Executive Summary

In the past decades third country nationals immigrated into EU Member States in large numbers and this affected the social, economic, cultural, and political fabric of countries. Their social, cultural and economic integration and acceptance, notably those of non-western origin, have become matter of concern and debate, giving rise to xenophobia and exclusion. This is unfortunate as most residents of immigrant origin and, notably their children born and raised in the EU, are here to stay, and their potential for the labour force is underutilized while EU countries may face labour force shortages in future. Shortages are expected because the share of elderly in populations is rapidly rising while shares of youth and working age populations remain stable or are declining. Such shortages will jeopardizes growth of economic production and material welfare. This is not a problem if populations perceive that some decline has positive effects, such as preventing overstretching elasticity’s of ecosystems beyond repair. The prevailing view though is to stimulate economic production, as much as possible in an environmentally safe and neutral manner. One way to overcome shortages is to import labour, from other EU countries or from outside the EU, as has been done in the past. The former can be stimulated by removing bureaucratic barriers to EU internal migration, reduction of travel costs, facilitate access to housing, create a welcoming environment for immigrants. This will work as long as wealth and unemployment differences exist between EU Member States. However, the drawback is that it also stimulates migration of persons eager to migrate but for whom receiving countries offer no employment. The latter can be stimulated with similar measures though it requires harmonization of EU labour immigration and integration policies pertaining to third country nationals so that persons, once admitted, share the same or similar rights and protection as EU nationals. Currently such policies and legislation are incoherent, confusing and bureaucratic, and impede smooth admission of third country nationals, access to affordable housing, and mobility within the EU. Several scholars also argue that the current system of policies and immigration criteria are insufficient to make the EU attractive to third country immigrants with desirable skills, while the way some are implemented even conflict with some basic universal human rights. From a technocratic perspective, recruitment and return of third country nationals to do the work is an efficient option, of interest to employers, but it requires complex and costly legislation, monitoring and enforcement, to be borne by governments. Additional strategies are: (1) trying harder and better to match vacant jobs to the 25 million unemployed people in the EU by re-tooling or upgrading of skills, with particular attention to disadvantaged groups such as children of immigrants who were born and raised in the EU; (2) stimulating full or part-time participation of people currently not actively seeking paid work (e.g. pensioners, housewives, partially handicapped, discouraged unemployed workers); (3) raising pension age; (4) raising labour productivity through new technologies, improved management and worker skills and ethics, improving the health condition of working age populations to reduce temporary or permanent workforce drop-out; (5) stimulating EU internal labour migration and mobility.

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1. Policy problem and debate

Economic growth and change can be volatile and difficult to predict as we have witnessed since the European Commission presented the Lisbon strategy in 2000 comprising optimistic growth targets for the period 2000-2010. Population change, including the supply of potential workers in the age range 15-64 years, is far less volatile and easier to predict, notably for a period of 10-15 years ahead – a typical horizon for development planning. This is so because most people that are around in, say, 2025 were also around in 2013. Awareness of how, at the macro level, demographic indicators affect economic development helps policy makers identify and link different key areas for policy intervention, and assess their effects. For instance, a decline in the working age population resulting from past fertility declines may eventually lead to declining numbers of potential workers. Depending on economic growth opportunities and other labour demand factors, such a decline may lead to personnel shortages. One way to overcome shortages is through recruitment of labour migrants. A problem is to develop coherent legislation, at EU and Member State levels, that properly regulates admission, residence, duration of stay, social security and protection, and furthers social inclusion. What ‘proper’ precisely entails is subject of much discussion as political, economic, social, ethical and universal human rights aspects are involved.

In section 2 we discuss: 1) key economic, social and political events that affected EU labour immigration and migrant integration policies; 2) key linkages between demographic and economic processes, including empirical evidence, which help to identify key areas of policy intervention. In section 3 we summarize and discuss a number of policy options pertaining to the labour market, labour immigration and migrant integration.

2. Evidence and analysis

2.1 Economic, social and political change since 2000

In the decades before 2000 most Western countries experienced significant net economic growth, fuelling expectations of even higher growth. EU countries such as Germany, Austria, the Benelux countries, and France recruited low-skilled labour immigrants from nearby European neighbourhood countries (Turkey, Morocco, Algeria, Tunisia) in response to the need for low-skilled labour by industries. The expectation was that immigrants would return after a couple of years with their savings, and would be replaced by new recruits. The issue of migrant integration and social cohesion was not yet an issue. However, labour migrants did not return but re-united with family or established new families. Since the 1990s, large flows refugees immigrated in the EU from Iraq, Afghanistan, Somalia, Kosovo. Issues of acculturation and inclusion of immigrants were acknowledged but concerns were overshadowed by the spirit of economic growth prospects.

In this context of optimism EU leaders launched in March 2000 the ambitious Lisbon strategy, aiming at making the EU, by 2010, the most competitive and dynamic knowledge economy in the world, with 3% annual GDP growth rates between 2000 and 2010, leading to sufficient and high quality jobs and high labour participation rates. However, shortly after the launch of the Lisbon strategy, stock markets all over the world crashed in April 2000, following the burst of the Internet companies ‘bubble’ leading to a prolonged economic recession in most western nations. The relation between Islamic immigrant communities and national majority populations deteriorated following terrorist attacks of fundamental Muslims in September 2001.
on the Twin Towers in New York, the 2004 Madrid bombing of trains at Atocha Station, the 2005 London Underground bombing, and killing of and death threats to Islam critics in The Netherlands. By 2005, populist and anti-Muslim political parties gained popularity while fear and security concerns started dominating municipal, national and international policy agenda’s. in this atmosphere of fear of Muslim extremism and rising xenophobia, Member States ‘celebrated’ expansion of the EU-15 with 12 new Member States, in 2004 (EU-10: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) and in 2007 (EU-2: Bulgaria and Rumania). Several EU-15 Member States feared social unrest and made use of the option to impose restrictions on new Member State residents to access their labour markets for several years. Though this diverted migrant workers away from traditional destinations – such as Germany – towards the more easily accessible labour markets of the UK and Ireland, it did not affect the volume of emigration from new EU Member States.

In 2005 and 2008, the Lisbon strategy goals were adapted to account for the effect of the above events. However, adapted goals almost instantaneous became obsolete after a few weeks later, in 2008, the housing markets in the USA collapsed leading to a mortgage-credit crisis and a new, deep and prolonged economic recession. On top of this came the Euro-crisis resulting from several EU governments underreporting their budget deficits, raising doubts about the financial and economic reliability and viability of EU Member States and the European Union. Apart from these events, according to analysts, the failure to realize the Lisbon Strategy goals is also attributable to the EU Open Coordination Method which leads to non-binding and ineffective agreements between Member States. It also raises doubts about realization of the objectives of the follow-up to the Lisbon Strategy, the ‘Europe 2020’ Strategy, can be realized.

The above events and concerns called for a review of existing immigration and migrant integration policies, and need for a single EU encompassing set of policies. The latter appeared to be elusive as Member State policy orientations¹ and priorities differ considerably. Member States settled in 2008 for an European Pact on Immigration and Asylum aiming at (1) design and implementation of a common strategy to organize, monitor, evaluate legal immigration, including labour immigration, taking account of differences between Member States in terms of priorities, needs, absorption capacity regarding numbers of migrants and their integration, (2) a common strategy to manage and prevent of illegal immigration, and organize deportation, (3) a common approach to develop of partnerships with migrant-sending and transit countries outside EU in the context of a migration and development strategy for these countries. The Pact on Immigration and Asylum turned out to become a set of directives² that were ‘released’ by the European Commission over the past years. Somewhat later, in 2009, the security aspects of immigration were addressed in separate negotiations leading to the Stockholm Program. The Programme comprises guidelines for improving Member State cooperation in the areas of police, military and secret services, regarding border-crossing surveillance, data exchange between state authorities and internet surveillance. Also addressed are the protection of

¹ For instance, the policy orientation in France is assimilistic in the sense that immigrants are expected to fully identify with the French Identity. Cultivation of ethnic group cultural identity and diversity is discouraged. The Swedish policy orientation is inspired by multi-culturalism, which is exactly opposite of the French orientation. In the German speaking countries, the orientation is more exclusionary, leading to concern about development of parallel societies within the country.

² Blue card directive for TCN high-skill migrant workers (2009/50/EG), directive for a harmonized and simplified procedure for visa and residence permits and migrant worker rights (2011/98/EU), directive for the access and stay requirements of TCNs working in a company with branches within and outside the EU (COM(2010)0378), directive for common EU norms and procedures for deportation of illegal immigrants (2008/115/EG), directive about sanctions and actions against employers who provide work to illegal migrants (2009/52/EG).
fundamental rights, privacy, minority rights and rights of groups of people in need of special protection, as well as a citizenship of the European Union.

2.2 Demographic change: dealing with potential future labour force shortages

Debates on EU labour immigration and migrant integration benefit if these issues are positioned in a broader framework linking indicators of economic production, employment and supply of workers (including labour immigrants), such as illustrated in the following equation model3.

\[
\frac{\text{GDP}}{\text{P}} = \left[ \frac{\text{GDP}}{\text{W}} \times \left( \frac{\text{W}}{\text{LF}} \times \frac{\text{LF}}{\text{WAP}} \right) \right] \times \frac{\text{WAP}}{\text{P}}
\]

The model describes the link between economic production and demographic change and mediating factors. It conveys that, given fixed labour productivity per worker (GDP/W), fixed proportion of the labour force having a job (W/LF), and fixed proportion of the population in the working ages 15-64 years that (LF/WAP), an increase of the working-age population share (WAP/P) necessarily leads to GDP per capita growth (GDP/P). Conversely, a decline in WAP share implies a decline in per capita GDP, a macro-level indicator of a society’s wealth status. Such a decline is imminent and implied if, due to long periods of below-replacement level fertility, the share of the population in the working ages 15-64 is declining, while, due to rising life expectancy at advanced ages, the share of elderly 65+ in populations is rising. It is important to note that spatial differences exist in demographic profiles within countries and EU regions. This is illustrated by a NEUJOBS study showing that, due to differences in age-sex distributions, economic competitive urban areas in the EU will experience much smaller declines in WAP shares and economic production than less-competitive towns in rural areas, so that it will be easier to compensate the negative economic effects of declining WAP shares in the former.

Table 1 illustrates demographic prospects for the period 2010-2050 regarding working age populations in some major EU Member States. Figures show that there are considerable differences between countries while the major decline in Germany and major increase in the UK are most noticeable. Incidentally, the German working age population, still the largest in the EU, already declined with 3 million persons between 2000 and 2010 (data not shown), and a further decline is expected of 7.6 million between 2010 and 2030. By 2040, the UK will have the largest working age population in the EU.

Although there are different somewhat trends in absolute numbers, working age population shares in all countries will be declining as a result of rapidly rising numbers of elderly 65+ and stable or declining numbers in the youngest age bracket (0-15 years). Figure 1 illustrates the expected decline in WAP shares for a number of EU countries for the period 2010-2030. The highest percentage point decline in WAP share, for the period 2010-2050, will be experienced by Poland (-14), Rumania (-13), and Spain (-13), and lowest by Sweden (-7), U.K. (-7), Finland (-8) and France (-8). EU populations of the future will comprise a much larger share of elderly

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3 GDP=Gross Domestic Production, P= Total population size, WAP= Working age population (potential work force, i.e. persons 15-64 years old in the total population), LF= Labour force (i.e. those persons in the working ages 15-64 who are available to work and seek a job, or actually have a job), W=Workers (persons in the labour force who have a job, a sub-population of the labour force), GDP/P= GDP per person of the total population, GDP/W= GDP per worker (=labour productivity proxy), W/LF= share of persons in the labour force that have a job, LF/WAP= share of the working age population seeking or having a job (=labour force participation rate), (W/LF x LF/WAP or W/WAP) = share of the working age population having a job (=employment rate), WAP/P= share of the working age population in the total population.
people, who are expected to live longer, and who will become a very important target audience for entrepreneurs and politicians. It will have repercussions for the product and service-mix in economies, for advertising, infrastructure, transport, and priorities of political parties.

Table 1. Expected change in working age population size in major EU economies, 2010-2050

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<tbody>
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<td>Total 10 countries</td>
<td>270.9</td>
<td>269.9</td>
<td>267.6</td>
<td>264.9</td>
<td>260.6</td>
<td>255.2</td>
<td>250.8</td>
<td>247.0</td>
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<td>-17.7</td>
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<td>6.2</td>
<td>6.3</td>
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<td>6.4</td>
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<td>6.6</td>
<td>6.6</td>
<td>0.2</td>
<td>0.5</td>
</tr>
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<td>3.5</td>
<td>3.4</td>
<td>3.3</td>
<td>3.3</td>
<td>3.4</td>
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<td>3.3</td>
<td>3.3</td>
<td>-0.2</td>
<td>-0.2</td>
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<tr>
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<td>27.2</td>
<td>26.7</td>
<td>25.5</td>
<td>24.5</td>
<td>24.0</td>
<td>23.5</td>
<td>22.7</td>
<td>21.4</td>
<td>19.8</td>
<td>-3.3</td>
<td>-7.5</td>
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<td>15.0</td>
<td>14.7</td>
<td>14.2</td>
<td>13.8</td>
<td>13.5</td>
<td>12.9</td>
<td>12.2</td>
<td>11.3</td>
<td>10.6</td>
<td>-1.5</td>
<td>-4.4</td>
</tr>
<tr>
<td>United Kingdom</td>
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<td>41.4</td>
<td>41.8</td>
<td>42.5</td>
<td>42.8</td>
<td>43.1</td>
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<td>44.8</td>
<td>45.3</td>
<td>1.8</td>
<td>4.3</td>
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<td>Germany</td>
<td>53.9</td>
<td>53.2</td>
<td>51.5</td>
<td>49.3</td>
<td>46.3</td>
<td>43.5</td>
<td>42.0</td>
<td>40.9</td>
<td>39.4</td>
<td>-7.6</td>
<td>-14.5</td>
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<td>Spain</td>
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<td>31.6</td>
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<td>31.6</td>
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<td>41.8</td>
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<td>41.8</td>
<td>41.7</td>
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<td>41.8</td>
<td>41.9</td>
<td>-0.2</td>
<td>-0.1</td>
</tr>
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<td>Italy</td>
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<td>39.9</td>
<td>40.3</td>
<td>40.5</td>
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<td>38.9</td>
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<td>36.9</td>
<td>0.3</td>
<td>-2.8</td>
</tr>
<tr>
<td>Netherlands</td>
<td>11.1</td>
<td>11.1</td>
<td>11.0</td>
<td>10.8</td>
<td>10.5</td>
<td>10.2</td>
<td>10.1</td>
<td>10.1</td>
<td>10.0</td>
<td>-0.6</td>
<td>-1.1</td>
</tr>
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</table>

Figure 1: Expected change in the share of the working age population in the total population (WAP/P), 2010-2030

Under the assumption of sufficient demand for products and services, sustaining or increasing economic production requires the presence of an adequately skilled workforce. Demographic trends in Member States suggest that potential labour force shortages occur in future. There are several ways to deal with this. One way is that societies simply accept a decline in economic production levels and wealth because current levels are high and because environmental or social costs of further production growth is perceived as undesirable. Alternatively, a societies hold the firm belief that pursuing GDP growth is necessary, so that policy measures have to be implemented to preserve or expand economic production, such as:

1. Measures to increase labour productivity (GDP/W), for instance by increasing daily number of working hours and reduce vacation days while improving working conditions, reducing stress at work and work-related illness, and by stimulate healthy life styles.
2. Measures to reduce unemployment (W/LF), by providing high-quality assistance to unemployed persons to find a job, to stimulate upgrading of skills and qualifications for optimal employability (i.e. life-long learning).

3. Measures to increase labour force participation rates (LF/WAP) in population groups where rates are low such as: women (e.g. by providing couples high quality and affordable facilities to combine work and raising of children), persons 55+ (e.g. by providing financial incentives/tax deductions, adjustment of work conditions without productivity loss), part-time workers (e.g. increasing working days or hours), members of immigrant communities and ethnic minorities (in particular young adults born and raised in EU who face highest unemployment rates), and the elderly (continue productive work beyond the official retirement age in the format of attractive part-time contracts and tasks).

4. Measure to increase the working age population share (WAP/P) by increasing the formal age of retirement, stimulate elderly to retire in other countries where health and care costs are lower but quality of care is at similar levels. The latter would apply in particular to people of immigrant origin who have cultivated strong ties and social capital in their country of origin). EU countries could even consider investing in health and care outlets in these countries of origin to make return of elderly more attractive to the latter. Such investments also contribute to fostering strong ties between migrant-sending and migrant receiving countries.

5. Measures stimulating EU internal labour migration and mobility to overcome spatial differences in labour shortages

6. Labour immigration from third countries to fill currently vacant job positions that cannot be filled by nationals because they are not qualified, or because the characteristics of certain immigrants indicate that they comprise of special talents and skills that can contribute to innovation.

Four of the six measures pertain to national populations. Depending on the timing and speed of decline in working age populations, successful implementation of these measures may for some time compensate negative effects on economic production levels. These four measures differ in terms of ease of implementation, lead-time and costs before positive effects can be expected. Probably the fastest and easiest way, notably to entrepreneurs, are measures 5 and 6 as costs are borne by prospective migrants and entrepreneurs, while governments only need to ensure for proper legislation regulating admission and stay, access to affordable housing, facilitate return, and create a welcoming environment for immigrants. The latter may be hard to achieve, in particular in times of high unemployment in the national population and even if high unemployment is due to the unemployed not having the right skills and qualifications for the jobs that are available. Such a situation can stimulate xenophobia and discrimination, social unrest, it spoils the investment and production climate.

The abovementioned demographic changes have been going on for a while, so how did EU countries fared so far in compensating negative economic effects of declining working age population shares?

To examine this we selected five main EU economies (France, Germany, Italy, The Netherlands and Spain, referred to as EU5 countries). These countries have become the main destination of labour migrants (and families) from main countries of origin of EU labour migrants (Morocco, Tunisia, Algeria, and Turkey, referred to as MT-4 countries). We also selected three 'new' EU member states (Poland, Rumania, Bulgaria) because, shortly before and after EU admission, considerable numbers of persons from these countries to other EU countries, such as the selected EU-5 countries. Table 2 shows that during the 2000-2010 period, WAP shares (WAP/P) in EU5 countries where either stable or declined potentially constraining growth of
economic production (GDP/P). However, most countries compensated the negative effect of declining WAP shares by even realizing some growth in economic production, despite the presence of various negative economic and political events during that period. With the exception of Italy, average annual per capita GDP growth was close to 1 per cent per year and this growth was realised by higher employment rates and higher labour productivity. Noteworthy is the case of Germany, which kept its labour market closed to immigrants from the new Member States until recently. Germany succeeded, in spite of the decline of their potential workforce with 3 million persons, to compensate this loss with higher participation and employment rates among those remaining.

**Table 2.** Impact of demographic change on economic production in selected countries, 2000-2010

<table>
<thead>
<tr>
<th>Country</th>
<th>Economic production, per capita (GDP/P)</th>
<th>Output per worker (proxy for productivity)</th>
<th>Employment rate</th>
<th>Working age population share</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-5</td>
<td>Index</td>
<td>GDP/W Index</td>
<td>W/WAP Index</td>
<td>WAP/P Index</td>
</tr>
<tr>
<td>France</td>
<td>2000</td>
<td>19.622</td>
<td>100</td>
<td>48.744</td>
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<td></td>
<td>2010</td>
<td>21.732</td>
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<td>52.031</td>
</tr>
<tr>
<td>Germany</td>
<td>2000</td>
<td>18.100</td>
<td>100</td>
<td>39.949</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>20.476</td>
<td>113</td>
<td>42.699</td>
</tr>
<tr>
<td>Italy</td>
<td>2000</td>
<td>17.264</td>
<td>100</td>
<td>47.335</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>17.376</td>
<td>101</td>
<td>45.680</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>2000</td>
<td>21.658</td>
<td>100</td>
<td>43.434</td>
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<tr>
<td></td>
<td>2010</td>
<td>23.783</td>
<td>110</td>
<td>46.670</td>
</tr>
<tr>
<td>Spain</td>
<td>2000</td>
<td>15.105</td>
<td>100</td>
<td>38.928</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>16.721</td>
<td>111</td>
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<td>Poland (2004)</td>
<td>2000</td>
<td>7.383</td>
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<tr>
<td></td>
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<td>11.201</td>
<td>152</td>
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<tr>
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<td>2000</td>
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<td></td>
<td>2010</td>
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<td>Bulgaria (2007)</td>
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<td></td>
<td>2010</td>
<td>7.693</td>
<td>160</td>
<td>18.541</td>
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<td>MT-4 countries</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Algeria</td>
<td>2000</td>
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<td>100</td>
<td>9.883</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>3.163</td>
<td>153</td>
<td>11.225</td>
</tr>
<tr>
<td>Morocco</td>
<td>2000</td>
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<td>100</td>
<td>7.939</td>
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<tr>
<td></td>
<td>2010</td>
<td>3.731</td>
<td>153</td>
<td>11.528</td>
</tr>
<tr>
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<td>2000</td>
<td>3.827</td>
<td>100</td>
<td>13.624</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>5.374</td>
<td>140</td>
<td>17.538</td>
</tr>
<tr>
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<td>2000</td>
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<td>100</td>
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<td></td>
<td>2010</td>
<td>8.905</td>
<td>139</td>
<td>27.710</td>
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Compared to the EU5 countries, growth of economic production was much higher in the three new EU Member States, about 5 to 6 percent annually, and this was mainly realized labour productivity increases. It should be noted that such high production growth apply to economic production figures that are very low compared to those EU5 countries, and at similar levels observed in Tunisia and Turkey. In the case of Romania, the high growth rate of economic production was almost exclusively the result of productivity growth, while employment rates dropped considerably and this contributes to emigration pressure. In the traditional countries of labour emigration to the EU, the MT-4 countries, similar changes occurred. However, in MT-4
countries, with relatively young populations, working age populations are still growing considerably while the force of ageing is still small leading to rising WAP shares and to more young people looking for a job. In the case of Turkey and Morocco, where employment rates have declined between 2000 and 2010, more people in the working ages have difficulties in finding a job, and this contributes to emigration pressure. Although this pressure may not necessarily be released in the form of legal or undocumented migration in the direction to the EU, it is not inconceivable that prospective migrants will move along well established routes, using their network of friends, family and relatives in EU countries of destination.

2.3 Role of labour immigration and integration

In the above equation and Table 2 it is not immediately clear where labour migration comes in, as labour immigrants are absorbed in both the numerator (WAP) and denominator (P), so that their impact on economic production (GDP/P) is blurred. Their impact becomes ‘visible’ in an indirect way as they increase the participation (LF/WAP) and employment (W/WAP) factors. More specifically, labour immigrants influence the composition of the reference populations for these factors. As labour immigrants come to work and, generally speaking, are only admitted if they have secured a job (and meet other admission requirements) they add to the number of persons available and seeking work (LF) (versus persons not available and not seeking work), and they add to the number of workers (W) (versus persons without work). So they tilt the value of the ratios LF/WAP and W/LF upwards leading to an increase in per capita GDP (GDP/P). Several empirical studies confirm the net positive contribution of immigrants to economies. Even in the case of lay-off they are often more eager to secure a new job because most of them need to support family and relatives in countries of origin. Furthermore, they also cannot afford to be jobless because they are often excluded from access to welfare state unemployment and other financial benefit systems, or, they get access only after they meet certain time-dependent criteria. Granting labour immigrants family reunification rights is, economically speaking, not wise if immigrated family members do not engage in paid work after their arrival. If they do not work, seek work, and are not available for paid work, they only add to the denominators of LF and WAP leading to a decreases of the ratios LF/WAP and W/LF and decline of per capita GDP. Such technocratic economic arguments conflict of course with several fundamental human rights. Not surprisingly, the conflict between economic interests and fundamental human rights is an important subject matter in research and political debates. Some studies suggest new avenues for development of human rights based labour immigration policies and legislation.

Thus, labour immigration has its place in economic growth strategies, in particular with respect to dealing with potential future labour force shortages. However, it requires a transparent, fair, coherent and efficient system of labour immigration policies and legislation. Two NEUJOBS studies show that this is not yet the case because the current system, embodied by the European Pact on Immigration and Asylum, appears to have several shortcomings.

A main shortcoming is that The Pact currently comprises a set of ad-hoc and incoherent arrangements in the form of directives, which contributes to inefficiency and ineffectiveness. For instance, the Pact adopted a sectorial approach to labour immigration, which, from human rights-based perspective, is discriminatory. The approach involves the classification and selective admission of labour immigrants based on degree of ‘desirability’, based on person characteristics such as age, gender, marital- and family status, skills and educational attainment, and security risk profile. Upon admission different rights and entitlements are granted to different types of labour immigrants. For instance, the high-skilled labour immigrants enjoy better prospects for family reunification and long-term stay then the low-skilled, while for the
latter even special programmes are designed (circular migration programmes) that *a priori* guarantee that immigrants return within a particular time frame, even if it is against their will.

Other shortcomings are revealed by carefully studying the definition and implementation of particular ‘directives’, such as the Blue Card Directive (BCD). The BCD aims to attract and facilitate smooth admission to and stay in the EU of prospective high-skilled migrant workers in third countries. Examination and comparison of implementation of the BCD in Germany, France, Spain, Hungary, and Sweden, reveals large differences, and that the BCD, in its current form, may even do harm to realizing the main objective of the BCD. For instance, Member States add more and different admission criteria (e.g. salary requirements) to the existing BCD admission criteria. Furthermore, Member States apply different definitions in their evaluation of ‘high-low skills’, ‘highly-low qualified’, and ‘professional experience’. Also, the duration of validity of a BC differs considerably between Member States, and is in the range of 3 to 48 months. Additionally, third country labour immigrants with a BC face an EU migration restriction, which is released only after a period of 18 months of work and stay in the Member State issuing the BC. This is awkward because prospective high-skilled third country nationals are first stimulated to migrate over a large distance to an EU Member State to live and work there while, after arrival, the immigrant is subsequently banned from moving to another place in the EU. Another shortcoming is that the BCD is not consistent with agreements made in the ILO Convention No.97 and the Council of Europe Convention on the Legal Status of Migrant Workers and equal treatment of third country nationals and Member State nationals regarding various issues, such as accommodation and social security. Figures 1a-1d in Annex 1 illustrates the extent that labour immigrant have different rights and protection of EU nationals (including migrant workers who are EU resident). The above suggest that the BCD must be carefully reviewed (involving all EU countries), adapted, and implemented in a harmonized manner across the EU territory, not in the least in light of the global competition for talent.

Stiff competition in attracting talent currently comes from the USA and Canada, and in the near future also from China. USA and Canada are traditional countries of immigration with a long-standing experience of recruiting immigrants with desirable skills. These countries offer several advantages over the EU. First and foremost, their perspective on immigrants differs considerably. Immigrants are perceived as critical fuel to the engine of their economy and not as spare-parts of that engine only to be used if and when required. USA and Canada are attractive in other ways too, such as better salary prospects, use of a single language, a large economy and labour market without mobility restrictions, less social inclusion issues, high religious tolerance and diversity, better prospects of long term residence, naturalization, and family reunification. Such issues are important to immigrants and their families, and this differs from and EU context in which they face fewer rights and protection than the resident population, as illustrated in Annex 1, Figures 1a-1d.

Labour immigration may also have certain drawbacks and negative effects. Recruiting immigrants from other countries, within or outside the EU, can have a negative impact on the economic development of these countries as they are drained of enterprising and talented persons. In the case of the EU, one study estimated that the permanent loss to economic production in Bulgaria, Romania and Lithuania since 2004 as a result of the migration of part of their working age population to EU-15 countries is in the range of 5-10 per cent. The permanent scar to economic production in Latvia and Estonia is estimated to be at least 3 per cent. While remittances partially offset the negative effects on growth in sending countries in the short- to medium-term, they cannot fully compensate the economic production loss to emigration of labour. As for receiving countries, studies generally conclude that that net immigration contributes to economies. For instance, the overall impact on GDP of the population shifts from
EU10+EU2 countries to EU15 countries, since 2004, is estimated to be positive though small, about 0.5 per cent on average.

Large scale immigration of high-skilled labour for a prolonged period of time can also have negative effects on wages of the high-skilled, perceived returns to investment in educational attainment, and to shortages in non-high-skilled labour. This is illustrated by the case of Canada. For decades, immigration has been a popular and indisputable policy instrument. The country has one of the highest immigration rates of all major economies in the world. It appears that, increasingly, immigrants in Canada do not always settle or are not always prepared to settle in regions where labour is needed. In a vast country such as Canada, over time, spatial differences in job opportunities emerge, requiring job-seekers to go with the flow. However, many immigrants prefer living in areas where other people with a similar background live, so they are less prepared to move elsewhere, contributing to large spatial differences in supply of and demand for labour. Furthermore, the high-skill-high-education selection criteria applied to prospective immigrants vis-à-vis a further increase in educational attainment of the national population has led to a pressure on wage-rates, high competition, and non-participation among the higher educated, including immigrants. This has resulted in concern about over-qualification of the labour force, and about individuals experiencing that the returns to investment in a higher educational attainment have decreased. In several areas, in particular where the high skilled concentrate, recruitment of low-skilled blue-collar workers has become difficult and expensive, while unemployed Phd’s do not necessarily make good construction workers, car mechanics, carpenters or plumbers.

The experience of Canada, among others, suggest that EU policy makers should design an integrated development view or vision about how, say, Europe 2050 should look like. Such a view would also include a coherent set of development policies, including labour migration and integration policies. Such an integrated view or ‘foresight’ would also include how to deal with ‘tribalism’ (i.e. populism among nationals) in Member States, but also what is expected of immigrants regarding social and cultural adaptation when they come and live in the EU. Both nationals and immigrants have rights and obligations regarding contributing to social cohesion, in particular in the neighbourhoods in which they live. Such a long term vision would also address how the image of the EU and of EU populations can be improved. To date, from the perspective of labour immigrants, so it seems, Europeans seem to be preoccupied with economic, security, asylum and migrant integration concerns, and not with development of a place that welcomes newcomers, radiates tolerance, offers opportunities for intercultural contact and interesting work. Security, illegal immigration, and organized crime issues should always be high on political agendas and effectively addressed, but it is necessary to do in the spot-light.

If these issues are not addressed, no vision is developed, then it is likely that prospective immigrants with desirable skills will prefer migration to the USA, Canada or to one of the BRICS countries, countries that also have to deal with security, illegal migration, and migrant integration.

3. Summary of policy recommendations

In the above we argued that debates on EU labour immigration and migrant integration benefit if these issues are positioned in a broader framework linking indicators of economic production, employment and supply of workers (including labour immigrants). One of the driving forces of current and future EU labour immigration is that EU Member States, at some point in time and due mainly to the effect of ageing, have to resort to the recruitment of suitable labour immigrants, from within the EU or from third countries. We started out by sketching major
events of the EU macro-economic and political development context and change since 2000, because it influences policy options and because it influences demographic change and how policy makers can deal with the consequences of demographic change, such as labour force shortages. We identified several policy options to deal with this, several that do not require labour immigration and some that involve labour immigration. A choice for labour immigration as strategy is daunting undertaking as it involves immigration and integration policies and legislation that regulates and monitor admission, stay, access to welfare state entitlements, and respect fundamental human rights. Various studies indicate that current EU migration and integration policies have several shortcomings and these need to be addressed.

We identified several areas and activities that deserve the attention and action of EU policy makers in order to cope with potential labour force shortages in future, and to improve coherence of current EU labour immigration and integration policies and directives, which are:

- Develop and implement measures to increase labour productivity.
- Develop and implement measures to reduce unemployment.
- Develop and implement measures to increase labour force participation.
- Develop and implement measures to increase retirement age and support retired immigrants to return to countries of origin.
- Develop and implement measures stimulating EU internal labour migration and mobility to overcome spatial differences in labour force shortages.
- Develop and implement measures stimulating labour immigration from third countries, and their return.
- Review and improve current EU labour immigration and asylum by repairing design defects, removing conflict with fundamental human rights, by specification how policies and directives are interrelated and reinforce each other.
- Review and improve the Blue Card Directive criteria by repairing the defects mentation needs harmonization as in its current version it unlikely to contribute to its objective: to present the EU as an attractive environment for high-skilled prospective migrants in third countries.
- Develop a long term vision for the EU regarding how the society should look like.


2 References


Annex 1: Differences in entitlements between third country nationals (immigrants) and EU nationals (including EU migrants)

**Figure 1a.** Performance score of EU Member states for the degree of difference between legal TCNs and EU nationals regarding *Labour Market Mobility rights and opportunities*.

**Figure 1b.** Performance score of EU Member states for the quality of their legal system to *protect* all residents, including TCN and Member State immigrants, *against discrimination* based on race, ethnicity, religion, nationality.
Figure 1c. Performance score of EU Member states for the difference between legal TCNs and EU nationals on prospects and eligibility for Long Term Residence

Figure 1d. Performance score of EU Member states for the difference between legal TCNs and EU nationals regarding rights and opportunities for Family Reunification