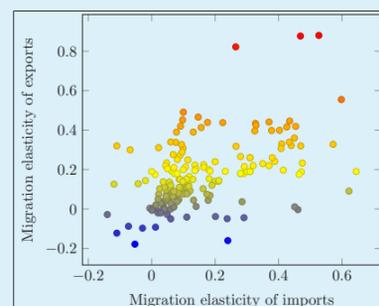


Migration and trade

A meta-analysis on the impact of international migration on international trade



Migration elasticity of imports and exports

Key-findings the Netherlands — We conducted a meta-analysis on the impact of international migration on international trade. The studies we have chosen for our meta-analysis have adopted broadly

the so-called log-linear gravity model of export and import flows augmented with the logarithm of the stock of immigrants from specific source country. In total we have 48 studies that yielded 300-point estimates.

Immigration complements rather than substitutes for trade flows

The results show that immigration complements rather than substitutes for trade flows between host and origin countries. Correcting for heterogeneity and publication bias, an increase in the number of immigrants by 10 percent may be expected to increase the volume of trade on average by about 1.5 percent. However,

the impact is lower for trade in homogeneous goods. Over time, the growing stock of immigrants decreases the elasticities. The estimates are also affected by the choice of some covariates, the nature of the data (cross-section or panel) and the estimation technique. Elasticities vary between countries in ways that cannot be fully explained by study characteristics; trade restrictions and immigration policies matter for the impact of immigration on trade. The migrant elasticity of imports is larger than that of exports in about half the countries considered, but the publication bias and heterogeneity-corrected elasticity is slightly larger for exports than for imports.

Diversity in the workforce

Do positive effects outweigh negative effects?



Key-findings Germany — Imperfect substitutability is well-established to ex-

plain persistent wage differentials between different groups of labour. However, why should workers with similar characteristics be imperfect substitutes? We show that variation regarding tasks carried out in a job are sufficient to cause imperfect substitutability even if migrants and natives are equal with regard to qualification, experience, occupation, and firm characteristics; the sole mechanism is that firms differ in the ability to integrate migrants. When esti-

mating qualification-task specific elasticities of substitution with German register data, migrants and natives turn out to be perfect substitutes in some task groups but imperfectly substitutable when carrying out others. In which activities they are perfect substitutable depends on the qualification level: medium qualified are imperfect substitutes in interactive tasks, high qualified in routinized (both manual and analytical) tasks.

Migrants and natives turn out to be perfect substitutes in some task groups but imperfectly substitutable when carrying out others

Previous research on German firms suggests that cultural diversity of employees leads to productivity gains. Two recent studies shed new light on this issue. The first one by Michaela Trax, Stephan Brunow and Jens Suedekum (2012) considers productivity gains not just because of the cultural diversity of

the workforce employed but also because of the diversity on the regional level.

Cultural diversity leads to productivity gains

The second study of Stephan Brunow and Peter Nijkamp (2012) supports that pro-

ductivity is higher where the potential demand is higher. Controlling for a variety of productivity related firm-specific variables (e.g. foreign ownership, exports), the cultural diversity of high-skill employed has an extra effect on productivity in addition to the proportion of high-skilled employed in a firm.

Return migration

What are the intentions for return migration for Estonian immigrants in Finland?

Key-findings Estonia — We focus on labour mobility between Estonia and Finland; culturally and linguistically close neighbor countries. Emigrants from Estonia to Finland are ethnically and linguistically diverse, including ethnic Estonians, Russians and Ingrian Finns. The total number of Estonian emigrants in Finland is around 30,000 and form the second largest immigrant group in Finland. Taking into account that Estonia as a small country will suffer from an exodus of a qualified labour force, we study the possible return migration from Finland using both quantitative (econometric analyses based on a survey of return intentions) and qualitative (semi-structured interviews with Estonians working or worked in Finland) analyses.

The results of our econometric analysis indicate that the educational level is not related to the tendency to return. The most important education variable that shapes return migration is overeducation—migrants who work below their training express higher intentions to return back home. We also find some evidence that education obtained in the host country improves the socialization prospects later on.

Education is not related to the tendency to return.

The results of our quantitative analysis also created the necessary framework for conducting interviews among Estonian migrants in Finland. Accord-

ing to the interviews it appears that one of the main reasons behind migrants' intentions to stay in Finland is the wage gap between Estonia and Finland. Several interviewees have accentuated that even being employed on low-qualification jobs in Finland provides them higher life standards than employment on high-qualification jobs in Estonia. Besides higher salaries Estonians accentuate Finns (positive, respectful) attitudes towards employees irrespective to their qualification and the clear line between working and leisure time. Estonians return intentions on the other hand are primarily depending on whether their families follow them to Finland or not. In case they do, the probability to return to Estonia seems to decrease substantially.

Immigrant self-selection

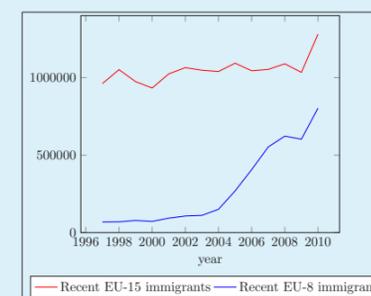
European immigrants in the UK before and after the 2004 enlargement

Key-findings United Kingdom — The 2004 enlargement of the European Union (EU) to eight Eastern European countries (EU8) has generated fears of large flows of low-skill immigrants from Eastern to Western Europe. For this reason most Western European countries (EU15) imposed temporary restrictions to the free movement of people from Eastern Europe. Only Ireland, Sweden, and the UK did not impose any restriction to immigration.

Did the elimination of barriers to immigration have an impact on the quality of immigrants arriving into the UK? If changes in immigration policy change the quality of immigrants—for the better or for the worse—such new immigrants will pose different political and economic challenges than 'older' ones.

We analysed differences in the personal characteristics and labour market outcomes of EU8 immigrants arrived before and after the EU enlargement, compared to immigrants from other EU15 countries, and to those remaining in the

country or origin. We found that immigrants from EU8 countries are significantly different than immigrants from EU15 countries, and that those who arrived after the 2004 enlargement differ significantly from those arrived before.



Number of recent immigrants in the UK

In contrast to EU15 and earlier EU8 immigrants, new EU8 immigrants are less likely to live in London and are more evenly spread across regions in the UK. They are comparatively more likely to be in paid employment and less likely to be self-employed or inactive. Their dis-

tribution across industries is also different from that of British people and other types of immigrants; they are less likely to work part-time but earn comparatively lower wages. We also found substantial differences between people who migrate to the UK and those who remain in the country of origin.

Elimination of barriers change immigrants' characteristics

Our results suggest that the elimination of barriers to immigration from EU8 countries has changed not only the number, but also the characteristics of immigrants, who now locate in different regions and in different segments of the UK labour market. We may speculate that these new types of immigrants are more likely to be temporary, to accept relatively unfavourable working conditions in the UK and to remain for a limited period. If this is the case, this new type of immigration may pose new challenges to socio-economic integration.