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THE GLOBAL RACE FOR TALENT: EUROPE'S MIGRATION CHALLENGE

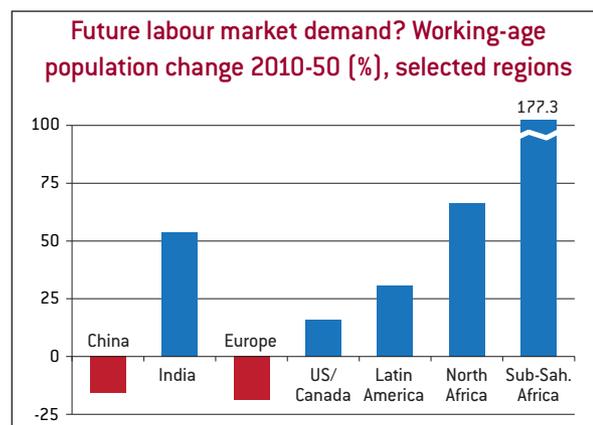
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THE ISSUE In an ageing world with demographic and economic imbalances, the number of international migrants is likely to rise during the twenty-first century. The geography of migration flows is changing, however. Mobile people will be increasingly attracted by faster-growing economies. Therefore, some traditional destinations in western Europe will face stronger competition for skilled labour – not least from countries like China where the working-age population will shrink after 2020. At the same time, the sentiment in many European receiving societies is turning against migration and intra-European Union mobility.

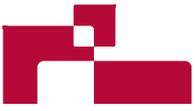
POLICY CHALLENGE

In the short run, Europe needs more labour mobility between EU member states given excessively high unemployment reported in some regions, while others face a shortage of skills. In the long run this will not be sufficient to close gaps in European labour markets. But many Europeans are not ready to accept more international migrants, and give their support to political parties with restrictive agendas. This creates at least three challenges. First: organising political majorities in favour of more proactive



migration policies. Second: making Europe more attractive for mobile people with talent and skills. Third: moving away from unilateral migration policies towards negotiated win-win solutions aiming at reducing the costs of, and enhancing the welfare gains from, migration and remittances.

Source: Bruegel based on UN. Note: working-age population = 20-64. See Figure 1 on page 4.



THE NATURE OF INTERNATIONAL MIGRATION is changing. Europe (including Russia) remains the most significant destination for migrants, hosting almost a third (31 percent) of all international migrants (72 million out of a total of 232 million; see Table 2 on the next page). But more economies will soon enter the global race for talent and skills. China, for example, is already actively searching for highly qualified experts from abroad, although numbers are still relatively small.

At the same time, economic growth has shifted from the advanced economies to middle-income and low-income countries, making many traditionally immigrant-receiving countries less attractive for migrant workers and their families. The momentum of global ageing is also set to shift to today's emerging markets – namely China and Latin America. Europe faces a situation in which, in the short term, it will have to address high unemployment in some parts of the continent, and a shortage of labour and skills in others, while in the medium and long terms, because of ageing societies and stagnating or declining working age popula-

tions, it will need to invest more in sound, forward-looking migration policies. Current policies are often uncoordinated with little cooperation among EU member states or between migrant-sending and migrant-receiving countries.

Furthermore, anti-immigration sentiment is growing in some European countries. Populist parties throughout Europe gain ground by focusing on the issue. The February 2014 referendum in Switzerland¹ showed that freedom of movement within Europe is no longer backed by a majority of Swiss voters. The same is most likely true for the United Kingdom and maybe a few other EU states.

This Policy Brief provides an overview of global migration trends and how the dynamics of international migration are changing. It then considers how Europe needs to respond – both in terms of making the internal labour market more efficient, and in terms of managing the shifts in international migration.

GLOBAL MIGRATION TRENDS

There are 7.2 billion people living on our planet, mainly in the

middle- and low-income countries of the global South. Less than 20 percent live in high-income countries of the global North (see Table 1 for definitions). An estimated 232 million people, or 3 percent of the global population, are international migrants – defined as people living outside their country of birth (see UN DESA, 2012). Of these 232 million international migrants, an estimated 164 million, or 71 percent, were born in middle- and low-income countries the global South; about half of these, 82 million, have moved to other countries in the global South. The other 82 million have moved to rich countries of the global North (Table 1).

Another 63 million international migrants (29 percent) have their roots in rich countries of the global North. Most of them, 53 million, have moved to another rich country. As a result there are now an estimated 135 million international migrants (58 percent of all international migrants) living in richer countries of the northern hemisphere (Table 1).

Since 1990, the number of international migrants has increased by 76 million (+49 percent).

Table 1: International migrants by origin and destination, global North/South, 2013

	Origin North	Origin South	Total by destination	Immigrants in % of population of receiving region
Destination North	54 million (22%)	82 million (36%)	136 million (58%)	11.3%
Destination South	14 million (6%)	82 million (36%)	96 million (42%)	1.5%
Total by origin	68 million (28%)	164 million (72%)	232 million (=100%)	3.0%
Emigrants in % of population of sending region	5.2%	2.5%	3.0%	

Source: UN DESA 2012, 2013a. Note: International migrants are defined as people not residing in their country of birth irrespective of their citizenship. In line with definitions used by the United Nations, the term 'North' refers to countries and regions traditionally classified for statistical purposes as 'developed' or 'high income'. The developed regions include Europe, Japan, North America (Canada, US), Australia, New Zealand. The term 'South' first of all refers to those countries classified as 'developing' or 'middle- and low-income'. The South, however, also includes a few high-income countries: the Gulf States, Israel and Singapore.

1. 'Popular initiative: against mass immigration', see <http://www.admin.ch/ch/d/pore/vi/vis413t.html>.



During this period, the number of international migrants born in the South and residing in the North increased from 40 to 82 million (+105 percent) while the migrant population originating in the global South and living in other countries of the South grew from 59 million to 82 million (+41 percent). The number of international migrants born in the North and residing in other rich countries of the North only grew from 41 to 54 million (+32 percent) (UN DESA, 2013a).

In contrast to its role in global demographic growth, the global North still plays an important role in the dynamics of international migration. People born in richer countries are more likely to live in another country (5.2 percent) than people born in the global South (2.5 percent). In absolute terms as well as relative to their populations, the richer countries of the North attract more international migrants. In the richer countries of the Northern hemisphere, 11 percent of people are foreign-born, compared to only 1.5 percent in the global South (Table 1).

Europe (including Russia) is the most important migrant destination. Only 52 percent of its 72 million migrants come from other European countries. Almost the same number of international migrants resides in Asia (70.8 million), with a large majority coming from other Asian countries. North America (53 million) is home to about a fifth of all migrants (Table 2). Within Europe 49 million international migrants reside in the member states of the European Union², of which less than a third have moved from another EU country, while two thirds have come from third countries³.

GLOBAL POPULATION TRENDS

Since 2000, the world population has increased by 77 million people (or about 1.1 percent) per year (UN DESA, 2013b). The growth rate will decline during the next few decades, though global population is projected to grow for another 50-70 years, reaching 9.6 billion in 2050 (see UN DESA, 2013b). Most population growth will be concentrated in South Asia, the Middle East and sub-Saharan

Africa (UN DESA, 2013b; UNFPA, 2013). At the same time, in some regions and countries, especially in the global North, population growth has already ended, and an increasing number of countries will experience stagnating or even declining populations.

The main reason for the declining rate of global population growth is the shrinking number of children per family (see UNFPA, 2013). At first this translates into fewer births and smaller cohorts of pre-school and school children. Eventually, the size of the working-age population also starts to shrink.

In Japan, Russia and South Korea the domestic labour force is already contracting. Europe will experience the same within ten years, and China will begin to see its working-age population decline after 2020. In Latin America the working-age population will start declining after the year 2045. Meanwhile, working-age populations will continue to grow in South Asia, the Middle East and Africa (Figure 1 on the next page).

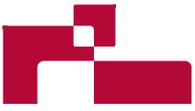
Table 2: International migrants by macro region of origin and destination, 2013

	Origin, absolute number (millions)	As % of all international emigrants	Emigrants remaining in the same macro region, %	Destination, absolute number, millions	As % of all international immigrants	Immigrants coming from the same macro region, %
Africa	31.3	13.5	49	18.6	8.0	82
Asia	92.5	40.0	58	70.8	30.6	76
Europe	58.4	25.2	65	72.4	31.3	52
Latin America	36.7	15.9	15	8.5	3.7	64
North America	4.3	1.9	28	53.1	22.9	2
Oceania	1.9	0.8	58	7.9	3.5	42
N/A	6.4	2.7				
Total	231.5	100			100	

Source: UN DESA, 2012, 2013a. Note: Europe includes Russia and other successor states of the former Soviet Union.

2. Another 2.7 million international migrants live in EU-associated countries: Iceland, Liechtenstein, Norway, Switzerland (=EEA + EFTA).

3. Calculation based on UN DESA (2012), OECD (2013), and Eurostat (http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Migration_and_migrant_population_statistics).



Japan and the countries of western Europe currently have the oldest populations, followed by North America, Australia, central Europe and Russia. But soon the momentum of global aging will shift to today's emerging markets – namely to China and Latin America. These developments are highly predictable, but many countries are not well prepared for rapidly ageing societies and declining working-age populations. A number of experts assume that this will have a negative impact on economic growth, citing Japan as the most prominent example. At the same time declining working-age populations might create additional demand for migrant labour and skills⁴.

IMPLICATIONS FOR THE FUTURE GEOGRAPHY OF INTERNATIONAL MIGRATION

What does this changing pattern mean for international migration and mobility in the next few decades?

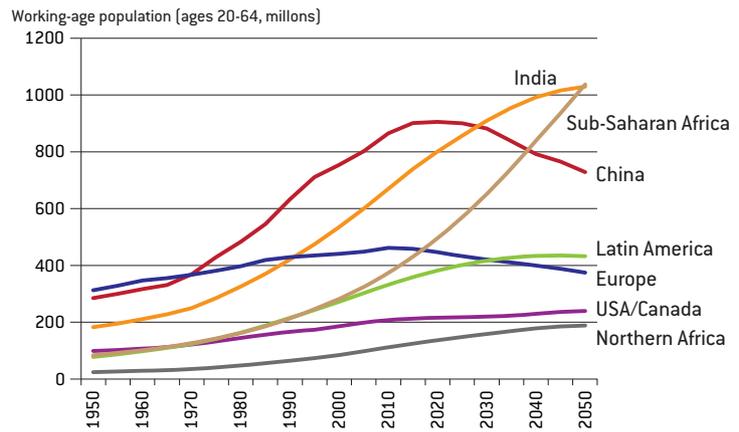
- The global race for talent and skills will get tougher as more countries actively search for highly qualified experts from abroad. China has started to do this, although migration into China is still relatively limited. China's declining working-age population might also create a demand for semi-skilled and low-skilled labour, effectively turning it from a migrant-sending into an immigrant-receiving country, competing with Europe, North America and Australia for workers and skills.
• Economic growth has shifted from the advanced economies

4. It should be noted, however, that in Japan, which has the world's oldest population and reports a shrinking working age population since the 1990s, this has not been the case so far.
5. Of the countries with GNI per capita below US\$3,000 and the countries with GNI per capita between US\$3,000 and US\$9,000, 83 percent and 68 percent respectively had a negative migration balance (2005-10).
6. Among the countries with GNI per capita between US\$9,000 and US\$15,000, only 30 percent had a negative migration balance, and among the countries with GNI per capita above US\$15,000, only one had a negative migration balance (2005-10). A more complex model of the relationship can be found in Hatton and Williamson (2005).

to middle-income and low-income countries. In case this shift persists, the narrowing of existing income gaps will have practical implications for the migration patterns of the future.
• Empirical analysis for the first decade of the twenty-first century shows that on average only countries with a gross national income (GNI) per capita below US\$ 9,000 had a negative migration balance [average annual net flows; see Figure 2]⁵. As GNI in many

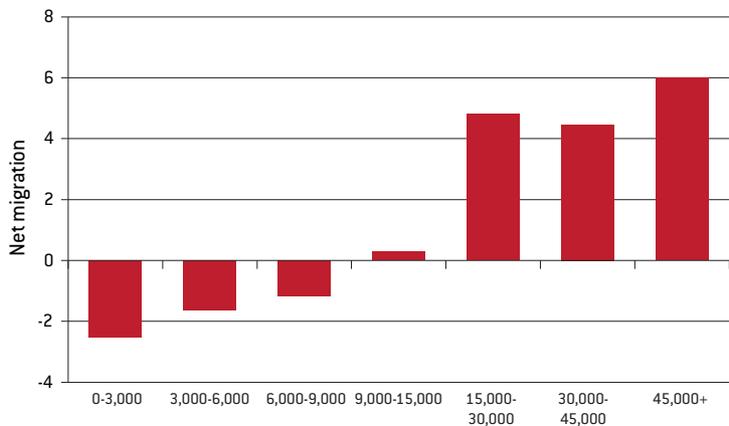
middle- and low-income countries increases, sending countries will be turned into destination countries.
• In countries where GNI per capita exceeds US\$ 15,000, net migration balances on average are positive [Figure 2]⁶. However, many immigrant-receiving countries of the North are encountering slow economic growth or even recession, and unemployment rates are well above historical averages. This makes them less attractive for migrant

Figure 1: Change in working-age population, 1950-2050



Source: Bruegel based on UN World Population Prospects: The 2012 Revision.

Figure 2: Average net migration balances (net flows) by average annual GNI per capita (US\$), 2005-10



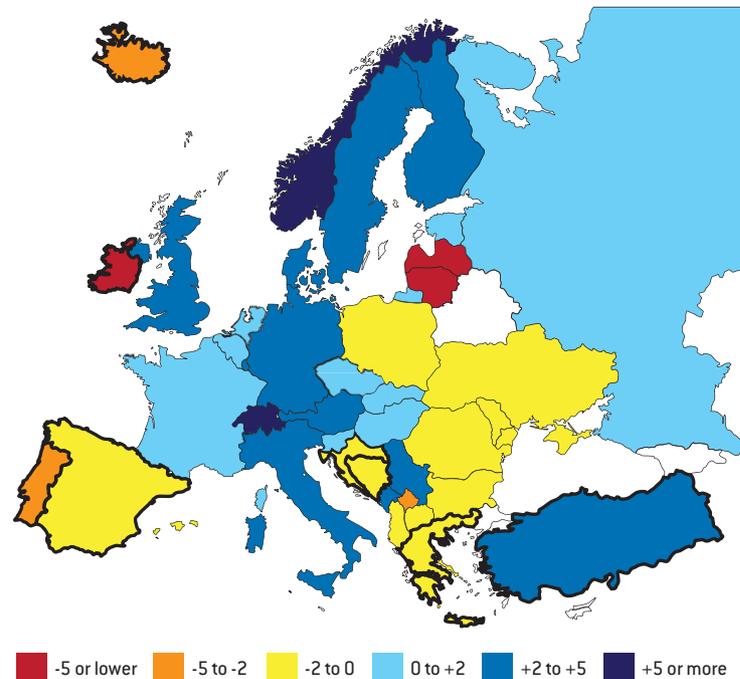
Source: Bruegel based on United Nations and World Bank data (N = 170 countries). Note: Average annual net migration rates for 2005-10 per 1,000 inhabitants grouped by average annual GNI per capita (2005-10) of respective countries.



workers and has already changed the direction of migration flows. For example, the European countries most affected by the financial and economic crisis, in particular Ireland, Greece, Portugal and Spain, have recorded more emigration than immigration since 2010 (Figure 3).

- The improving economic situation in capital cities and other urban agglomerations of many traditional migrant-sending countries has created domestic alternatives to international migration. Usually this has to do with declining population growth and industrialisation and the emergence of urban service sectors absorbing rural migrants. The impact on international migration is clearly visible: for example, Mexico and Turkey were for decades both prominent sources of immigration to the United States and the EU, respectively, but no longer play that role. Internal mobility towards quickly developing urban agglomerations in these countries has become an attractive alternative to emigration⁷.
- Similarly, several emerging economies – including Angola, Brazil, Chile, Ivory Coast, Malaysia and South Africa – are attracting migrants from neighbouring countries, opening up regional alternatives for mobile people who might otherwise have looked further afield (IOM, 2011). Nevertheless, many middle- and low-income countries – such as Bangladesh, Egypt, India, Pakistan and the Philippines – will continue to have youthful and growing populations cou-

Figure 3: Annual average net migration balances (net flows), %, 2010-12



Source: Bruegel based on Eurostat, UN DESA, national statistics. Note: Per 1000 inhabitants. Countries with a recent change from net immigration to net emigration (Bosnia, Croatia, Greece, Iceland, Ireland, Portugal, Spain) or from net emigration to net immigration (Turkey) are outlined with a heavy black border.

pled with high unemployment. For citizens of these countries, emigration to neighbouring countries and overseas destinations will continue to be a welfare-enhancing alternative for quite some time.

THE IMPACT OF MIGRATION ON WELFARE AND DEVELOPMENT

Many migrants manage to improve their incomes, their access to education or their personal security. This is particularly true for people moving within or to the Northern hemisphere. As a result, international migration and internal mobility in many cases are quick ways to increase welfare and opportunities for mobile people. As a part migrants' income is typically sent back home, migration also has the

potential to directly improve living conditions in migrant-sending regions and countries. This, however, is only the second-best choice for development, because remittances increase the purchasing power of local households with a relative abroad, but do not necessarily generate local investment or jobs.

In total, international remittances by migrant workers in 2013 amounted to an estimated US\$549 billion (World Bank, 2013). The greatest part of these remittances went to developing countries – some US\$414 billion: about 2.5 times the amount that rich countries transfer as overseas development assistance. The largest flows come from migrants working in rich countries of the global North sending

7. The UN Population Projection even assumes that international migration (at least in net terms) will gradually disappear by the end of the twenty-first century.



money to households and communities in the global South.

The top receiving countries of officially recorded remittances in 2012 were India (US\$71 billion), China (US\$60 billion), the Philippines (US\$26 billion), Mexico (US\$22 billion) and Nigeria (US\$21 billion). Other major recipients included Egypt, Pakistan, Bangladesh, Vietnam and Ukraine.

Within Europe, remittances are also important for countries with a small GDP and a considerable diaspora, in particular Albania, Bosnia, Kosovo and Moldova.

By giving people access to countries and regions with better opportunities and by enabling remittances, migration can contribute to poverty reduction, but also to increased access to education, health services and food security.

In addition, over time, migrants can become agents of change in their home regions and countries. Some create trade relationships; others bring back new technologies or start to invest in their home countries. In a number of countries, returning migrants have played a significant role in promoting democracy or even in facilitating regime change⁸.

With a growing demand for migrant labour and skills in high-income countries with ageing populations, the welfare-enhancing effects of international

migration are likely to increase. The same is true for growing formal and informal labour markets in urban agglomerations of middle- and low-income countries.

There are, however, a number of negative aspects. Migrants are at risk of being exploited individually or discriminated against structurally⁹. Individual exploitation can be experienced at the

hands of employers, agents or traffickers. Migrants sometimes are charged excessive commissions for recruitment services, when changing money or when sending money back home (World Bank,

2013). Structural discrimination is linked to labour laws of destination countries, recruitment and promotion practices of employers or tax and social security systems collecting contributions from migrants, but excluding them from certain public services or social transfers¹⁰. At the same time, under certain conditions, newly-arrived migrants can have negative effects on wages and labour force participation of low-skilled native workers, though the overall economic impact of these migrants for the receiving country is positive.

International migration and mobility potentially cause brain drains from rural peripheries to urban centres and from low-income countries to emerging and developed economies. This negatively affects economic output and wages in migrant-sending regions. Additionally, discrimina-

tion against migrants in labour markets of destination countries clearly leads to brain waste and over time to de-qualification.

Some of these risks can be mitigated through circular and return-migration. Other risks can only be addressed through setting and enforcing minimum wage levels, social protection levels and labour and recruitment standards.

IMPLICATIONS FOR EUROPEAN EMPLOYMENT AND MIGRATION POLICIES

The changing economic and demographic realities of the coming decades will have major implications for future employment and migration policies in Europe:

- In the short term, high unemployment in some parts of Europe and a shortage of labour and skills in other parts should be addressed by encouraging more mobility between EU member states leading to better allocation of labour within the European Union.
- In the medium and long terms European countries with ageing societies and stagnating or declining working-age populations will need to invest more in sound, forward-looking migration policies. Many EU member states accustomed to easily finding the labour and skills they require will need to think more strategically about how to attract qualified workers.
- Tougher competition for skills will put more focus on the

8. Diasporas can play a crucial role in cases of regime change because they might include alternative elites ready to return.

9. See (as one of many examples) the discussion about the living and working conditions (including high risks of fatal accidents) of migrant labour in Qatar: <http://www.globalresearch.ca/the-world-cup-socker-in-qatar-2022-controversy-over-the-appalling-migrant-worker-conditions/5353020>.

10. Some of these issues are addressed in the International Labour Organisation conventions no. 143 (Migrant Workers) and no. 189 (Domestic Workers). It should not be overlooked that many sending countries are asking for better protection of their nationals living and working abroad without being prepared to extend similar rights to their citizens or third-country nationals working in their own country.



employment of migrant labour to supply the needed human capital to the European labour market. In this context, mutual recognition of educational attainments and acquired skills based on comparable standards would be extremely helpful. More emphasis should also be given to making acquired social and employer benefits fully portable.

- More international migration from third countries and a greater degree of mobility between EU countries remains only one possible answer to future mismatches between supply and demand of labour and skills. EU member states with ageing populations must also consider other policies to protect the capabilities of their workforces — such as increasing the retirement age and the labour force participation of women.

Bilateral or even EU-level cooperation offers policymakers at all points of the migration trajectory — sending, transit and receiving countries — the opportunity to craft smarter policies that will be mutually beneficial and will mitigate the risks of migration. However, while most sending countries have adopted liberal migration policies facilitating travel and emigration, receiving countries in Europe see migration control as a key element of their sovereignty. As a result, EU member states generally have ‘unilateral’ admission policies that are aligned neither

with other receiving countries nor with the main sending countries. As a result, bilateral agreements or mobility partnerships only play a minor role in most EU migration policymaking.

This is in contrast to border management (Schengen system), for which EU member states share joint responsibility, supported by a specialised agency (Frontex). There is also some coordination in the field of asylum¹¹. The admission of migrant labour from third countries, however, remains fully under the control of each EU member state. As a consequence, a work permit for a particular EU country does not give access to the common EU labour market. Even the so-called EU ‘Blue Card’ providing access to all 28 national labour markets has to be issued by a particular EU member state¹². Most member states have never issued such ‘Blue Cards’.

At international level, there are few occasions for representatives of EU member states to share their views or to find common ground with representatives of sending countries¹³ — unlike the international dimension of policymaking on trade, energy or climate change. Lack of cooperation between migrant-sending and receiving countries increases the costs of migration and decreases the positive effect on

socio-economic development. The direct (and sometimes excessive) costs relate to visas and passports, recruitment and travel agencies, exchange commissions, money transfer fees and other fees. The indirect costs relate to labour market discrimination leading to lower incomes compared to native workers with similar skills, and to reduced portability of acquired social rights and benefits leading to lower (or no) pension payments, lower health insurance coverage and reduced (or no) access to unemployment benefits.

Within the EU28 there are also a number of barriers, including insufficient linguistic skills, restricted access to certain labour market segments, even for citizens of other EU countries, and restricted portability of social benefits. The outcome is evident. Europe still lacks a functioning internal labour market with sufficient mobility between regions with high and regions with low unemployment. Furthermore, in many European countries, there is considerable popular scepticism or even resistance to international migration. In February 2014, a referendum put forward by the conservative and populist Swiss People’s Party in favour of abolishing the free movement of labour between the EU and Switzerland, while re-introducing annual quotas for migrants and cross-border commuters, was backed by 50.3 percent of the voters¹⁴. This result is a good example of how deeply

‘Europe still lacks a functioning labour market with enough mobility between high and low unemployment regions.’

‘Migration is only one possible answer to future EU mismatches between supply and demand of labour and skills.’

11. The EU regulates which country is responsible for processing asylum claims.

12. See http://eur-lex.europa.eu/LexUriServ/site/en/com/2007/com2007_0637en01.pdf.

13. The main exceptions are the annual meetings of the Global Forum on Migration and Development (<http://www.gfmd.org/en>) and the UN High Level Dialogue on Migration and Development that took place in October 2013.

14. See footnote 1.



negative sentiment against immigration is entrenched even in one of the continent's strongest economies.

Future migration and integration policies should aim to reduce the direct and indirect costs of migration. They should also aim to maximise the possible benefits of migration by both reducing wage discrimination and deterring the employment of migrants below their skill levels. Better jobs for migrants will directly translate into higher wages and eventually into higher remittances.

We can assume that the global competition for qualified and

skilled workers will become stiffer in the next few decades. Europe will have to cope with this. Greater competition will in turn expand the range of employment opportunities for people emigrating from youthful and demographically growing societies. Notwithstanding such opportunities, demographically growing nations must continue their efforts to create jobs at home.

Regardless of the route European governments choose, many policies that address demographic change and the subsequent fundamental shifts in labour supply require a time horizon well beyond an electoral cycle. It is

therefore crucial for decision-makers to consider and invest in long-term solutions that can be adapted to meet the changing needs of their economies and societies.

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