproductively directed to paying for irregular entry or, in destination countries, to trying to prevent it.

Many migrants do not consider returning to their home country because of the difficulties they may encounter when trying to emigrate again. Although it is not necessarily in the interest of destination countries to favour returns, especially of the highly skilled, one might expect policies at least not to discourage them.

The possibility for immigrants to keep their long-term residence status (and the rights associated with it) during a prolonged period of absence (within reason) can contribute to facilitating back-and-forth movements. With more mobility among immigrants, one can expect an increase in the benefits to origin countries that come with returns of migrants who have spent a certain time outside the home country. The most stable form of stay right is the right of permanent residence or, ultimately, the nationality of the destination country. However, one might expect the latter to favour returns only if it is possible to hold dual nationality. Still, easy access to nationality does not seem to have resulted in a high incidence of return movements among immigrants to Australia and Canada, except in two cases where the possibility of dual nationality has clearly played a role.[8]

Likewise, introducing a greater portability of social security contributions or rights can be expected to make return at least a possibility, if not a likelihood or a certainty (Holzmann *et al.*, 2005). The possible loss of these entitlements can be a significant disincentive to a definitive return, whether during working years or at retirement age. In most countries, there exist bilateral agreements ensuring the portability of pension rights, but these exist only for a limited number of origin countries. Pension contributions may be lost if there are insufficient years for benefit entitlement or may be locked in, with the possibility of drawing benefits only at retirement. By contrast, in Switzerland, foreign workers from countries without bilateral social security agreements who have contributed for at least one year are able to withdraw their contributions, along with those of the employer, if they leave the country definitively with their spouses and minor children. The amounts involved can constitute a significant lump-sum payment at the time of departure, even for relatively modest stay periods.

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In the case of temporary migration regimes, granting priority access to labour migration in future years to migrants who have satisfied the return requirement seems a sensible way to ensure returns.[9] Several OECD countries have indeed put in place such schemes which yield positive outcomes.

More broadly, providing better access to information about residence and work rights, as well as creating efficient administrative mechanisms, can improve the environment for immigration in general as well as increasing the transparency of rules and regulations governing entry, stay and departure. In the same vein, it is important to provide pre-departure access to information about rights and duties in the destination country, as well as to put in place mechanisms to ensure that the rights of migrant workers are respected and to fight discrimination. From an origin country perspective, the example of the Philippine Overseas Employment Agency (POEA) provides a clear illustration of what can be done.

3.2. Reducing the cost of remittances

Introducing measures to reduce transaction costs associated with transfers, to enhance transparency and to build confidence are now mainstream policies. Many OECD countries are already devoting efforts to providing easier access to information to migrants about costs of alternative channels for money transfers. It should focus on smaller countries or countries with smaller expatriate communities where the returns to scale might not be sufficient for the development of competitive markets. In this case, improving cooperation between banking systems in receiving and origin countries may help to improve the supply of services, the efficiency in delivery and finally the costs of money transfers.

Policies aimed at favouring private investments in origin countries are also called for. This implies: *i)* creating an enabling and secure environment for investments; *ii)* increasing access to credit; *iii)* increasing access to banks and information to enable the transfer of remittances through formal channels; and *iv)* supporting and accompanying those migrants who wish to engage in entrepreneurial activities.

3.3. Increasing the available supply of skills in developing countries

The concern about the loss of human capital by origin countries as a result of international migration has abated somewhat in recent years. The reason has to do with the realisation that there are compensating phenomena, namely remittances and the contributions of the emigrant diaspora and of emigrant returnees to the development of their home countries. There, nonetheless, remain particular concerns about certain occupations, especially in health and teaching which are key sectors for the economic development of origin countries.

Recent years have seen the development of codes of conduct to avoid active recruitment of essential workers in origin countries, in line with that on overseas recruitment of doctors and nurses adopted by the National Health Service in the United Kingdom. Such codes, however, may not have much impact on initiatives taken by potential immigrants themselves regarding expatriation, such as Internet consultation of job advertisements. Nor can applications from poor countries be reasonably and indeed, perhaps even legally, refused, ignored or discriminated against on country-of-origin grounds. Although agreements to manage the migration of particular categories of workers can be productive in mitigating some of the negative effects of highly-skilled migration on source countries, they are generally limited in scope and do not effectively influence private recruitment efforts.

In the longer run, both origin and destination countries are responsible for assessing the nature and extent of their labour market needs and for implementing appropriate educational and training programmes to satisfy these. In developing countries, employment opportunities for young graduates are sometimes limited, which contributes to fueling emigration to more developed and larger labour markets. In the meantime, some OECD countries face structural labour market needs which cannot be addressed purely by means of international recruitment but call for further investment in education and training and for introducing incentives for resident workers to take up these jobs. This is true in a number of highly-skilled occupations (*e.g.* health, education etc.) but also, in many cases, for unattractive low-skilled or technical employment positions (*e.g.* construction, agriculture, domestic services, long term care etc.).

3.4. Better sharing the cost of education and training between receiving and origin countries

There are many options for better sharing the costs without necessarily adding to the burden on the public purse. When the social return to educational investment is close to the private return (*i.e.* there are no externalities), allowing for the development of private educational institutions, notably those which aim at supplying the world labour market, as well as improving access to credit (to finance the cost of private training) could result in increased tertiary enrolment. The cases of nurses in the Philippines or of doctors and IT specialists in India provide relevant examples.

Receiving countries could contribute also more directly to the cost of training of workers recruited abroad, for instance by providing support to education and training institutions with the objective of increasing the total supply from vulnerable origin countries and giving graduates privileged treatment in the legal migration queue. Another option would be to develop twinning programmes which facilitate cross-border mobility of workers between employers. Numerous past and current initiatives can be mentioned in this context, notably in the health sector.

This is an area where policy coherence for development could be improved and where ODA could play a bigger role in contributing to increase the available skills in less developed countries, not only at tertiary and primary levels but also at intermediate skill levels. Decentralised cooperation together with local initiatives could be useful in this respect, in that they help to match labour force supply to local labour needs, foster sustainable development and reduce the incentive to emigrate.

3.5. Increasing international student enrolment (OECD, 2008f)

One new migration development described previously concerns measures taken by many OECD countries over the past decade to encourage the stay of (tertiary) international students who have completed their studies in the destination country. The possibility to stay on generally does not apply to students funded through international aid programmes but may include students funded by their national governments. Recruitment of finishing students in the latter case is a direct drain on public budgets in origin countries. However, it is not likely that destination countries could legitimately exclude them, at least not without challenge, if they wished to stay on. Situations in which educational expenses are funded by the students themselves or their families, in which tuition fees charged by institutions in host countries are essentially nominal, such as in France and Germany, or in which origin country students are granted scholarships by host-country institutions have fewer financing impacts on countries of origin.

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Both OECD and origin countries could gain from a substantial increase in international student enrolment, with both more students staying on to work after completion of their studies but also more returning to origin countries than is currently the case. This is especially true if the tuition fees were to be subsidised by destination rather than source-country governments or institutions. Such subsidisation already exists in almost all countries, where tuition fees charged cover only a fraction of the cost of tertiary education.[10] In this way, significant numbers of places and resources could be freed up in origin countries and used to expand enrolment in domestic institutions among those remaining behind. Opportunities to work part-time while studying, a possibility which has also been opened up to international students in many OECD countries, could provide a source of income for living expenses among international students, while providing a needed labour supply as well in destination countries.

As seen earlier, overall stay rates to be expected under current conditions appear to range between about 15 and 35%. Graduating international students would ensure both a supply of highly-skilled immigrants for destination countries but also substantial returns of highly trained young persons to origin countries.

This form of highly-skilled migration would appear to be advantageous for a number of other reasons. The persons recruited would not be occupying positions of responsibility in origin countries, as would be the case if recruitment were of persons with significant work experience in origin countries and whose loss would be difficult to make up. The costs of education would in most cases be borne in part by the immigrants themselves and in part by destination countries. Immigrants with qualifications obtained in the destination countries can be expected to have fewer labour market problems and make better use of their skills. Finally, some of those staying on to work may eventually return to their home countries, bringing with them the education but also some work experience acquired abroad.

3.6. Developing pre-migration education or training for permanent migrants

While educating potential candidates for migration in host country institutions may be one option, especially for higher level qualifications, doing so in the origin country itself may be an interesting alternative, for reasons of cost, among others. This relieves pressure on the domestic labour market, creating an international supply of workers in high-demand occupations and generating eventually a significant flow of remittances back to the home country.

The objective with training programmes funded by destination countries is not to provide educational aid *per se*, but rather to develop alternatives to direct recruitment that are cost-effective for enterprises in destination countries and that, at the same time, enhance human capital and create funded activity in origin countries. There will almost always be an issue of training to destination-country norms and standards in such programmes, so that some transfers of knowledge and technology can be expected.

Italy and Spain in particular have begun funding pre-migration training programmes in origin countries in recent years. In Italy, the programmes, funded by regions in northern Italy, involve training of nurses in Romania in the Italian language and in Italian nursing standards prior to immigration into Italy. Some of the instruction is taking place through distance learning. In collaboration with Colombian educational institutions, Spain has been funding short-term training for future workers in the Spanish restaurant sector.

Training of persons with mid-level technical skills for emigration has been initiated at a technical/mechanical/electrical school in Senegal, with the cost being split between the enterprise concerned and the Spanish government. Such programmes have been developed under conditions of significant shortages in the above countries and illustrate the kinds of measures that can be put in place at costs-per-worker comparable with that of identifying and recruiting a worker with the appropriate skills through a recruitment agency. The total cost of the Spanish programme in Senegal, for example, was about 2 500 Euros per worker.

Such programmes are as yet limited in number and scope, but bear closer examination as ways of recruiting persons with the right kinds of mid-level skills to the benefit of both origin and destination countries.

Notes

1. According to the UN population Division in 2000, there were about 180 million migrants worldwide, corresponding to about 2.9% of the total global population.
2. These represent remittances recorded through formal transfers and are an underestimate of total remittances.
3. With regard to health professionals, the increased demand/burden on the health workforce as a result of the HIV/AIDS pandemic may also play a role (OECD, 2008c).
4. 43% of migrants come from countries with about 4% of the non-OECD population. These latter countries have expatriation rates in excess of 5%.
5. This correlation is affected by differences in departure rates by country of origin over time.
6. For the "poor", migration costs can be borne if several families contribute to the migration of one amongst their members (Chiquiar and Hanson 2002).
7. These proposals build on the work recently carried out by various parts of the OECD (DCD, DELSA, DEV, DSTI, EDU, LEED).
8. For immigrants from Hong Kong, China and Lebanon, the acquisition of Canadian nationality provided an "insurance passport" in the event of civil or political problems following a return.
9. Some migrants, however, may consider that overstaying may be a more attractive alternative than returning, especially if they have doubts about the possibility of a future re-emigration being allowed by the host country.
10. Imputed tuition fees for international students from developing countries subsidised by host country governments are considered as "technical assistance" in Official Development Aid statistics. This evidently only makes sense if such students return to the home countries after completing their studies.

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PART II

9. Summary and Conclusions

International migration is one way to address the consequences of demographic change

OECD countries are currently in the midst of a strong economic downturn which is deep and may well be prolonged. It has significantly changed the picture with respect to international labour migration, at least in the short-term. However, it will not affect the reality or the direction of demographic change which most countries are currently undergoing and which will have significant effects on their economies and societies. The challenges of ageing remain and will reassert themselves with the recovery. Many countries face declines in their working-age populations over the medium-term that will bring pressure on social protection systems and potentially, a lowering of living standards and labour shortages. Although a mobilisation of domestic sources of labour can compensate in part for the effects of ageing – and indeed is the most efficient way of doing so – continued recourse to international migration may be a part of the response as well.

Migration has become a hard sell over the past twenty years, both because of irregular migration…

International migration has become a difficult sell in many countries over the past twenty years, both because of increases in certain types of movements which governments have had difficulty in controlling but also because of integration difficulties among immigrants who have arrived legally, generally for family and humanitarian reasons. The current worldwide recession and sharp rises in unemployment in OECD countries will likely exacerbate the situation.

The large increase in asylum seeking that followed the fall of the Iron Curtain brought to media attention the difficulties of governments in managing abuses of the asylum system, which was designed in a period of restricted population movements and was ill-adapted to a world of relatively freer mobility. In addition, the limited possibilities of entry for candidates for lower skilled jobs, in the presence of what was significant demand and growing supply pressure, has fuelled the unauthorised presence and employment of significant numbers of migrants, drawn to OECD countries by the much higher earnings levels and the possibilities of better lives for themselves and their families.

… but also because integration outcomes of immigrants have suffered, as have those of their children

At the same time, integration outcomes for immigrants arriving over the past thirty years have suffered, as have those of the children of immigrants, even when these have been

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born and educated in the host country. This is in part attributable to low average educational levels among immigrants in many countries, which are associated with less favourable outcomes whatever the origin, but also because of the intergenerational transmission of disadvantage, a phenomenon observed in every society. Geographic concentration and social isolation have compounded the problem. Although the children of immigrants have nonetheless made significant strides relative to the educational levels of their parents, their educational levels still trail behind that of the children of native-born persons on average. The uneven outcomes, coupled with cultural or ethnic visibility, have sometimes brought to the surface xenophobic attitudes, discriminatory behaviour and stereotyping, which have exacerbated difficulties associated with social and economic disadvantage. The current recession and the sharp rise in unemployment in OECD countries will likely exacerbate the labour market situation of both immigrants and their children.

While immigration has brought diversity and dynamism to destination countries, future movements need to be better managed

Despite these handicaps, there are many success stories in all countries among immigrants and their children, who have brought to their new homes social and economic diversity and dynamism and without whose presence most countries would be both different and poorer. Nonetheless, migration remains a politically delicate issue and one easily exploited for electoral ends. A future in which international migration movements can be expected, with economic recovery, to increase in number thus presents a special challenge, which will require policies to better manage the movements but also to ensure educational and labour market outcomes for immigrants and their children that are more favourable than was the case in the past.

Labour migration needs to be linked to labour market needs, low- as well as high-skilled

Managing labour migration to support economic growth means linking migration to the specific demands of the economy and implementing procedures to ensure that migration continues to meet these demands. Trends in OECD countries until recently showed an expansion of the categories of employment for which labour migration was considered a possible solution for recruitment difficulties, with lesser-skilled jobs entering the picture alongside high-skilled occupations, on which there tends to be general consensus that immigrants can help meet skill shortages.

Labour migration flows have an impact that extends beyond their numbers

Successful management of labour migration to support economic growth rests on the development of a consensus around policy objectives. Labour migration flows generally consist of only a fraction of total flows, but have a broader impact, because the families of labour migrants tend to share their educational and social characteristics. Unlike non-

discretionary movements, labour migration movements can be managed to ensure the supply of skills needed for continued growth and to meet demand for specific services that cannot be supplied from abroad.

In most countries, labour-market needs are verified through employment tests of shortage lists

In managing migration, a realistic assessment of labour-market needs is required, one that recognises that shortages can arise over the entire skills spectrum and that recruitment from abroad may be needed, even for lesser-skilled jobs. This means putting in place the mechanisms to identify or verify labour shortages as well as ensuring that there are sufficient possibilities of entry to satisfy them. The specific mechanisms traditionally used to do this are shortage lists and labour-market tests. The objective in both cases is to protect domestic workers by allowing entries only in occupations where there are demonstrable needs and at standard wages and working conditions.

Labour-market tests rest on case-by-case decisions, whereas shortage lists attempt a more general approach. Tests involve a degree of discretion but adapt to changing labour markets. Lists speed up the recruitment process, but require the upstream identification of occupations in shortage, a difficult task which needs to be updated periodically. Since speed of recruitment is generally an issue and transparency desirable, shortage lists may be preferable, with rigorous employment tests being applied for occupations not on the lists. A number of countries already have systems in place, which appear to work reasonably well.

The matching of workers and jobs across borders can be a problem for lesser skilled jobs

Matching workers and jobs in two different countries is not an easy task. For high-skilled occupations, this is less of a problem because of the existence of Internet and private agency recruitment. For lesser-skilled jobs, cross-border recruitment is less obvious. Means of recruitment need to be developed to reduce incentives for employers to hire from the informal labour market, as well as to prevent exploitation of workers, rent-taking, and violation of immigration law by unscrupulous intermediaries. Governments have a direct interest in ensuring that matching takes place quickly, transparently and efficiently.

Offshore recruitment needs to be developed

One option that would need to be developed is off-shore recruitment, possibly with intermediaries playing a role, whether public or private. Where more specialised skills are involved, employers need to be more directly involved in recruitment. A pre-screening of employers and of potential candidates would help to speed up the process, as would an expeditious processing of permit requests by immigration authorities. Costs for these could be covered by employer permit fees.

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For some jobs, job-search visas may be a more appropriate avenue

Some forms of employment benefit from a direct meeting between employers and employees, especially when employment is offered by families (such as for domestic work) or in the case of small businesses unwilling to assume the risk of hiring an unknown candidate. In some cases, it may be worthwhile to consider granting job-search visas to potential candidates for jobs with the matching process taking place in the usual way in the domestic labour market, with some assistance to ensure an appropriate match. Because of the limited experience with such visas, initial pilot programmes would be desirable. The number of visas would need to be subject to a numerical limit. Candidates could be screened on the basis of certain characteristics (age, occupation, etc.) and would face a limit of time within which to find employment in their stated occupation. Employers would need to have a quick and simple means of verifying unambiguously the residence status of candidates for employment, preferably one that could be incorporated seamlessly into normal hiring procedures. The granting of a visa may need to be associated with some guarantees, to ensure return if no job is found.

Caps are useful when potential numbers are very large or to comfort public opinion

In all cases, numerical limits to entries can be a useful management tool, as insurance against unexpected changes in demand and as a means of achieving consensus by demonstrating to public opinion that movements are subject to control and that numerical objectives can be met. Caps can be set for specific occupations or regions based on shortage lists. They should not be set artificially low, however, to avoid reproducing the conditions that have sometimes been associated with significant irregular movements, namely insufficient permits to satisfy labour market needs.

Some attention needs to be directed towards regional labour requirements

Shortages may be felt at a regional level or in specific occupations. In these cases, a policy solution adopted by some countries has been to restrict entry initially to employment in a specific region or occupation. Restrictions to a single employer, on the other hand, may create the conditions for exploitation. Geographical and occupational restrictions should generally be lifted after a certain period of time.

A minimal educational level for labour migrants may be desirable, but equivalent experience accepted

Whether a minimum education requirement should be required of labour migrants is an issue that merits attention, because lower levels are associated on average with less favourable outcomes, if not immediately upon entry, then at least over the medium term. In addition, countries generally expect this of their own residents and there seems no reason *a priori* not to impose similar requirements on the migrants they choose to admit. There are

several issues to consider related to such a requirement. First of all, the education level by itself is not an absolute determinant of outcomes; demonstrated skills and experience also play a major role. Potential migrants should be allowed to present equivalent experience and to have the opportunity to upgrade their education through the adult or continuing education system. A minimum threshold also does not mean that there will be no candidates for low-skilled jobs. The education level of labour migrants filling such jobs over the past ten to fifteen years has been higher than the job-skill requirements would lead one to expect. For many migrants, low-skilled jobs are often transitional ones.

Irregular migrants have often responded to genuine labour market needs, taking on jobs for which there are insufficient candidates among legal residents and natives

Managed labour migration also means addressing the issue of irregular migration. This is all too often viewed purely in terms of the illegal entry and/or stay of immigrants, with little acknowledgement of the role that employment plays in the decision to stay and of the fact that irregular immigrants are often responding to genuine labour needs which the domestic labour market and migration policy are not addressing. This is especially the case with respect to lesser-skilled jobs, for which there are limited possibilities of entry in most countries. Many such jobs, often 3D in character, are held by irregular migrants and the evidence does not suggest that they are doing so by displacing native-born workers or that employers who hire them necessarily have a preference for irregular migrant workers. An accurate assessment of labour market needs and a well-functioning recruitment system, accompanied by more effective enforcement (see below), are required to redirect irregular movements into legal channels.

Enforcement means need to be strengthened at the same time as a credible labour migration system is implemented

With the means in place for employers to satisfy legitimate labour needs through immigration, a credible low-tolerance, work-place enforcement regime could be implemented, with more frequent inspections or effectively applied penalties substantial enough to act as a disincentive. It is well to remember that because many irregular migrants enter the country legally, border control measures need to be supplemented by strong measures aimed at the employment incentive that underlies most irregular migration. This means workplace enforcement measures that are credible and associated with significant penalties. If compliance by employers improves, these measures could be relaxed.

When numbers of irregular migrants get large and policy failures have played a role, regularisations constitute one policy option that has been adopted by some countries

In general, policy failures have played a non-trivial role in creating the environment and incentive structure which have led to the rise of irregular migration. There would be little

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incentive for irregular migrants to come or to stay if there were no employment opportunities available and no employers willing to hire them. But both have existed and policy has not always effectively addressed these two facts. The result has often been an irregular population whose numbers accumulate until they can no longer be ignored. If managing migration means addressing the needs of the future, it may also require correcting the mistakes of the past. In cases where the number of irregular immigrants has become large, most countries have seen little realistic alternative to regularisations. Massive illegality by both immigrants and employers could not be tolerated indefinitely without undermining respect for law, nor has it seemed feasible to envisage expulsion of the many immigrants and their families whose presence developed in response to the incentives in place.

Nevertheless, if such measures are implemented, some acknowledgement needs to be made of the fact that irregular migrants have jumped the queue ahead of persons applying for entry through legal channels. This could involve, for example, the imposition of a significant fine and delayed access to citizenship. Regularisations, however, should not be carried out unless the elements of a credible migration and enforcement policy are in place. This is not an easy task, but it is necessary if the conditions which have resulted in large irregular populations are not to be reproduced, as has often been the case in most countries which have carried out regularisations in the past.

Problems can also arise when high-skilled migrants arrive without jobs

Many of the elements described above for lesser skilled jobs are also pertinent for high-skilled migration, with perhaps less need to organise recruitment channels or to be concerned with irregular migration. For highly skilled migration, problems have arisen in cases where labour migrants have arrived without jobs. In these cases, language proficiency, work experience and qualification recognition issues have sometimes resulted in delayed entry to the labour market and in less favourable outcomes compared with what had been observed in the past.

Prior job offers ensure that migrants know their employment conditions before arrival

Requiring that potential immigrants have job offers prior to arrival, or favouring the migration of those who do, can ensure that the migrant's decision is taken with full knowledge of the gains to be had from migrating and can avoid the disillusionment that comes if expectations concerning job prospects are not realised.

Qualification assessment and bridging courses are needed, particularly for regulated professions

Even in the case of migrants who arrive with an employment offer, there still may be a need for qualification-assessment procedures and bridging courses, especially for regulated professions. Immigrants may also eventually lose or leave the jobs for which they have originally been recruited. Skills assessments, profiling and orientation, and access to

training are relevant for immigrants of all educational levels. Recognition of qualifications by potential employers has a significant impact on labour market outcomes and such procedures and courses need to be substantially expanded in most countries.

Countries with international languages will have recruitment advantages, but in others English could serve as a transitional language in the workplace

Countries with significant basins of persons speaking their national languages outside their borders have recruitment advantages relative to other countries. This is the case for the English-speaking countries, as well as those having French, Spanish or Portuguese as their national languages. For other countries, direct recruitment into jobs may still be possible if English is the language of work or if significant proportions of persons in the workplace speak a foreign language known to immigrant candidates. This has been happening in Denmark and Norway, where most of the domestic population speaks English and where high-skilled migration from outside the European Economic Area has increased by a factor of three and four, respectively, from 2003 to 2007. It is difficult to say if employers in other countries will be willing to offer jobs to immigrants having specific qualifications in need and to fund language learning for a certain period prior to the start of or in parallel with employment.

Language courses for high-skilled and shortage workers will need to be funded in some countries, and the transition to work prepared with employers

For highly-skilled labour migrants, the most problematic situation consists of that in which such migrants arrive without jobs and with little knowledge of the language of the destination country. Some destination countries may need to recruit immigrants under these conditions and will need to invest strongly in language teaching and in vocational or professional bridging courses, to ensure a smooth transition into the labour market. Experience suggests that because employers value work experience in the host country, contact with work should begin as soon as possible, with additional language teaching taking place in parallel. Employers pushing for greater access to international recruitment may be expected to demonstrate their good faith by facilitating internships or apprenticeships of skilled migrants participating in language courses.

Younger migrants contribute to the workforce and the economy over a longer period

Experience has shown that employers in OECD countries attribute little value to work experience earned in non-OECD countries. This would argue in favour of selecting younger migrants, who have little foreign work experience to discount and whose contribution to the economy and society of the destination country extends over a longer period. Point systems are sometimes only weakly weighted in favour of younger immigrant workers.

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Information about recognition and equivalence of qualifications needs to be more widely disseminated

Many qualifications obtained in non-OECD countries are not always recognised at their nominal levels by employers. One option would be to favour in selection procedures persons with qualifications considered equivalent, which would generally include those obtained in an OECD country but would also encompass those from institutions in origin countries which have been assessed as equivalent. This is an area in which exchanges of information among countries concerning origin-country qualifications would increase the level of knowledge and transparency. Certain countries have already published official lists of foreign institutions issuing degrees considered equivalent to domestic ones, or foreign qualifications for which no further certification is required to obtain equivalency.

Pre-immigration qualification assessments should be encouraged, so that immigrants are aware of what awaits them

A second option would be to accept verified foreign qualifications at their nominal level, but to recommend that candidates obtain an assessment before immigrating, to ensure that the migration decision is taken with full knowledge of the returns to be expected in the destination labour market, as well as of the availability of bridging course that might ensure the transition to full recognition. This option, however, may be sub-optimal, if evaluated in terms of the eventual labour market outcomes of immigrants in the destination country.

Assessment of qualifications needs to become more routine, including on-the-job assessments

With the expected increase in international migration over the medium term, procedures for assessing foreign qualifications and work experience need to become routine rather than exceptional. Continued employer hesitancy in the face of foreign qualifications and experience can be addressed through wage subsidies or on-the-job skill assessments, where immigrants are given the opportunity to demonstrate their knowledge and skills.

The simplest way to address the qualifications issue is to favour persons with domestic qualifications

The simplest way of addressing the uncertainty associated with foreign qualifications is to favour candidates with qualifications earned in the country. Virtually all OECD countries have introduced measures to facilitate the stay and employment of international students following the completion of their studies. In many cases, however, programmes geared towards international students are given in English, which may well attract international students to universities in the country, but prepares them for emigration to English-speaking countries rather than to the country of study.

International students willing to study in the national language should be subject to the same tuition fees as native-born students

Since tuition fees do not seem to be always an impediment to attracting international students, there is an argument to be made for introducing higher fees for English-language programmes, but granting "national treatment" for students who are willing to study in the national language, with the offer of immigration upon successful completion. This would require at least a preparatory year of intensive language learning for prospective students before they can embark on programmes taught in the national language. The investment in learning and studying in the language of the destination country is a major one, which can be expected to have lock-in effects and improve the likelihood of a stay in the country of study.

The enrolment of international students should be increased, creating a new pool of potential migrants from which to recruit

Because most international students return to their home countries, increasing the enrolment of such students seems the most likely way of increasing the number of them who stay on after completion of their studies. With the expected decline in the size of youth cohorts, institutions of higher education in many OECD countries will have excess capacity which could be used to increase international enrolments, thus yielding a supply of potential qualified immigrants with domestic qualification and an intimate knowledge of practices and customs in the destination country.

Temporary fiscal incentives and one-stop shops for public services may be helpful in attracting immigrants

Certain countries have introduced special tax advantages to attract highly qualified immigrants. It is unknown how effective these have been, but they should be relatively limited in time to avoid creating negative reactions in the domestic population. More effective might be longer term permits to ensure a stable residence status and one-stop shops that would enable immigrants to deal quickly upon arrival with the many administrative details associated with residence. Easier access to nationality would likely also be a drawing card and transmit to migrants the message that they are welcome and desired members of their country of adoption.

Better labour market outcomes should be visible with labour migrants, but results need to be monitored for the lesser skilled-among them

Some of the labour market difficulties encountered by immigrants over the past thirty years can be expected to be less prominent with labour migrants, many of whom will be arriving with jobs and whose migration decision can be expected to be taken with knowledge of the outcomes to be expected in destination country labour markets.

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However, some of the migration may involve lower-educated persons, whose outcomes need to be monitored to ensure that they are not having difficulties in re-integrating the labour market following job loss.

Some attention needs to be directed to retraining and skills upgrading for less-educated migrants, as well as to ensuring adequate levels of language proficiency

Preliminary results indicate some deterioration in labour market outcomes with age, compared with native-born persons of low attainment levels, with stabilisation beyond middle-age. Some attention needs to be paid to retraining and skills upgrading when this occurs, but also to ensuring adequate language proficiency among persons in this group.

There is a need for a better social integration and for early language support for the children of immigrants

Low education among immigrants is also of concern with respect to impacts on outcomes for their children. If low education among immigrants is an important element in transmitting disadvantage, evidence suggests that geographic concentration and social isolation are even more important. Policies need to be directed to avoiding the creation of overly large immigrant enclaves and to facilitating outward mobility from these. The conditions need to be created to encourage more contact between immigrants, their children and persons in the wider community. The children of immigrants, in particular, need to be more exposed to the national language at young ages, both at pre-school and in school as well as in the social environment. As they leave the school system, efforts also have to be expanded to facilitate their entry into the labour market, by providing equal access to the public sector, by combating stereotyping and discrimination at hiring and by assisting the transition through mentoring and the development of employment networks, where necessary.

Job and employer networks need to be developed for immigrants, as well as better access to public employment opportunities

Because many jobs in OECD countries tend to be filled by personal contacts or through friends and relatives, it is essential that immigrants be brought into job and employer networks, so that the range of employment opportunities effectively available to them and their children expands. Opportunities for entry into the public service need to be more widely disseminated and care taken to ensure that access is not unwittingly biased against immigrants and their children.

Anti-discrimination measures need to be strengthened and diversity promoted

Evidence from testing suggests that discrimination is relatively common in many countries. Some of it, however, may be associated with stereotyping and therefore likely to be amenable to policy interventions and incentives. Outright discrimination during hiring does exist, however, and needs to be combated and exposed.

Migration can contribute positively to development in origin countries, but the potential should not be oversold

Although there are strong expectations about the possible contribution of migration to development, these need to be kept in perspective. Even an increase in net migration to double the current average rate for OECD countries over ten years would only yield admissions amounting to 1% of the current population of non-OECD countries. This would be less than a tenth of the expected population growth in non-OECD countries over the same ten years.

Migration movements tend to be highly concentrated geographically, so gains will tend to flow to a minority of countries

Migration movements are unevenly distributed across origin countries, with countries accounting for a small percentage of the non-OECD population having a disproportionate share of migration flows. For these the impacts may be significant, with remittances improving the welfare of large proportions of persons in origin countries and providing needed foreign exchange that facilitates international trade and serves as loan guarantees. Migrants and their families will gain everywhere, but only countries having significant movements in relation to their population can expect to show measurable effects on economic growth and living standards.

Under labour migration, employers will have a greater say in selection

There are a number of other factors that will affect the nature of migration movements and, in some cases, their possible impacts on development prospects. The first is that with an increase in labour migration, employers will have a greater say in selecting immigrants, with emphasis on the skill and productivity of candidates. As employers screen and recruit for the skills they require, the distribution of immigrants across origin countries may undergo a shift. Migration networks may nonetheless exert some inertia in this regard, so changes to current migration patterns may be gradual.

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Temporary migration programmes are unlikely to be the principal ones, since most needs will be of a longer term nature

Secondly, although temporary migration would seem to hold out the prospect of more benefits for origin countries, because it reduces the impact of brain drain, maximises remittances and is a source of transfers of knowledge and technology to origin countries, it is unrealistic to expect that future migration can be channelled primarily into this form of migration. Many labour needs in OECD countries are expected to be long-term in nature, with job-specific skills acquired over time. Under these conditions, neither migrant workers nor their employers have a stake in preserving artificially imposed deadlines. Stronger enforcement could always ensure temporariness, but at economic and political costs that may be counterproductive.

Temporary migration programmes are possible, when they correspond to labour market needs

Managed labour migration does not exclude the possibility of well-structured temporary migration programmes. Such programmes are best suited to sectors where demand is temporary, such as seasonal work in agriculture and tourism, or for short-term contracts to address peak production periods or for special infrastructure projects. Bilateral agreements can play a role in increasing efficiency of temporary recruitment systems.

Nevertheless, in a context of managed migration flows, whether temporary or permanent, there are a number of measures which OECD countries can take to favour potential positive impacts on origin countries.

OECD countries should remove disincentives to return

If OECD countries may not always have an interest in encouraging returns to origin countries, they should at least remove disincentives in this regard. This would mean the granting of stay rights that are not lost by temporary returns to the country of origin, with reasonable time limits imposed. A second measure would involve making social security contributions or rights more portable, either by expanding the number of agreements with countries of origin or by providing the possibility of withdrawal of the capital invested upon definitive departure from the host country. By removing such disincentives, OECD countries can at least foster a climate in which immigrants can envisage a return, whether temporary or permanent, under favourable conditions, with the beneficial impacts this can be expected to have on origin countries. More generally, policies by host countries that facilitate return migration should include an easier access to information about return programmes and opportunities. On their side, origin countries could attract returnees by *i)* trying to better assess and address the problems they may face; and *ii)* encouraging networks and relationships with the diasporas.

Measures to reduce transaction costs associated with remittances and enhance transparency should be introduced

Many OECD countries are already devoting effort to provide easier access to information to migrants about costs of alternative channels for money transfers, but more could be done particularly to reduce the cost of transfers to small countries of origin or countries with smaller expatriate communities.

Remittances are *private* transfers and the savings involved belong to the migrants and their families, who also decide on their allocation. Governments in the origin countries may offer incentives to migrants to influence the uses to which they are put in the countries of origin but there is no substitute for sound macroeconomic policies, good governance, a sound banking system, respect for property rights, and an outward-oriented trade and FDI strategy.

Although ideally active recruitment in countries suffering from brain drain should be avoided, in practice such policies may be of limited effectiveness in a world of Internet recruitment.

Although concerns related to brain drain have abated in recent years, except for certain occupations, particularly in the health and education sectors, this remains a problem in some countries, which have lost high proportions of their highly educated to emigration. In a world of Internet job postings, employment opportunities in OECD countries are also visible in the least developed countries, so that these remain vulnerable to recruitment efforts, even those that avoid pro-active campaigns. In the long run, origin and receiving countries share responsibility for assessing their labour market needs and adopting relevant education and training programmes.

New ways of sharing the cost of education and training between receiving and origin countries should be considered

One strategy, rather than that of selecting or recruiting existing trained workers who may be in short supply in some countries, would be to contribute instead to increasing the total supply from vulnerable origin countries, with the possibility of recruiting from the increased supply. Another possibility would be to develop and scale-up initiatives aiming at facilitating cross-border mobility of workers between employers, for instance through twinning programmes. ODA has also a key role to play in contributing to increase the available skills in less developed countries, notably at intermediate skill levels.

Enrolment by students from developing countries in OECD institutions should be encouraged

Increasing international student enrolment would be one way to contribute to increasing the total supply of skills from vulnerable origin countries. If current return rates of international students are any indication, benefits would flow to both origin and destination countries.

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Recruitment of semi-skilled workers could be fostered by pre-migration vocational training in origin countries for permanent migrants

Alternatively, pre-migration education and training programmes could be introduced in origin countries, financed by recruiting enterprises and destination countries, to satisfy the need for trained semi-skilled workers. While these investments are largely targeted at permanent migrants, they help subsidise vocational training infrastructure in sending countries. Such programmes can be cost-effective relative to agency recruitment costs and are associated with knowledge and technology transfers to educational institutions in origin countries and training of workers to OECD norms and standards.

EU enlargement has illustrated well the benefits to be gained by migration into lesser skilled jobs

Although international migration has been a difficult phenomenon for governments to address in recent years, it need not always remain so. EU enlargement has illustrated well the benefits to be gained from an increase in labour migration in certain countries, even when this is largely into lower-skilled jobs. Although such an open regime is scarcely applicable in a broader context, OECD countries can gain considerably by extending migration policies to address labour market needs more comprehensively.

The current downturn has temporarily changed the picture for migration, but provides the opportunity to prepare the terrain for the future

The implementation of the policies outlined above need to take into account concerns with respect to potential impact on the labour market and on public budget of increased labour migration. Residents should be reassured that a changed approach will not affect them negatively. As baby-boomers move into retirement, new labour migration needs may become more evident, which may well affect public attitudes. The current financial crisis and economic slowdown have shifted priorities from the management of increased labour migration to a more circumspect and conditional regulation of the flows. But the phenomenon of ageing will not go away. Economic recovery will reveal whether labour needs will be as prevalent generally as they have been in a number of OECD countries over the past decade. This seems likely and to be able to benefit from the increased migration that may result, policies to oversee and manage the process have to be in place. Now is the time to prepare the terrain.

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International Migration Outlook

Migration to OECD countries has been sharply rising over the past two decades and in recent years labour migration has significantly increased. The current economic crisis is not likely to change these long-term trends. However, it is having an immediate impact on migration flows and policy, as well as on immigrant integration. A number of OECD countries have made changes in their policies to limit new entries and to encourage the return of unemployed immigrants. Those OECD countries which have set up mechanisms to effectively manage migration flows and meet labour market demand will be able to benefit from labour migration as the global economy recovers.

This special edition of the *International Migration Outlook: SOPEMI* was prepared specifically for the first-ever High Level Policy Forum on Migration, held by the OECD in June 2009. The publication first examines the economic crisis and its impact on international migration, describes how flows and migration policy have been recently affected by the crisis, and analyses the forecast medium and long-term impact. Then, it turns to the management of labour migration, both of the highly and lesser skilled. It examines how countries should prepare now for future labour market demand and how best to redirect irregular migration into authorised channels.

A dynamic link (*StatLink*) is provided for each table and graph. It directs the reader to a web page where the corresponding data are available in Excel® format. Readers are also invited to visit *www.oecd.org/els/migrations/pmi*, where country notes, trend analysis and a statistical annex will be available from October 2009.

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