

Europe's Migration Crisis

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The European Union's 28 member nations received 1.2 million applications from asylum seekers in 2015. One reason for the upsurge in asylum applicants is that German Chancellor Angela Merkel in August 2015 announced that Syrians could apply for asylum in Germany even if they passed through safe countries en route. The challenges of integrating asylum seekers are becoming clearer, prompting talk of reducing the influx, reforming EU institutions, and integrating migrants.

Europe is the continent of international migration, with a third of the world's international migrants. The UN reported that 244 million people left their country of birth and moved to another country for a year or more in 2015, making 3.3% of the world's 7.3 billion people international migrants. Some 76 million were in Europe, including a third in the second and third largest hosts of migrants, Germany and Russia, which each had 12 million.

Many European countries have shrinking populations and labor forces, making more tax-paying workers that could stabilize economies and fund comprehensive social welfare programs seem welcome. EU leaders want to attract skilled foreigners with college degrees, but programs to attract skilled migrants have not attracted large numbers—fewer than 25,000 a year.

Most of the migrants who arrived in Europe before 2015 were joining family members already there. Many settled migrants have relatively little education, as do their family members, which can complicate their integration into work and society. Migrants and those with migrant backgrounds generally have

low labor force participation rates and, among those in the labor force, high unemployment rates—raising fears that more low-skilled migrants could add to unemployment and welfare dependence rather than employment and taxes.

The 2015 Migrant Influx

The number of asylum applications in EU member states began rising after the Arab Spring of 2011, when protestors beginning in Tunisia overthrew entrenched leaders. The disruptions of the Arab Spring turned into a civil war and competing governments in Libya, allowing North African and other migrants to leave in small boats for Lampedusa, an Italian island less than 200 miles from the Libyan coast.

A boat of migrants sank near Lampedusa in October 2013, resulting in 360 deaths and prompting the Italian government to rescue migrants traveling from Libya to Lampedusa in boats. Some smugglers used the prospect of a quick rescue to put migrants on less-viable boats with satellite phones, instructing them to call for help as soon as they left Libyan waters, an example of a moral hazard when providing help encourages more people to pay smugglers and undertake risky journeys.

Dangers from the Libyan civil war and the destruction of boats used to smuggle migrants shifted the major migrant-smuggling route to the Turkish-Greek coast. There were four million Syrians outside Syria in 2015, including half in Turkey, and they began to use small boats to travel the 10 to 15 miles from the Turkish coast to Greek islands such as Kos and Lesbos. Once in Greece, migrants traveled by ferry to Athens and made their way north through the Balkans to Hungary and Austria and on to Germany and Sweden. Although Syrians were the single largest nationality arriving in Europe

in 2015, most asylum seekers were not from Syria, Afghanistan, and Iraq.

After Hungary blocked some asylum seekers from going on to Austria and Germany, Merkel in August 2015 announced that Syrians could apply for asylum in Germany even if they passed through Hungary and safe countries en route; thus, disregarding the Dublin Regulation that requires asylum seekers to apply for refuge in the first safe country they reach. Syrians and others responded to Germany's welcome, and over 12,000 arrived in Munich on September 12, 2015.

German states and cities scrambled to register, house and feed, and integrate the arriving migrants. Sport clubs, schools, and other public facilities were converted to migrant shelters, and many Germans volunteered to help the new arrivals. Others protested the arrival of especially Muslim migrants, arguing that they would be difficult to integrate and could adversely affect Germans. Some housing that was meant for migrants was burned.

As numbers rose, Germany, Sweden, and other governments tried to slow the influx by checking the foreigners arriving at their borders to find and return those unlikely to receive asylum, such as citizens of Kosovo and Serbia. Germany and other EU governments announced that foreigners who were granted asylum would receive only temporary protected status and many would not be able to bring family members to join them for several years.

Two events changed attitudes and policies toward migrants. First, eight Muslim terrorists killed 130 people in Paris on November 13, 2015, including two who entered the EU using the Turkey-Greece route. EU leaders urged citizens not to confuse refugees with terrorists, most of whom were EU citizens, but the Paris attacks highlighted the threat that terrorists could lurk among migrants. Second,

Table 1. Native and Foreign-born Employment Rates, 2014 (Percent)

	Natives	Foreign-born	Difference
Austria	72.6	64.9	7.7
Belgium	63.8	52.8	11
Denmark	74.2	63.9	10.3
EU 28	65.2	62.1	3.1
France	65.3	56.7	8.6
Germany	74.9	68.3	6.6
Greece	49.3	50.3	-1
Italy	55.3	58.4	-3.1
Spain	56.6	52.3	4.3
Sweden	77.7	63.5	14.2
UK	72.4	69.4	3
U.S.	66.5	69.1	-2.6

Source: OECD. Share of 15-64 year-old persons employed. <https://data.oecd.org/migration/foreign-born-unemployment.htm>. Difference: A positive sign indicates a higher native than foreign employment rate.

on New Year's Eve, migrants attacked hundreds of German women near the Cologne train station, prompting an outcry that emphasized the need for newcomers to respect German cultural norms.

Three things are clear. First, migrants continue to arrive from Turkey at the rate of 2,000 a day, as Syrians and others worry that the doors to Europe are closing. Second, Germany, Sweden, and other EU countries that accepted large numbers of asylum seekers are taking steps to reduce the influx. Third, half of all asylum seekers are being recognized as in need of protection, making the next challenge to integrate Syrians and other migrants.

Migrant Integration

Most of the migrants who arrived in Europe in 2015 are there to stay: EU member states deport relatively few migrants. Deportation is difficult because many migrants destroy their passports, knowing that their countries of origin will not accept the return of persons without proof that they are citizens. Others are

from countries to which European countries do not return migrants because they are at war, such as Syria.

The first EU priority is to reduce the influx. Many German leaders advocate quotas on the number of asylum seekers. Merkel and others counter that the German constitution guarantees foreigners facing persecution the right to asylum, so what will Germany do with asylum seekers who arrive after the quota is filled?

The major policy instrument to reduce numbers is to provide aid to Turkey in exchange for their help to improve conditions for refugees and to impede smuggling. The Office of the United Nations High Commissioner for Refugees (UNHCR) spent about \$7 billion to care for 14 million refugees around the world in 2015, while Germany's federal government spent \$7 billion to care for one million asylum seekers in Germany. The EU committed €3 billion (\$3.3 billion) to Turkey, which promised to allow the two million Syrians in the country to work and to enlarge schools for refugee children. Many Syrians are unsure if they want to learn Turkish and remain in Syria; most prefer to return to a peaceful Syria or to move on to Germany.

The second challenge is to reform EU institutions. The Dublin Regulation of 1990 requires foreigners seeking asylum to apply in the first safe country they reach, which fingerprints them and makes a decision on whether they need protection that is binding on other EU member states. The major country of arrival is Greece, whose government has been unable to register and process asylum applications or accept the return of foreigners who transited Greece en route to other EU countries to apply for asylum.

The Schengen agreement abolished border checks between most EU member states, making travel and trucking much more efficient. Schengen member states may reinstate border controls if there is a serious threat to security, as France did after the November 2015

terrorist attacks in Paris. If EU countries reintroduce border controls, is the single market at the core of the EU at risk?

The third challenge is to integrate the new arrivals. The U.S. has an integration-via-work policy based on a flexible labor market and a relatively thin social safety net that is normally off limits to unauthorized foreigners, asylum seekers, and even legal immigrants until they have worked in the U.S. at least 10 years. Most European governments provide asylum seekers with housing, food, and other benefits, but make it more difficult for them to get the work permits to work lawfully in Europe's more regulated labor markets.

Table 1 shows native- and foreign-born employment rates for persons 15–64 in 2014. In the EU-28 countries, native-born employment rates of 65% are three percentage points higher than for the foreign-born, compared with 66–69% in the U.S., where foreigners are more likely to have jobs than Americans. In EU countries that have higher-than-EU-average native employment rates, such as Austria, Germany and Sweden, the gap between native- and foreign-born employment rates is much larger, from 6–14%. In southern European countries with low employment rates for natives such as Greece and Italy and more informal labor markets, foreign-born residents have higher employment rates than natives.

Getting newly arrived migrants into language classes, developing networks to link them with jobs, and encouraging them to accept jobs on the bottom rungs of the job ladder could prove difficult. Migrants from Syria, Afghanistan, and Iraq have significantly less education than natives and settled immigrants, prompting talk of sub-minimum wages and wage subsidies to encourage employers to hire migrants. However, some migrants may have little incentive to shift from tax-free welfare benefits to taxed low-wage work.

Global Challenges

One-sixth of the world's people live in what the World Bank defines as

industrial or high-income countries with a per capita income of \$12,736 or more. The incentive to migrate reflects from the demographic inequality that all population growth is in developing countries and the economic inequality that almost 70% of the world's national income accrues to high-income countries. The average resident of high-income countries had a per capita income of \$40,000 in 2013, almost ten times the \$4,200 of lower-income countries, providing a powerful incentive for young people to migrate.

Demographic and economic inequalities are like positive and negative battery poles: nothing happens without a connection. Three revolutions over the past half-century have increased cross-border connections and facilitated migration. The first is the communications revolution, which makes it easier than ever before to learn about opportunities abroad. With most high-income countries including diasporas from countries around the world, cell phones and the internet quickly inform friends and relatives in developing countries about opportunities abroad, finance their travel, and help them after arrival.

The second revolution involves transportation. Many Europeans migrating to North American colonies in the 18th century could not pay one-way transportation, so they indentured themselves for four to six years to whomever met the ship and paid the captain. Transportation today is much more accessible and cheaper, usually less than \$2,500. Even migrants who pay smuggling fees of \$20,000 to \$30,000 typically repay them from higher earnings within two years.

The third revolution involves the rights of individuals vis-à-vis governments. Dictatorships and wars early in the 20th century led to the creation of the UN and an elaboration of human rights. Many human rights protect all persons, including foreigners, making it difficult for governments to remove those who want to stay.

Policymakers faced with an influx of asylum seekers are unable to do much in the short term about the demographic and economic inequalities that motivate migration, and do not want to roll back the communications and transportation revolutions that do far more than facilitate migration. Their default option becomes adjusting the rights of migrants, making it more difficult to enter countries with liberal asylum policies and restricting the access of newcomers to social welfare systems. For example, the U.S. in 1996 enacted welfare reforms that reduced benefits for all poor people, but especially immigrants. At a time when the foreign-born were 11% of U.S. residents, restricting their access to welfare accounted for 44% of expected federal savings from welfare reform.

Merkel and some other EU leaders have stressed the importance of tackling the root causes of migration, suggesting that peace and speeding up economic and job growth in lower-income countries are alternatives to restricting the rights of migrants. Promoting peace is a laudable but difficult challenge, as is fostering stay-at-home development. The UN emphasizes that three-fourths of international migrants are from middle-income developing countries such as Mexico and Turkey, where faster economic growth can increase international migration, as aspirations and the ability to migrate rise faster than economies can generate decent jobs, an example of the migration hump.

The EU Challenge

The EU generally and Germany in particular face a daunting challenge to deal with migrants, to reform institutions and coordinate migration policies, and to integrate the million-plus foreigners who arrived in 2015. Achieving peace in Syria would help, but the experience of Afghanistan and Iraq demonstrate that fighting is likely to continue even after peace agreements are signed. The migration networks forged during fighting may

support continued out-migration.

The EU also faces institutional challenges. Agreements such as Dublin and Schengen were tested in 2015 and found wanting. The so-called front-line states of Greece and Italy were unable to control their external borders, so that foreigners entered and traveled to richer EU countries. Efforts to develop a quota system to redistribute asylum seekers from front-line states among EU member states floundered.

The integration challenge is most important. Almost all of the several million foreigners who have or are expected to arrive in 2015–16 are likely to remain in Europe. The question is whether social welfare states developed and expanded after World War II should be expanded further to deal with largely non-European newcomers, or whether the better integration strategy is to focus on a work-first integration strategy. It is often said that governments can accept more low-skilled migrants, or have better support policies for them, but they find it hard to pursue both work and welfare strategies simultaneously. Developing the optimal trade-off between work and welfare could prove particularly challenging in Europe.

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