

# How labour market regulation affects immigration

Developing effective immigration policies poses a particular challenge. Although immigration is defined by the state and can exist only in a world with states and borders, the subjects of immigration regulation - the migrants themselves - essentially choose their regulatory regime by choosing a destination state.

Although there is a large body of research on the social and economic factors affecting migration, there has been much less work on how migration patterns are shaped by the policies of an individual state - let alone how they are shaped by the varying policies of multiple states acting at the same time.

One of the policy measures often considered to reduce immigration is the restriction of access to domestic labour markets. It might seem intuitively obvious that an open labour market will attract more immigrants, but - even assuming that formal rights to access labour markets actually leads to improved access and higher expected earnings - it is not clear that simple wage expectations are as influential to migrants' choice of destination as factors like local market failures or relative deprivation. Given the potentially significant costs of stricter labour market regulation, it is important to better understand how such measures are likely to influence migrant flows.

A report from the ESRC-supported NORFACE Research Programme on Migration has used the European Union enlargement of 2004 and 2007 to investigate the role labour market restrictions have in shaping migrant flows. The unique circumstances of the enlargement made it possible to distinguish the influence of labour market laws from those of admissions and residence restrictions, and to observe the effects of multiple destination states adopting different policies simultaneously.

The findings reveal that states that opened their labour markets ended up with somewhat larger migrant flows than those that did not - but these flows were heavily reduced by other states also opening their markets. Hence, immigration policy is a 'multi-level' measure including both the domestic electorate and the other potential destination states that are also setting rules.

## Key findings

- The findings show a relationship between labour market access and immigration: as destination states lifted restrictions on the employment of immigrants from new member states, they tended to receive more immigrants from these states.
- However, there was an inverse relationship between each destination state's migrant flow and the level of labour market access offered by competing destinations. In other words, potential destination states tended to receive fewer immigrants as competing destinations lifted their own labour market restrictions.
- Confirming predictions, the findings show that immigration tended to increase with higher per-capita GDP in the destination state, higher unemployment in the origin state, and a larger community of origin-state immigrants already residing in the destination state. Similarly, immigration tended to decrease with higher unemployment in the destination state and higher welfare spending in the origin state.
- No evidence was found of 'welfare tourism' - immigrants choosing destinations based on the generosity of destination countries' welfare policies.

**Interstate mechanisms co-ordinating immigration rules can be important tools for managing immigration flows.**

## Policy relevance and implications

- Policymakers need to look beyond their own borders when formulating immigration laws. Not only must they anticipate the effects of these laws on immigrants, they must also anticipate the consequences of other states' simultaneous attempts to regulate immigration.
- Interstate mechanisms to co-ordinate immigration rules can be important tools for managing immigration flows in more predictable ways.
- The findings suggest that immigrants choose destinations based on established social networks and destination-state economic opportunities. No evidence was found of immigrants choosing destinations based on the generosity of those countries' welfare policies.
- To manage migration effectively, governments need to consider the perspective of migrants themselves and understand how migrants select destination countries. To view migration solely in terms of a single destination is to miss out on the variety of choices and incentives migrants face.



## BRIEF DESCRIPTION OF THE PROJECT

The NORFACE paper *Labour Market Laws and Intra-European Migration: The Role of the State in Shaping Destination Choices* investigates the relationship between migrants' destination choices and the formal labour market access afforded by multiple potential host countries in the context of the EU's eastward enlargement.

The research found that a destination country's loosening of labour market restrictions was associated with increased immigration. However, the immigration flow to the same country decreased when competing destinations' labour market restrictions were loosened.

Web: [www.norface-migration.org/publ\\_uploads/NDP\\_15\\_13.pdf](http://www.norface-migration.org/publ_uploads/NDP_15_13.pdf)

## FOR MORE INFORMATION

Mr John Palmer, Princeton University,  
email: [jrpalmer@princeton.edu](mailto:jrpalmer@princeton.edu)

Dr Mariola Pytlikova, CReAM London and Danish Institute of Governmental Research,  
email: [marp@asb.dk](mailto:marp@asb.dk)

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Web: [www.norface-migration.org](http://www.norface-migration.org)

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Web: [www.esrc.ac.uk](http://www.esrc.ac.uk)  
Communications team email: [comms@esrc.ac.uk](mailto:comms@esrc.ac.uk)

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