



IZA/ESRI Advise the European Commission on Active Inclusion of Migrants in Europe

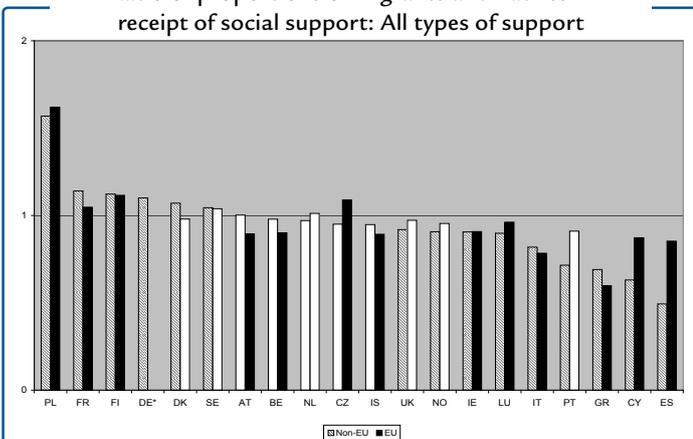
In recent years, the subject of welfare access by migrants has become of primary concern within the context of fostering social protection and economic integration in the European Union. Indeed, promoting social inclusion is one of the main objectives of the EU 2020 agenda for growth. And yet, the policy discourse about this issue remains hazardedly uninformed and entangled by unfounded beliefs. It therefore has become crucial to shed light on the barriers to migrants' access to social services and supports, as well as on how policy intervention may alleviate such barriers and thus pave the way towards improved social inclusion of migrants.

IZA, in collaboration with the Economic and Social Research Institute (ESRI), has recently conducted a "Study on Active Inclusion of Migrants" on behalf of the European Commission to inform its policy efforts in this area. The study provides an assessment of the main trends in access to social services by migrants, an account of the mutual interaction between migration and social assistance policies, and expert advice on the desirable interventions in terms of active inclusion.

In the study, the concept of active inclusion is intimately intertwined with the size of the welfare system. Social assistance and other social supports are conceived as "enabling services" – that is, as a form of social investment to improve the labor market prospects of migrants. By promoting their integration in the society and their labor market attachment, enabling services should eventually lead to lower claims on public funds by migrants. Yet, one of the principal conclusions of the study is that many migrants face increasing risk of exclusion from the labor market while at the same time their access to welfare seems insufficient to compensate for their disadvantaged situation. Whereas public concerns have risen about the "policy failure" deriving from excessive welfare spending on migrants, findings from the study suggest that failure instead relates to the inadequate access of migrants to social supports and services. Specifically, the statistical analyses show that migrants' welfare take-up is lower, not higher, than that of comparable natives.

The study finds no evidence of a "welfare magnet hypothesis": social expenditure does not appear to be a significant determinant in the decision of migrating to an EU Member State. The findings from the study call for welfare policies that strengthen the active inclusion of migrants, with a long-term perspective of activating migrants in the labor market instead of being designed to myopically minimize social expenditure in the short run. IZA Compact summarizes the main findings of the study.

Ratio of proportions of migrants and natives in receipt of social support: All types of support



Source: IZA Research Report No. 43. Own calculations based on EU-SILC, 2007. Notes: *All migrants for Germany. White bars correspond to ratios not significantly different from one.

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IZA HOSTS EALE 2012

From September 20-22, 2012, IZA will host the Annual Conference of the European Association of Labour Economists (EALE) in Bonn. The event will also feature the presentation of the 2012 IZA Prize in Labor Economics.



www.iza.org/eale2012

Welfare use by migrants

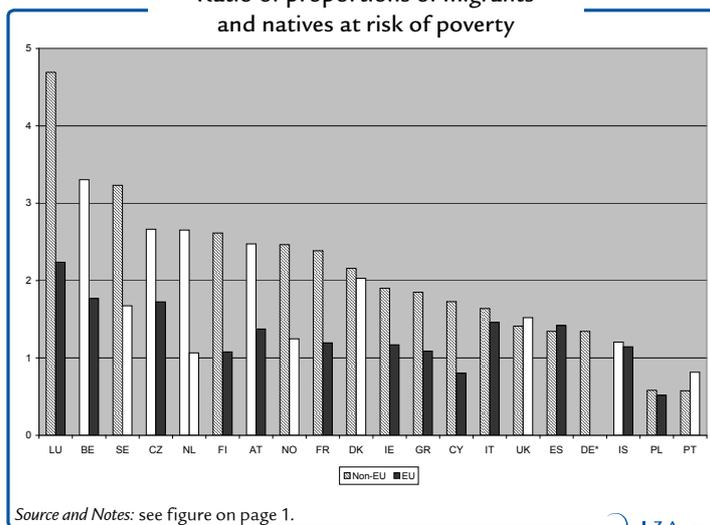
Are migrants more likely than natives to receive welfare? The proportions of migrants and natives who receive social support across countries are shown in the figure (▲ on page 1), using EU-SILC data from 2007.

The specific social supports investigated in the study include payments related to unemployment, sickness, disability and old-age, and payments related to having children. The figure represents the ratio of the proportion of EU and non-EU migrants in receipt of social supports to the corresponding proportion of natives. For example, the ratio for non-EU immigrants in Poland is 1.57, which corresponds to the proportion of non-EU immigrants who receive any form of social payment (85.3%) divided by the corresponding proportion for Polish natives (54.4%). Hence, ratios that exceed one indicate that the proportion of migrants is higher than the proportion of natives. A white bar means that there is not a statistically significant difference between the corresponding proportions. The figure suggests that rates of receipt for non-EU migrants are typically lower than for natives. Of the 19 countries examined, rates of receipt are (statistically) lower for non-EU migrants in nine. For five other countries, there is no statistically significant difference between rates of receipt. A similar pattern holds for EU migrants, with lower or statistically equivalent rates of receipt being more prevalent.

The relatively low propensity of receiving social support is striking considering the tendency for non-EU migrants to face a higher risk of poverty than natives. The figure ▲ shows the ratios of the proportions of migrants and natives who live in households with an income below 60 percent of median household income. The ratio is below one in just two cases – Poland and Portugal. Ratios are typically lower for EU migrants than for non-EU migrants but are mostly greater than one as well.

When different payment categories are analyzed, a more mixed picture emerges. Migrants are more likely to be in receipt of unemployment-related supports (see figure ►) and family-related payments in a

Ratio of proportions of migrants and natives at risk of poverty

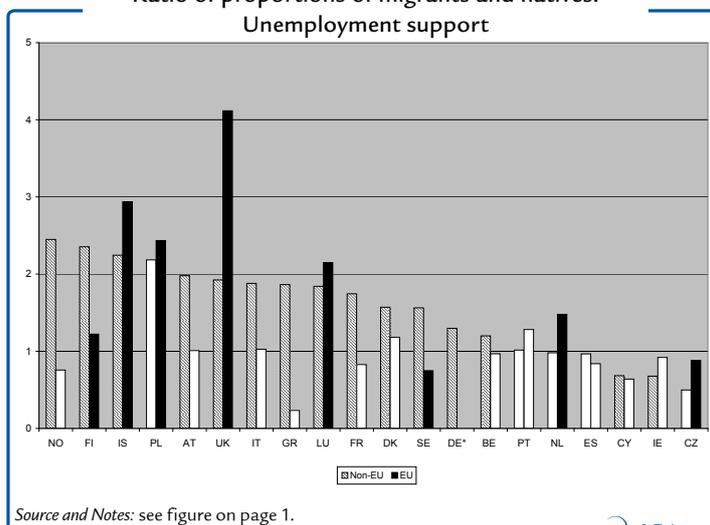


Source and Notes: see figure on page 1.

wide range of countries. However, they are less likely to receive old-age payments and sickness and disability payments.

The situation is very different when welfare take-up is investigated taking into account socio-economic characteristics such as age, education and family composition. Since migrants differ from the native populations across these characteristics, and since these characteristics are often related to support receipt, it is important to see whether a “migrant effect” remains once migrants are analytically matched to comparable natives. A key finding of the regression analysis is that in general migrants exhibit lower rates of receipt than natives. Denmark, Finland, Germany and Sweden are the only countries in which higher (and statistically significant) rates of receipt among migrants are observed when all types of support payments are considered jointly. Even in these countries, however, the residual effects do not appear to be economically important, ranging from 1 percent in Germany to less than 5 percent in Denmark.

Ratio of proportions of migrants and natives: Unemployment support



Source and Notes: see figure on page 1.

When attention is restricted to supports based on unemployment, sickness and disability, rates of receipt for non-EU migrants are statistically higher in just 7 out of the 19 countries considered, and none if the analysis is conditioned onto unemployment status (figure ►). Most of the results from the regressions are non-significant, indicating that comparable migrants’ and natives’ propensities to use welfare are very similar. However, where significant results emerge, they tend to suggest lower rates of receipt by unemployed migrants relative to unemployed natives. This could reflect

differences in eligibility across the unemployed. For example, a certain history of social insurance contribution may be needed in order to qualify for supports. However, this could also reflect a lower tendency to apply for benefits despite equal eligibility. If the lower rates of receipt are driven by a lower tendency to apply on the part of migrants, this implies that the state aims to assist people but that the assistance is not reaching those targeted. This could be the result of language barriers or a perception by migrants that welfare receipt could work against them, e.g. when applying for permanent residency. If migrants have the same eligibility but a lower tendency to apply, then this failure to meet policy objectives should be addressed.

The broad conclusion is that the evidence indicates inadequate rather than excessive receipt of social support by migrants, which is striking considering the higher rates of poverty among migrants. This raises particular concerns about income support and the extent to which Europe’s welfare systems are achieving the objective of insulating all its constituents, including migrants, from severe financial difficulty.

Unemployment benefits and the welfare magnet hypothesis

The nature of immigration patterns is driven by a migrant’s decision to enter (or leave) a destination country, which in turn is influenced at the macro level by labor market conditions, institutional circumstances, or other observed and unobserved factors in the host country and alternative destinations. Key questions in this context are: Do immigra-

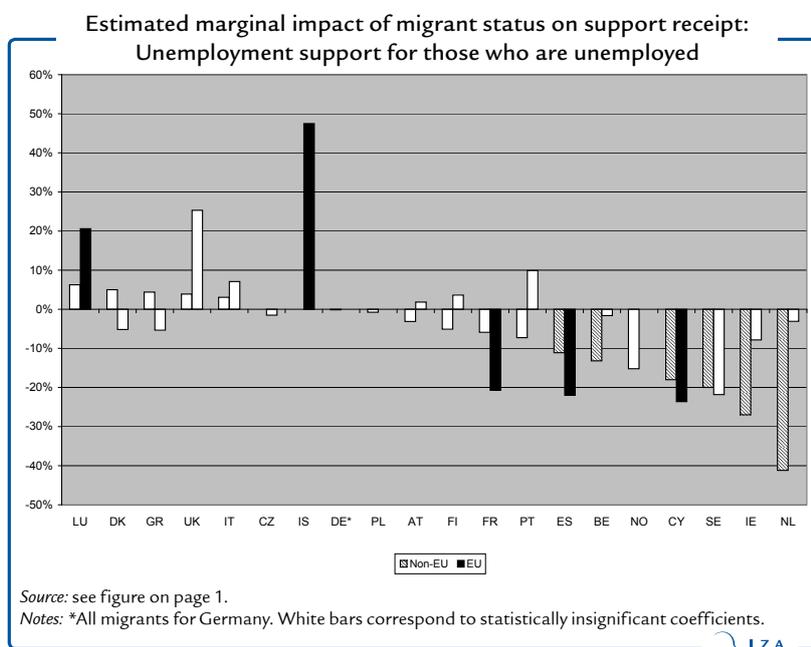
tion flows respond to differences in welfare policies across European countries? How do welfare policies react to existing immigration patterns?

These questions have been explored in the context of unemployment insurance programs in a sample of 19 European countries from 1993 to 2008. The two primary sources of data were the OECD SOPEMI database for immigration flows and the OECD Social Expenditure Database for unemployment benefit spending (UBS) as a share of GDP. Aggregate statistics show that during the period of analysis a large majority of countries experienced an increase in immigration flows. At the same time, the pattern of UBS is somewhat irregular. Some countries, such as Belgium, Denmark, the Netherlands and Spain allocate on average more than 5 percent of their spending to unemployment benefits. However, many other countries spend less than 2 percent. In general, the high levels of UBS recorded in the early 1990s have decreased sharply.

The question whether welfare generosity affects migration flows is analyzed by means of panel data models. First, the model is estimated using the ordinary least squares (OLS) approach, and then by means of the instrumental variable (IV) and general method of moments (GMM) techniques. The dependent variable is the inflow of immigrants in the country – inflows from EU and non-EU origins are estimated separately – while the main explanatory variable is the UBS. The specification contains control variables for the macroeconomic conditions of each country, such as GDP and the unemployment rate. Furthermore, the stock of migrants is included to capture the strength of social networks. The OLS estimates show the existence of a positive correlation between the inflow of non-EU migrants and the UBS. The estimated effect implies that a 1 percent change in UBS is associated with a change in immigration flows of less than 0.01 percent. For example, if the UK were to experience a substantial increase in UBS from 1.13 percent (the mean value) to 3.15 percent (the mean value in Germany), then there would be an associated change in immigration flows from 0.45 to 0.57 percent. In other words, the growth of UBS of three times the size would cor-

relate to a 25 percent growth in immigration flow. In contrast, the estimated coefficient for migrants from EU origins is essentially zero.

Yet, OLS techniques ignore the possibility that migrants themselves affect welfare spending. If this is the case, a problem of reverse causality arises and the OLS estimates are biased. This issue is mitigated by using the number of political parties in the winning coalition as an instrumental variable for UBS. The rationale is that coalitions made up of more parties should find it more difficult to reduce spending. At the same time it can be argued that this variable is correlated with the level of immigration only through the UBS. Although election results may well be affected by the perceived immigration rate, or perhaps even new parties form as



a result of high immigration, the number of parties required to form the winning coalition is unlikely to be altered. Potential further issues of endogeneity are addressed by estimating models with GMM techniques.

The IV estimate for non-EU migrants is substantially smaller than the OLS, and just like the GMM estimate it is economically and statistically insignificant. The IV and GMM results are compatible with the presence of an upward bias in the OLS regression. One possible channel behind the upward bias of OLS estimates is that immigration results in an increase in UBS as a share of GDP, at least for non-EU migrants. With regard to EU migrants, there is no sign of a welfare magnet effect, also confirmed by the similarity of the IV and GMM estimates to the OLS. Hence, there is no evidence that unemployment benefits spending is a major determinant for the decision of migration within or into the EU.

Insights from the IZA Expert Opinion Survey

The analyses based on microdata have been complemented by data from the 2010 IZA Expert Opinion Survey – a survey conducted among the expert stakeholders and minority representatives in the 27 EU Member States – which maps experts' opinions about the social and labor market inclusion of ethnic minorities. Besides a number of questions measuring the integration situation of migrants in Europe, it includes a module on migrants' welfare use and its institutional framework. The survey was conducted between April and September 2010 and contains information from 156 expert stakeholders from around the EU. It provides a unique qualitative perspective and allows the researchers to tap into the expertise of stakeholders and minority representatives. The availability of data from the 2007 wave of the survey permits comparing the experts' perspectives over time.

The survey provides a number of interesting insights. In general, it is primarily irregular migrants who face a high and increasing risk of exclusion. While EU migrants do not seem to be exposed to particularly high or increasing risks, non-EU migrants also appear to face significant and increasing risk of social and labor market exclusion. When asked to evaluate the current legislation related to equal opportunities and diversity in the own country, responses from the experts suggest that the existing anti-discrimination legislature offers little hope that it can alleviate this difficult situation.

Figures from the table ▼ (next page) corroborate the general pattern that among the EU, non-EU and irregular migrants, the latter are those who face the most severe difficulties in accessing enabling services, closely followed by non-EU migrants.

Housing and housing subsidies seem to be the least accessible to non-EU migrants. Among the other poorly accessible enabling services are education, family and child benefits, unemployment benefits as well as employment agency assistance. Questions about access to bank services and credit by migrants (loans, mortgages, consumer and business credit) were asked as well, as financial constraints might play an impor-

tant role in migrant inclusion into the labor market and welfare. The experts' opinions indicate that many migrants face severe restrictions on accessing these services.

The financial global turmoil seems to have increased the need for enabling services. Responses suggest that during the crisis the most desired enabling services include those related to labor market inclusion: education, employment agency assistance, and unemployment benefits. Indeed these are also important elements of active inclusion strategies.

The finding that irregular migrants are seen as facing the greatest risk of exclusion from social services among all other studied migrant groups is not surprising, given the inherently vulnerable position of these migrants. This is mainly due to their lack of documents, insurance and

entitlements, as well as very limited enforceability of the few rights they may have. It is, however, necessary to note that irregular migrants can access some social services. This may happen whenever their irregular status is not excluding them from social insurance and services, or at least is not revealed or reported to the authorities. It may also happen whenever social services can, for example, be accessed anonymously online.

Policy recommendations for the EU active inclusion agenda

Based on the above findings, the report provides policy advice on two main dimensions:

1) *Active inclusion and immigration policies need to be pursued in parallel.* The absence of excessive use of welfare by migrants and the findings that migrants are not attracted by higher welfare in a country both indicate that it is mainly the composition of the migrant population, rather than any idiosyncratic migrant-specific factor, that governs migrant welfare take-up. This suggests that selection of migrants upon entry, whether or not actively managed, is also a key factor driving migrants' welfare use. In other words, since migrants do not seem to exhibit disproportional welfare take-up, an inflow of a

migrant, ceteris paribus, does not increase spending more than an addition of a comparable native. When migrants are observed to more frequently take up welfare, it is an artefact of their adverse characteristics. As a corollary, selective immigration policies play a key role for the context of active inclusion

of migrants. This includes two separate aspects. First, a "welfare dependency aspect" related to the composition of migrant population, which determines the underlying propensity of the members of this population to be in need for welfare. Second, an "enabling aspect" representing the notion that the efficiency of enabling welfare policies, as well as their long-run consequences, depend on the degree to which these policies improve migrant integration, which itself is a function of the composition of migrant population and thus immigration policy. These two effects link active inclusion and immigration policies and hint at the importance of immigration policy for the sustainability of the welfare state from the economic but possibly also political perspectives. In any case, active inclusion and immigration policies need to be pursued in parallel, but their interactions such as those mentioned above need to be taken into account.

2) *Ancillary interventions are needed to achieve social and economic integration.* There appears to be a need for a battery of general policies that enables migrants to achieve social and economic outcomes marking their full integration and participation in the social and economic life of the host society. This includes effective anti-discrimination legislation and management of attitudes towards

migrants. Europe should actively promote immigration and successful adjustment of workers with good labor market prospects. In particular, it is necessary to improve the ability to attract skilled migrants. This includes improving Europe's image as a migrant destination among potential high-skilled migrants. Tools of positive selection such as the UK points system or the EU Blue Card are useful starting points for further developments. Other policies needed to ensure integration of migrants into the labor market include policies aiming at improving the educational attainment, training and language skills of migrants, frictionless recognition of foreign qualifications, unrestricted access to public sector jobs, and effective dissemination of labor market information among migrants. Day-care centers, nurseries, kindergartens and all types of schools need to be accessible to (also irregular) migrants' children. Housing and access to credit are other important areas that deserve attention. Finally, data collection, monitoring and evaluation mechanisms are absolutely necessary to provide for learning and dissemination of good practices in active inclusion strategies.

Risk of migrants being excluded from, or having difficulties accessing, social services in percent of respondents

		No or very low	Low	Medium	High	Very high
Education	EU	50	21.43	20.41	3.06	5.10
	Non-EU	13.27	18.37	28.57	29.59	10.20
	Irregular	3.06	5.1	11.22	20.41	60.20
Family and child benefits	EU	36.73	34.69	17.35	8.16	3.06
	Non-EU	12.24	20.41	23.47	27.55	16.33
	Irregular	1.02	2.04	6.12	11.22	79.59
Housing and housing subsidies	EU	26.53	26.53	30.61	12.24	4.08
	Non-EU	6.12	15.31	25.51	34.69	18.37
	Irregular	2.04	3.06	5.1	11.22	78.57
Unemployment benefits	EU	26.53	32.65	26.53	11.22	3.06
	Non-EU	10.2	20.41	24.49	24.49	20.41
	Irregular	3.06	2.04	5.1	6.12	83.67
Employment agency assistance, including information about relevant job vacancies and training	EU	31.63	40.82	14.29	7.14	6.12
	Non-EU	14.29	23.47	22.45	23.47	16.33
	Irregular	3.06	3.06	5.1	15.31	73.47
Health care and health insurance	EU	39.8	31.63	19.39	7.14	2.04
	Non-EU	11.22	27.55	27.55	20.41	13.27
	Irregular	2.04	4.08	12.24	18.37	63.27

Source: IZA Research Report No. 43. Own calculations based on IZA Expert Opinion Survey 2010.

Corrado Giulietti
Martin Guzi
Martin Kahanec
Klaus F. Zimmermann
Unemployment Benefits and Immigration: Evidence from the EU

IZA Discussion Paper No. 6075
<http://ftp.iza.org/dp6075.pdf>
(revised version forthcoming in: International Journal of Manpower)



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Study on Active Inclusion of Migrants

IZA Research Report No. 43
www.iza.org/link/report43.pdf



IZA and DFID Set Research Agenda

Workshop in Paris

GLM LIC

Growth and Labour Markets in
Low Income Countries Programme

On January 30, 2012, the first workshop of the joint IZA/DFID program on Growth and Labor Markets in Low Income Countries (GLM-LIC) was held in Paris. Organized by *David Lam* (University of Michigan; GLM-LIC Program Director) and *Janneke Pieters* (IZA), the event brought together over 50 economists working in the field of employment and development. The main aim of the workshop was to discuss the program's research agenda.

After introductions by IZA Director *Klaus F. Zimmermann* and the workshop organizers, *Stefan Dercon* (Oxford University; Chief Economist of DFID) conveyed to the participants the need to conduct high-quality research for informing labor market policies in low-income countries. Of all single-country studies published in the top-5 economic journals between 2000 and 2006, only a tiny share was on low-income countries (less than 2% on Sub-Saharan Africa). IZA and DFID clearly hope to encourage more research in this area through their joint program, which will fund about 30 research projects in the coming years.

In his keynote lecture, *François Bourguignon* (Director Paris School of Economics; former World Bank Chief Economist; IZA Fellow) discussed growth and labor markets in African economies. After highlighting some specific features of the African growth experience, Bourguignon focused on the problems of measuring employment and defining "good" versus "bad" jobs. With a definition of "bad jobs" as those earning too little to keep the median family out of poverty, the Ghanaian experience of the 1990s was a telling example: the increase in paid employment consisted entirely of growth in bad jobs, while the number of good jobs declined. Beyond employment, to understand the connections to poverty and inequality, we need to better understand the relationship between individual labor earnings and household income. This will require more work on household labor supply and even the concept of the household in low-income countries.

Five leading economists working on employment and development took part in a panel discussion moderated by David Lam: *Haroon Borat* (University of Cape Town), *Carmen*

Pagés (Inter-American Development Bank and IZA), *David Robalino* (World Bank and IZA Program Director), *Alan Winters* (University of Sussex and IZA), and *Christopher Woodruff* (University of Warwick and IZA). Some of the key themes that emerged from the presentations and discussions are:

1. Unemployment, as it is conventionally measured, is not the major labor market problem in low-income countries. While these countries have had the highest population growth in recent decades, unemployment has generally not increased. The more serious problem is that the vast majority of workers are in low-paying, low-productivity jobs in agriculture, small-scale self-employment, or the urban informal sector.
2. Given that the majority of workers in most low-income countries are self-employed, traditional social protection programs that are linked to formal employment will have a limited impact on working conditions. This raises the issue of how working conditions can be improved for the self-employed.
3. The variance in firm productivity appears to be much larger in low-income countries than it is in middle-income and high-income countries. This raises the question of what barriers may limit the creation and expansion of high-productivity firms, and what factors may allow small low-productivity firms to survive.
4. Little is known about what drives job creation in low-income countries. Given that a high proportion of the labor force is self-employed, what determines their decisions to employ workers? Are there barriers that prevent them from hiring workers?
5. Non-market work plays an important role in low-income countries, but we have limited ability to measure non-market productivity and the value of non-market work. This is especially important for women, who are disproportionately found in non-market work. This also makes it difficult to get good estimates of women's labor supply as they are most often engaged in

self-employment or unpaid work on farms or family businesses.

6. Longitudinal data has been very informative about labor market dynamics in high-income and middle-income countries, providing evidence on transitions between formal and informal jobs, transitions between employment and unemployment, and other dimensions of labor market dynamics. There is good reason to think that labor market dynamics may be different in low-income countries, but the shortage of data means we know very little about these dynamics.
7. Low levels of schooling are a constraint on productivity growth in low-income countries. While primary schooling has increased rapidly for both males and females, there has been more limited success in converting primary completion into completion of secondary and tertiary education. In many low-income countries there has been very little attention to technical and vocational education and training (TVET), which may be especially important for increasing wages, employment, and productivity.
8. Relatively little is known about the distribution of earnings in low-income countries. This is the result of both data limitations and a lack of relevant research. There is a need for research on inequality in earnings by gender, region, and ethnicity, and for research on returns to skill (both cognitive and non-cognitive) and how those returns vary across groups.

These are some of the main research themes that will further shape the GLM-LIC research agenda. In particular, the discussions will be useful inputs in the design of the second call for proposals, which is planned to be announced in July 2012. In November 2012 the GLM-LIC team will organize a workshop on how to write a research proposal in conjunction with the IZA/World Bank Employment and Development Conference in New Delhi. At the same conference a number of special sessions on growth and labor markets in low-income countries will be held.

For more information on the program and to subscribe to the GLM-LIC Newsletter go to:

► <http://glm-lic.iza.org>



François Bourguignon

IZA Director Klaus F. Zimmermann Celebrates 10th Anniversary at FU Berlin

On the occasion of his 10th anniversary as Honorary Professor of Economics at the Free University (FU) Berlin, IZA Director *Klaus F. Zimmermann* presented insights from his current research on circular migration. In his introductory remarks, *Georg Schreyögg* (Chair of Organization and Leadership, FU Berlin) highlighted Zimmermann's important contributions to the university's curriculum in economic and labor market policy. The audience included a number of FU professors, among them *Irwin Collier*, *Giacomo Corneo*, *Jürgen Wolters* and *Jochen Hundsdoerfer*. The lively discussion underscored the relevance and controversial nature of the topic.



countries. Current examples of circular or chain migration include seasonal workers in the restaurant and construction industries, IT specialists, professional athletes and international students.

In the recent past, several international institutions, such as the European Commission, the Global Commission on International Migration, the International Organization for Migration, and the World Bank, have launched political initiatives to promote – or to prevent – circular migration.

Although empirical analyses of circular migration are still scarce due to lack of data, some studies have recently been published. These include analyses for Germany (see box ►) while others have explored circular migration between Mexico and the U.S./Canada, and between various countries in the Asia-Pacific region.

A common finding is that efforts to prevent circular migration tend to result in

the opposite of what policymakers had intended: While such restrictions may curb legal circular migration, they often lead to an increase in illegal immigration. As a consequence, border patrol costs increase, and migration becomes more dangerous. Moreover, research shows that granting migrants citizenship of the host country may (initially) have an unintended effect. For example, immigrants who attain German citizenship tend to “circulate” more often than others. This is one of the key findings by Zimmermann and Constant on the basis of SOEP data. “The individual probability of engaging in circular migration rises with the freedom to leave and the right to come back,” said Zimmermann.

Amelie F. Constant
Klaus F. Zimmermann

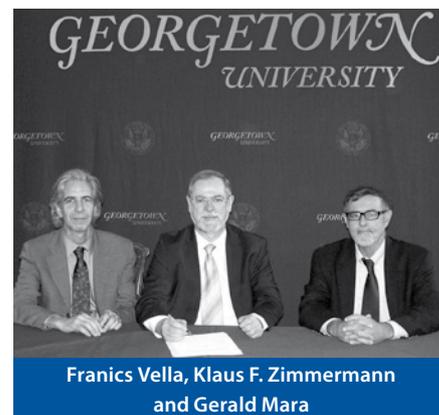
Circular and Repeat Migration: Counts of Exits and Years Away from the Host Country
Population Research and Policy Review, 2011, 30(4): 495-515
(also published as an IZA DP:
<http://ftp.iza.org/dp2999.pdf>)



Georgetown University and IZA Sign Collaboration Contract

On January 24, 2012, Georgetown University professors *Francis Vella* (Chair of the Economics Department; Villani Chair in Economics) and *Gerald Mara* (Dean of the Graduate School; Associate Provost, Research) signed a collaboration contract with IZA Director *Klaus F. Zimmermann* on the premises of Georgetown University in Washington, DC. Vella is also a long-time Research Fellow of IZA and Co-Director of the newly founded Georgetown Center for Economics Research (GCER), jointly with *Roger Lagunoff*, who was also present at the ceremony.

The memorandum of understanding documents the extensive collaboration between both institutions over the past years in a series of activities, and outlines how they will continue and extend this collaboration into a number of new areas. An important purpose is to strengthen the exchange of faculty and graduate students and to foster participation in workshops and conferences. The partners will also engage in joint research and teaching activities. Drawing on the expertise provided by the GCER, they will collaborate on various topics of immediate policy relevance.



Francis Vella, Klaus F. Zimmermann
and Gerald Mara

IZA Introduces the IZA@DC Young Scholar Program

As part of the collaboration with Georgetown University and GCER (see article above), IZA now offers outstanding students from Ph.D. programs outside the U.S. an excellent opportunity to get in close touch with IZA Research Fellows from the Washington DC metro area. Up to ten students selected for the new annual IZA@DC Young Scholar Program will attend lectures presented by some of the world's leading labor economists. During the one-week

program they will also be able to meet with the speakers and discuss their own research in a very personal atmosphere.

“IZA has always been dedicated to promoting talented junior researchers. This new program gives young scholars a unique opportunity to create valuable networks and start collaborating on joint research projects,” said IZA Director *Klaus F. Zimmermann*.

The First IZA@DC Young Scholar Program takes place from October 22-26, 2012. It is hosted by Georgetown University, co-organized by *Steffen Künn* (IZA) and directed by Georgetown professor *Francis Vella*. Only IZA Research Fellows from outside the U.S. can nominate their own Ph.D. students to participate in the program. For details see:

► www.iza.org/link/YSP2012

New China Data from IZA

The first wave of the Longitudinal Survey on Rural Urban Migration in China (RUMiC) is now available at IZA. RUMiC consists of three large scale surveys: the Urban Household Survey, the Rural Household Survey and the Migrant Household Survey. It provides unique data to the scientific community to explore topical issues in the Chinese labor market.

The samples contain distinctive information at the individual and household level, which allows the study of a wide range of topics: (return) migration, employment, entrepreneurship, social networks, health and well-being, and education. Several studies using the RUMiC data to explore these topics have already appeared in major journals.



“Many economic aspects of modern China, such as its transforming labor market and the mass rural-urban migration are often underexplored because of lack of suitable data. RUMiC data are a unique tool for researching these important phenomena,” said *Corrado Giuliatti*, IZA Deputy Director of Research. When future waves of the data will be published in the next few years, it will also be possible to exploit the panel dimension of the three samples.

The RUMiC survey was initiated by a group of researchers at the Australian National University, the University of Queensland and the Beijing Normal University and has been supported by IZA, which provides the Scientific Use Files. The financial support for

RUMiC was obtained from the Australian Research Council, the Australian Agency for International Development (AusAID), the Ford Foundation, IZA and the Chinese Foundation of Social Sciences. Details about the survey can be found on the IZA International Data Service Center (IDSC) homepage:

► <http://idsc.iza.org/izadata>

Selected publications based on RUMiC:

Akay/Bargain/Zimmermann

[Relative Concerns of Rural-to-Urban Migrants in China](#)

Journal of Economic Behavior & Organization, 2012, 81: 421-441

Giulietti/Ning/Zimmermann

[Self-Employment of Rural-to-Urban Migrants in China](#)

International Journal of Manpower, 2012, 33(1): 96-117

Awards Presentation at IZA Reception in Chicago



Steffen Altmann, Klaus F. Zimmermann and Matthias Wibrat

At the traditional IZA reception during the Annual Meeting of the Allied Social Science Associations (ASSA), which took place in Chicago this year, IZA Director *Klaus F.*

Zimmermann presented the 2011 IZA Young Labor Economist Award to the authors of the article “Gift Exchange and Workers’ Fairness Concerns: When Equality Is Unfair” (Journal of the European Economic Association, 2010). Representing the team of authors, which also included *Johannes Abeler* and *Sebastian Kube*, *Steffen Altmann* and *Matthias Wibrat* attended the award ceremony in Chicago.

During the same event, IZA Fellows *Solomon Polachek* (Binghamton University) and *Konstantinos Tatsiramos* (University of Leicester) received the Leading Book Series Editors in the Emerald Literati Network 2011 Awards for Excellence in recognition of the out-



Solomon Polachek, Emma Whitfield and Konstantinos Tatsiramos

standing work they have put into the Research in Labor Economics series. The prize was presented by *Emma Whitfield*, Commissioning Editor at Emerald.

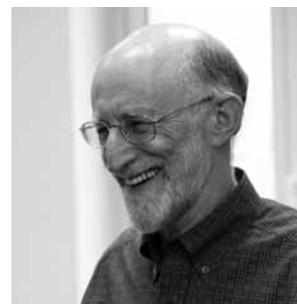
Humboldt Research Award for IZA Fellow Daniel S. Hamermesh

IZA Visiting Research Fellow *Daniel S. Hamermesh* (University of Texas at Austin) recently received a Humboldt Research Award from the Germany-based Alexander von Humboldt Foundation. The prestigious award honors eminent foreign researchers at the peak of their academic careers whose fundamental discoveries, new theories or insights have had a significant impact on their discipline and who are expected to continue producing cutting-edge achievements in the future.

Daniel Hamermesh has been closely affiliated with IZA since its foundation in 1998 and has contributed a great deal to the institute’s success. He coordinated IZA’s research activities on “The Future of Labor” as Program Director for a decade before serving as Director of Research for two years. He has organized numerous

conferences and workshops, above all the highly successful “Transatlantic Meetings”, a joint initiative of IZA and the U.S.-based Society of Labor Economists (SOLE). Over the past years he has continued to spend extended periods at IZA as a Visiting Research Fellow.

Hamermesh specializes in labor demand, social programs, academic labor markets and unusual applications in everyday life. Most recently he has focused his research on the economic benefits of beauty. His new book “Beauty Pays” demonstrates how society favors the beautiful – and how better-looking people experience higher salaries and benefits in all aspects of life. Hamermesh teaches theory in a



way that makes economics useful in everyday life. He applies economic principles to various topics in his contribution to the New York Times’ Freakonomics blog.

IZA Director *Klaus F. Zimmermann* took Hamermesh’s recent stay in Bonn

as an opportunity to congratulate him on receiving the award: “I can hardly think of anyone more deserving of this honor. With his boundless creative energy and uplifting spirit he is a constant source of inspiration for our young researchers. We are deeply grateful to Dan for his invaluable contributions to IZA, and we look forward to many more years of fruitful collaboration.”

Immigrants in the Welfare Hammock?

Some myths never die... like the one about migrants who only come to use our welfare state as a “hammock”. This stereotype persists despite numerous studies to the contrary, including an international IZA study recently prepared for the European Commission. The key finding, which will also be published in the *International Journal of Manpower*, is that the generosity of welfare benefits has no substantial impact on migration in the European Union.

The team of authors analyzed for 19 European countries from 1993 to 2008 whether national differences in unemployment benefits influenced individual decisions to migrate. The result could not be clearer: Such benefits had no impact whatsoever on intra-EU migration – the correlation was zero. Instead, the study showed that the skill level among EU labor migrants is remarkably high. While in some cases migrants are more likely to be unemployed than natives, this is rather due to ill-designed immigration and integration policies than to generous public benefits.

Nonetheless, the German federal government sparked a heated debate in March 2012 when it decided to bar immigrants from EU countries and Turkey from instant access to unemployment assistance (“Hartz IV” benefits). This decision was entirely appropriate. We don’t want welfare migration to Germany – and so far this has not at all been a problem. Excluding potential welfare migrants from instant benefit receipt sends the right signal. The proposed legislative change should finally refute all those who keep claiming that welfare abuse is common practice among immigrants. This myth is still propagated by interest

groups who want to impede or completely prevent (much-needed) labor migration.

Empirically, the situation is quite the opposite. Recent studies show that taxes and social security contributions paid by foreigners in Germany exceed per capita expenditure on welfare benefits for the same group by about 2,000 euros annually. One of the main reasons is the favorable age structure of immigrants. This is also why we should offer job prospects to skilled young people from Greece, Spain and Portugal, as well as from the reform countries of the Arab world, if they are willing to fill the labor shortages that many German employers are already experiencing. After all, we know that the employment of each high-skilled immigrant creates up to three additional jobs in low-skill sectors, such as household services.

Benefit generosity has no impact on EU migration

Why do these objective facts still generate such emotionally charged opposition? What causes those strong sentiments against immigration even though the economic benefits of (properly controlled) immigration are obvious? As American and British researchers have shown, the widespread resentment is not just about the fear of losing one’s job to a foreigner; it is also about a deeper fear of negative changes in one’s cultural and social environment. If we fail to address these concerns adequately, the gap in the minds will widen – up to a point where the term “integration” might evoke a negative connotation.




Klaus F. Zimmermann



Institute for the Study of Labor



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