Migration and labor markets: why are there different regimes of immigration in Europe?

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The Changing Patterns of Migration

Migrations continue to play a key role in the functioning of the labour markets. Yet, the number of migrants relative to the world population seems quite small compared to the massive migrations of the 19th and the beginning of the 20th century. Also, labor migration continues to be restricted while other components of globalization (business, foreign direct investment, financial capital and technology flows become less restricted. The stock of international migrants stood at 82 million in 1970, 100 million in 1980, 154 million in 1990 and 175 million in 2000, and reached 190 million in 2005 (United Nations need source): an average increase of 2.1% per year. But the emigration rate that relates migrations to the world population only rose by 2.5 to 2.9% (the world population increasing by 15% over the same period). Despite this seeming insignificance migrations dynamics changed dramatically in OECD countries during the 1990s so that immigrants represents a significant 10% of the OECD countries’ population. The home countries of migrants are developing countries and the host countries are mainly the OECD countries, oil-producing Gulf countries, and other southern countries. The characteristics of migrants have also changed markedly: they are more and more skilled and half of all flows of migrants are women -- traditionally migrants were mainly men.

Thus, the diversity of migrants’ nationality the migration channels they take, and the growing share of movements of temporary and skilled workers in the total migration flows reveal the importance of international migrations in contemporary globalization. The European Union (EU) plays a central part in this change. The economic and monetary integration and the implementation of the Schengen Agreements on the one hand, and the different waves of enlargement towards the south and then the east of Europe on the other, have contributed to relaunching and making the migration dynamics more complex.

European Union is not a homogenous zone despite the existence of a single market and a single monetary union. There structural divergences between the old industrialised countries and the peripheral countries including the new members remain. Therefore, immigration of workers plays a specific role in the different countries and migrants are treated differently in the different labor markets. But, practically, other factors may determine the behaviour of migrants that are linked more to network effects between the families or tribes of migrants and to specific factors (different amenities or social and political situations) that do not necessarily concern the labour markets. For instance, a national of a European country who is jobless because of a negative shock will not necessarily attempt to emigrate so as to find a job in a country where few of his fellow countrymen have settled before (absence of network) or in which the social welfare system is less attractive despite better conditions on the labour market. At the same time, migrants develop strategies to join different countries.

The first part of this study describes the changes in European migration dynamics. The second part uses econometric analysis to describe migration behaviour. We estimate determinants of immigration using reduced equations for two types of explanatory variables: labor market and network effects variables. The statistical results are interpreted to describe different kinds of migrations and different European and American immigration regimes in the third and last section.
I. The dynamics and new characteristics of migrations in Europe

The dynamics of migrations

The beginning of the economic crisis in the developed European countries in the early 1970s and the ensuing rise in unemployment have served to justify the closure of its frontiers to any new migration wave of workers with an economic aim in view. But political and humanitarian migrations are continually increasing. Family reunification still makes up the main category of entries into numerous countries of the EU even if some countries aim to limit the inflows of families because of the cost of their social welfare. For instance, restrictions as to family reunifications, bearing on the union of spouses, have been taken in Denmark and also more recently in France. In the 1990s, asylum claims increased in most OECD countries and sometimes reached high levels (Germany, the Netherlands, Sweden, Switzerland). The number of asylum seekers plunged dramatically in Europe. This downturn results from the combined effects of the implementation of more restrictive measures and changes in the political situation of the home countries (Garson, 2006).

The large host countries (Germany, the United Kingdom, France) continue to receive the majority of immigrants from the European Union; there has also been an upturn in immigration flows since the mid-1980s, which accelerated until the end of the 1990s. The severe world wide recession starting at the end of 2008 is slowing down migration flows. This new rise in migration is explained by the emergence of new host countries. Southern European member states have recently become net immigration countries (Italy, Spain, Portugal, Greece) as have peripheral countries, such as Ireland and Finland. The European host countries differ in terms of the categories of migrants they tend to receive. Those new host countries, especially Portugal (55 % of the total immigrants), Spain and Italy, are mainly labour migration receivers as well as Denmark, Finland and United Kingdom. Germany, Sweden, Norway and France mainly receive refugees and migrants who come for family reunification reasons.

Despite these changes, flows of migration between EU nations (intra-EU) remain small the flows in the big American regions. Except for the specific case of Luxembourg, the annual immigration rates of Europeans (the total number of EU immigrants in the total population of the host country) do not exceed 0.25 % of the total population; whereas the internal migration rates in the United States range from 0.8 to 1.6 % in the 1980-1990s (Mazier, Oudinet, Saglio, 2002).

The analysis of a section on immigration of Labor Force Survey (LFS) database, with data on the country of residence and on the nationality of the migrants, allows a distinction between intra-European Union (15 member states) migrants and non-European Union migrants ¹.

¹The European Union Labour Force Survey (EU LFS) is a quarterly sample survey covering the population in private households in the EU, EFTA (except Liechtenstein) and Candidate Countries. It provides annual and quarterly results on labour participation of people aged 15 and over as well as persons outside the labour force. The EU LFS sample size amounts approximately to 1.5 million individuals each quarter. The quarterly sampling rates vary between 0.2% and 3.3% in each country. Using these data on 15 old members’ states, we consider the 10 new member states of Central and Eastern European Countries as non member states in terms of migration because they haven’t joined the Schengen free circulation EU agreement. A section on immigration of Labor Force Survey (Eurostat) has been handled by Mouhoud and Oudinet (2007).
The mobility of both non-EU migrants and nationals contributes to intra-EU migrations and can be measured with LFS survey. With the integration of Central and Eastern European countries that have recently become members of the Schengen area, this intra-EU immigration rate rises mechanically, although again, compared to the United States the global rate is low.

The share of migrants originating from former member states accounts for about 20% of the total European immigration. Migrants as a whole, regardless of their origin (nationals, EU migrants, non-EU migrants), who emigrate to countries within the European area (except the new member states), represent more than a third of all migrations, with the remaining two thirds of migrants originating from countries outside the former member states (Mouhoud, Oudinet, 2007). Intra-European migrations experience a sharp increase however, even though extra-EU migrations remain more dynamic. This growing dynamics can essentially be explained by the integration of new member states.

Migrant host European countries are different in important ways. Some mainly receive migrants from former EU countries (Luxemburg, Ireland, Belgium, Austria). Conversely, the majority of migrants who settle in Germany come from new member states and from outside Europe. This also goes for Greece, the Netherlands, Italy, Spain and France.

Inflows from Eastern Europe have risen and the increase in entries of migrants from Ukraine, Moldavia and Romania has been confirmed. In Portugal, entries from Ukraine and Brazil have gone up and even outnumbered migrants from former colonies (the Cape Verde Islands and the Comoros). Italy, the Czech Republic and Poland also experience an upswing in inflows from Ukraine. In Spain, there is an increase in inflows of nationals from Latin America and the same goes for migrants from Central and Eastern Europe. In Ireland, the emergence of new countries of origin such as the Baltic States and other Central and Eastern European countries is the main feature of recent flows and will presumably continue to be. These countries, like the United Kingdom and Sweden, have indeed decided not to implement the transition period that had been initially foreseen and their labour market is thus freely accessible for nationals from the new member states. Migrants originating from Central and Eastern European member countries have two main host regions according to their level of integration into the EU: the migrants from new member states go directly to Germany, to Finland or to Austria whereas migrants from eastern Europe mostly go to South-European countries.

**The rise in skilled migrations**

One of the major changes in migrants’ characteristics from the 1960s is the considerable increase in the proportion of skilled workers. With the end of the “Fordist” model and the structural changes in developed economies, the factors that appeal to migrant workers in host countries have altered. Selective recruiting policies of foreign workers have developed markedly over the last years owing to the ageing population and a real or potential shortage of skilled labour (Garson, 2006). In many European countries, selective recruitment entails amendments to national labour laws and the signature of agreements that permit to resort to work migrations in the sectors experiencing a shortage, situated notably at the two extremes of the scale of qualifications.

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2 Fordist migration is linked to postwar reconstruction and anti-colonial and independence movements in its colonies in the 1950s. In the post-1945 Fordist era, different European nation-states established recruitment policies (King, 2002). For the French fordist model of immigration, see also G.Noiriel (2002).
The stock of skilled immigrants in the OECD has increased by more than 50% between 1990 and 2000 (Docquier, Lohest and Marfouk, 2005). On a global scale, more than half of all skilled immigrants choose the United States as the host country. The share of European Union-15, in the skilled immigration in this OECD was much weaker (22.6%).

The position of the 15-member European Union is that of an intermediary zone: it shows a deficit in terms of exchanges in skills when compared with North America and Australia (2.5 million skilled Europeans live in Canada, the United States and Australia) but this deficit is offset by the inflow of skilled migrants from developing countries and from Central and Eastern European countries.

The rise in the proportion of skilled workers can also be explained by an auto-selective effect on the part of migrants (Defoort, 2007): migrating is very difficult considering the high cost of migration regardless of the income differentials anticipated by the migrant between his home country and his host country. An incentive to invest in human capital and education may then develop in order to increase one’s opportunities to leave. Highly-skilled workers are more likely to cut these migration costs that are not only composed of transport and smuggling costs but also of psychic and insertion costs and especially of information costs linked to extremely heterogeneous legislations among the different host countries.

Moreover, skilled migrants learn the “process” of mobility, which makes them particularly able to move within the host countries and between the different regions. Thus they participate in the adjustment of labour supply and demand between the employment zones within the host countries and among the countries of the Euro zone. However, owing to their difficulties to show their skills on the labour market and to the alleged information asymmetries concerning the quality of degrees between job-seekers and recruiters on the labour market, these migrants often experience a drop in status, at least at the beginning. Hence, they develop mobility strategies in order to achieve a relative adequacy between their qualification and their compensation. According to LFS data, on the European labour markets, and especially in the United Kingdom, migrants are overrepresented in the labour force at the two extremes of the scale of qualifications.

_The new nomads: the case of “repeated migrations”_

In addition to the aforementioned increase in skilled migrations and women is another new developing phenomenon. Repeat migrations are also highlighted in Mouhoud and Oudinet (2007). A repeated migrant is defined in Eurostat Labor Force Survey as follows: a migrant quits her or his home country (Ukraine for instance) and dwelling in a European country (Germany for instance) after having spent some time in another European country (Portugal for instance). Migration is said to be repeated from the moment when the migrant carries out at least her or his second emigration. This example displays a repeated migration of a non-EU migrant within the area of the European Union. Another example of repeated migration could be that of an EU migrant (a Frenchman for instance) who dwells in Spain when the survey is held after having lived in another non-European country. This type of migration, which is

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3 In this example, Germany can be qualified as the target country whereas Portugal is the transit country.
4 The LFS survey only permits to construct and to measure these two categories of repeated migration and therefore underestimates the extent of the phenomenon.
admittedly still scarce, reflects nevertheless a change in the dynamics and the characteristics of migrations and foreshadows the development of migratory circulation.

On this basis, it may be observed that repeated migrations, which occur more and more often, especially concern migrants from countries that are not European member states.

For the countries of the European Union as a whole, the share of repeated migrations is nearly 10%. Portugal, Spain, Denmark and Austria are particularly favoured by migrants with repeated mobility (nearly 20%).

An analysis of this phenomenon reveals a marked difference in the behaviour of migrants according to their nationality. Migrants originating from outside the EU or from new Central or Eastern European member states tend to use peripheral countries (Spain, Portugal, Greece) in order to reach the big host countries situated in the central area of the European Union. Though the extent of repeated migrations of non-Europeans is still small the phenomenon has a sharp increase over the last 1990s: +15% between 1992 and 2002, Mouhoud and Oudinet, 2007). There seems to be a discrepancy between countries that act as target countries and those that act as transition countries, a discrepancy that reflects the differences in the economic demands and in the immigration policies of countries.

The situation of Europeans in repeated migration is due to another aspect of migration more generally linked to the mobility of highly educated people (Bailly, Mouhoud, Oudinet, 2004). Community migrants tend to move within multinational corporations and to leave countries situated at the centre of the EU to move towards peripheral EU countries (Portugal, Greece, Spain and Denmark).

Within the European area, there thus exists a multiplicity of migration logics and characteristics. Boosting intra-European immigration (more than a third of total migrations) is essentially stimulated by non-Europeans who can choose to settle first in some countries considered as transition before reaching their destination in another European country. The new host countries located at the periphery of the European Union seem to play that role. Conversely, European migrants tend rather to choose peripheral countries.

This new phenomenon of repeated migrations, which does not only concern Europe, reveals a change in the nature of the characteristics of migrants and has to be particularly related to the rise in the migration of skilled workers.

A substitution phenomenon between immigrants themselves

The analysis of the Eurostat LFS survey, by itemizing nationalities by level of qualification (unskilled, medium-skilled and highly-skilled), highlights a drop in less qualified immigrants originating from southern and eastern Mediterranean countries which is offset by an increase in those that come from Central and Eastern European countries. This is the case in Portugal, where Ukrainians partly supplant immigrants from Angola and the Cape Verde Islands.

Several groups of countries can be distinguished in the evolution of the population of foreigners. In traditional immigration countries, such as Germany, France, the Benelux countries or Austria, there is a sharp downturn in less skilled foreigners originating from the south and the east of the Mediterranean (of the order of 20 to 30%) but this decrease is partly compensated by an upswing in non-European unskilled foreigners (in particular from Eastern and Central European countries). On the other hand, the drop in unskilled foreigners is general in Scandinavian countries and in the United Kingdom (except the Turks). The last
group of countries is made up of Eastern and Central European countries and peripheral southern countries where there is an increase in unskilled migrants originating from the south and the east of the Mediterranean (the number of Algerian migrants has been multiplied sevenfold in Greece, and the number of Moroccan migrants fourfold in Spain).

Globally the rise in skilled migrations especially stems from Eastern and Central European countries and from the Maghreb. Growth is less marked insofar as the Turks are concerned, particularly in traditional immigration countries such as Germany, Austria and Denmark. Conversely, skilled Turkish emigrees coming to France and Belgium experience a marked increase.

This double trend concerning migrations in Europe – the growing role of the southern European countries in the reception of migrants and the development of repeated migrations – can undoubtedly be explained by a closer analysis of the labour characteristics of migrants on the different job markets. This double observation confirm that intra- and extra EU mobility within the European Union is characterised by migrants who are rather highly educated and seek service sector jobs. Graduate migrants present in southern European countries experience a mismatch as to their integration into the labour market (temporary contracts) and the position they have (in different sectors from those of their home country). This mismatch may be interpreted as the price to be paid in order to acquire geographic mobility, first through the most open EU countries in terms of migration policies (southern Europe), towards countries located in the centre of the EU in the hope of finding jobs that better match their initial qualifications.

II. Country differences and inequalities between migrants in the EU

Dealing with these dynamics and new characteristics of migrants on the EU labor markets, we analyse the determinants of immigration from intra-EU versus extra-EU regarding the classical labour market variables and the structural one. We explore the idea that EU member states differ in their migration patterns because host countries have different conditions and the migrants themselves, based on their geographical origins, use different strategies when relocating.

Migrants are presumed to be sensitive to changes in labour market characteristics: such as wages and the unemployment rate. Other structural variables, such as countries amenities or existing migrant networks, may also matter in the migration decision.

The first section presents the structural model and the second section deals with the results.

A model of determinants of migration combining factors linked to the labour markets and structural factors

We use a structural model (see box 1 and Mouhoud, Oudinet, 2006 for more details) of the disequilibrium of labour markets inspired by Harris and Todaro (1970) which is completed by the contributions of Graves (1979) on the differences in amenities, so as to answer the question of the respective roles of labour market variables and the other structural variables
Moreover, immigration costs and more particularly the costs tied to the uncertainty of information concerning the host country may justify the inertia of migratory decisions formalized on the basis of a dichotomic adjustment process (Greenwood, 1985, Stark and Bloom 1985). The importance of migration costs, both monetary and psychic, and the inertia of migratory decisions linked to the uncertainty of information are as many factors that jeopardize the efficient rebalancing of the labour market (Greenwood, 1985).

We use Seemingly Unrelated Regression (SUR) method to estimate the reduced equation of the model described in Box 1 (the combination of equations 4 and 5) for thirteen European countries over the period 1986-2000. The database is New Cronos Eurostat.

\[
\log \left( \frac{IM_{i,t}}{POP_{i,t}} \right) = \alpha_i \cdot \log \left( \frac{w_{i,t}}{w^*_{t}} \right) + \beta_i \cdot \log \left( \frac{U_{i,t}}{U^*_{t}} \right) + \delta_i \cdot \log \left( \frac{IM_{i,t}}{POP_{i,t}} \right) - \eta_i + \epsilon_{i,t}
\]

with \( i=1, \ldots, k = 13 \) European countries
- \( IM_i \) = immigration inflow to country \( i \)
- \( POP_i \) = total population of country \( i \)
- \( W_i \) = salary of immigration country \( i \) in PPA
- \( W^* \) = weighted average EU salary in PPA
- \( U_i \) = unemployment rate of immigration country \( i \)
- \( U^* \) = weighted average unemployment rate in the EU
- \( \eta_i \) = fixed effect of country \( i \)
- and \( \epsilon_{i,t} \) is the random term

Box 1. A model of determinants of migration combining labor market and structural factors

In our basic model (see Mouhoud and Oudinet 2006 for more details), migrations are a reaction to the disequilibrium on and among labour markets. The would-be migrant compares the wages he may hope for in competing countries including her or his home country (\( w^* \)) and the wages he may hope for in the region of destination (\( w_i \)). He will choose to migrate to a country \( i \) if the wage expectancy is superior to that in competing countries (including her or his home country) and to the relative costs (among different locations) of migration (\( c \)).

\[ w_i - w^* > c \quad (1) \]

As in the static model evolved by Harris and Todaro (1970), the anticipated salary is tantamount to the product of the salary by the instantaneous probability of finding employment:

\[ w_i = (1-u_i) w_i \quad (2) \]

The unemployment rate has a negative effect on immigration as it reduces the probability of finding a job (1-\( u_i \)), \( u \) being the unemployment rate in the host country, and therefore decreases the wage expectancy.

The model therefore can be generalized to comparisons of use and non-monetary costs:

\[ U^x(w_i, x_i) - U^x(w^*, x^*) > c \quad (3) \]

Variables \( x^* \) and \( x_i \) are non-monetary elements of use, corresponding to each location (amenities): enjoyment of public utilities or the climate. It is noteworthy that the access to public utilities, present in the use function of agents (variables \( x^* \) and \( x_i \)), may
constitute an important argument for migration provided that these public utilities play a significant role in well-being (Graves, 1979).

Further to equations 1 to 3, and remaining within a disequilibrium framework, we may attempt to formulate a model that integrates variables pertaining to the labour market and other amenities so as to answer the question of the respective roles of these factors.

\[ IM_{i,t}^c = \left( \frac{IM_{i,t}}{POP_{i,t}} \right) = \Phi \left[ \frac{w_{i,t}}{w^*,t} \frac{U_{i,t}}{U^*,t}, \eta_i \right] \] (4)

with \( i = 1, \ldots, k \) European countries

\( IM_i = \) immigration inflow in country \( i \)

\( POP_i = \) total population of country \( i \)

\( W_i = \) salary of immigration country \( i \) in PPA

\( W^* = \) average weighted EU salary in PPA

\( U_i = \) unemployment rate of immigration country \( i \)

\( U^* = \) average weighted EU unemployment rate

\( \eta_i = \) fixed effect of country \( i \)

The two variables indicating the disequilibrium on the labour markets, notably the salary and the unemployment rate that appear in equation (2), are present. As the labour markets are interdependent, the variables appear in a relative way. The wages in host country \( i \) is divided by the average wages of competing countries \( w^* \). Thus, an increase in the wages of competing countries that would be more significant than that in host country will reduce the attraction of the latter. The opposite effect occurs for the unemployment rate that reduces the income expectancy in the host country.

Following equation (3), the amenities and other structural variables are assessed through the specific fixed effects in the host country. These variables only change very little (climate differences for instance remain nearly the same).

Migration costs (monetary and non-monetary) are a control variable of migration policies. The initial fixed cost is influenced by border controls. Subsequent costs, incurred during the migrants’ stay, are influenced by policies linked to residence permits, to the fight against illegal immigration and the “general climate” of the immigration country. The literature on migrations puts rather large emphasis on network effects that can reduce these psychic costs and improve integration. In comparison of macro-level data where the nationality of immigrants and previously immigrated foreigners cannot be distinguished, delays in the process of migration permit to gain deeper insight in some of these aspects. Partly because information is costly and requires time to get it, there is a delay in the response of migration to variations (Greenwood, 1985). Inertia in the decision to migrate is linked to the uncertainty as to the alternative conditions of the country of destination. If a certain destination is deemed preferable by an individual or a group who subsequently emigrates there, then a “channel” is established for the information flow towards the home country. The information channel reduces the information cost concerning alternatives and has to reduce the uncertainty to migrate to that country (Stark, Bloom, 1985). Family reunifications also explain why emigrant flows made up of women and children follow male emigrant flows with some delay. In studies using macro-level data delays in emigration flows or rates are significant.

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5 Drettrakis (1976) has shown that women originating from South-European countries (Italy, Greece, Spain, Turkey, Portugal) emigrated with a delay as compared to male emigrants to Germany. The delay differed according to their nationality.
and are of the order of one year. Since then, all the other comparative studies mentioned below include delays of that type.

The formulation of adaptative anticipations towards these information flows allows dynamic equation (5)⁶.

\[
\frac{tIM_{i,t}}{tIM_{i,t-1}} = \left( \frac{tIM_{i,t}^e}{tIM_{i,t-1}} \right)^{\lambda_i} \tag{5}
\]

The adjustment process of migration is dichotomic (equation 5). From one year to the other, the immigration rate adjusts to the expected level with an adjustment \(\lambda\). Immigration does not adjust instantaneously to the disequilibrium variations on the labour market. The inertia \(\delta\), equal to \((1-\lambda)\), is strong because of the psychic costs of migration and the uncertainty in the anticipation on the conditions of the host country. Networks of friends or fellow countrymen that have settled previously may diminish the uncertainty about the host country conditions and therefore its ensuing costs.

We use the difference between the income destination country and the mean of other European countries, and not the difference between the income destination country and income home country. The analysis goes beyond the traditional approach of explaining migrant behavior by examining why people leave their home country by analyzing the reasons the migrants choose their country of destination (Pissarides and McMaster, 1990, Eichengreen, 1993, Attanasio and Padoa Schioppa, 1991). An identical methodology is used to determine the differences in the unemployment rate.

Other structural factors important in the migration decision include differences in a nation’s amenities (environment of the country, climatic conditions, presence of infrastructures, social welfare) or migration and information costs (that will be diminished by network effects associated with the presence of fellow countrymen who have already settled in the migrants’ country of destination). These factors are accounted for by using fixed effects techniques and the “inertia” of migration flows that is linked to psychic costs (see box 1). Fixed effects can reflect the specific features of countries such as, for instance, the presence of infrastructures that attract migrants to a region.

Network effects can be associated with psychic costs and thus by strong temporal inertia in migration flows. For instance, in a country where immigration flows recur in the same proportion from one year to another, whatever the evolution of the labour market may be, structural and network determinants predominate. Generally the stock of migrants that have already settled in a country is used in order to characterize the networks when working on migration flows by nationality. Therefore, we should dispose of statistics providing the precise breakdown of the nationality of migrants and of foreigners in the host country. In the present case, the migration rate delayed by one year is the best variable to approximate network effects. Besides, the inertia of migration flows is used in the comparative studies cited before.

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⁶ From the seventies onwards, adaptative or extrapolative anticipations have yielded better results than static anticipations (Walsh, 1974, for Irish migrations to England).
**European migrations are affected by the existence of networks**

Migrants are affected by labour market and structural factors. The degrees of their sensitivity to these factors depend on where they originate from the European Community or not, and to what their host country is.

**Fig 1.a and 1.b. Elasticity to the immigration rate of EU non-EU migrants**

**Fig 1.a: Factors linked to the labor market**

![Graph showing elasticity to the immigration rate of EU non-EU migrants](image)

**Fig 1.b: Structural factors and networks**

![Graph showing structural factors and networks](image)

Estimated by authors (see annex 1)

**Intra-corporation mobility for EC migrants**

A first analysis highlights that non-EU immigrants are more affected by labour market variables, especially differences in the unemployment rate, than are EU immigrants (fig 1.a). For nearly half of all countries, the unemployment rate is a significant variable affecting migrants’ decisions than for non-EC nationals. For 40% of all countries, wages are significant variable, whereas EU migrants are sensitive to labour market variables only in some countries.
Non-EU migrants seem to make the decision to emigrate in a more speculative way, that is to say, without having the guarantee of finding a job in the host country. For EU migrants who are often integrated into corporations’ internal markets, their decisions to emigrate are predetermined in terms of employment (contract migrations). Besides, skilled EU migrants often keep the same employer (Table 1, LFS data). Therefore, the psychic costs of migration are lower and inertia is a little weaker on average for Europeans. Similarly, the negative impact of fixed effects is less significant for EU migrants who can access public infrastructures more easily.

Table 1. Share of migrants and of skilled migrants who keep the same employer in the total of those who have a (permanent and temporary) work contract - year 1999

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<tr>
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<th>BE</th>
<th>AT</th>
<th>DE</th>
<th>FR</th>
<th>NL</th>
<th>UK</th>
<th>DK</th>
<th>ES</th>
<th>GR</th>
<th>PT</th>
<th>All</th>
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<tr>
<td>All migrants</td>
<td>66%</td>
<td>n.d</td>
<td>18%</td>
<td>39%</td>
<td>45%</td>
<td>13%</td>
<td>69%</td>
<td>6%</td>
<td>16%</td>
<td>23%</td>
<td>26%</td>
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<td>Average of core countries</td>
<td>28%</td>
<td></td>
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<td></td>
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<tr>
<td>Skilled migrants</td>
<td>63%</td>
<td>59%</td>
<td>30%</td>
<td>42%</td>
<td>55%</td>
<td>13%</td>
<td>88%</td>
<td>n.d</td>
<td>27%</td>
<td>40%</td>
<td>38%</td>
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<tr>
<td>Average of core countries</td>
<td>38%</td>
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<tr>
<td>Average of peripheral countries</td>
<td>12%</td>
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Source: LFS survey - Mouhoud, Oudinet (2007)

EU immigrants seem to be more sensitive to an increase in relative wages when they migrate to northern countries (Sweden, Denmark and Germany). The reasons evoked by Westerlund (1997), linked to the control of wages, may account for the strong elasticity in Sweden. Conversely, job prospects are of paramount importance in the decision to migrate to the United Kingdom as well as to Greece. The case of the United Kingdom, renowned for attracting many young Europeans, is characteristic, with an elasticity that is twice as important for EU migrants (-1.2 against –0.4 for non-EC nationals). By the way, 87 % of migrants who come to the United Kingdom change their employer (13 % keep the same, see table 1). In Greece, 84 % come without the framework of intra-corporation mobility. Spain and Portugal could be in the same case because there are respectively 94 % and 77 % who do not keep the same employer.

Spain is the only country that has a positive fixed effect (fig 1.b). This means that Spain’s amenities, and especially its climate, incite EU migrants to chose Spain, and to a less extent to Ireland. Conversely, the importance of psychic costs (linked to the absence of networks) causes the adjustment to be the slowest in those two countries.

The host countries at the periphery of the European Union

The most important sensitivity of global immigration to the unemployment rate in Spain is essentially characteristic of non-EU immigrants, for elasticity is the highest there. There is also the case in Finland, where migrants mainly originate from Russia and Eastern European countries, and certainly also in Greece (Albanians, Bulgarians and ex-Yugoslavians). These three countries which are host and transit countries for non-Europeans more readily use migration as an adjustment variable.

Besides, these migrants often accept any opportunity and change jobs, sometimes only temporarily, in order to get a “passport” for the European Union. The “job sectoral stability

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7 But the coefficients, even if they are high, are not significant enough.
index⁸ is the weakest in peripheral countries both for the skilled and the unskilled. Spain, Portugal and Greece are the countries with the weakest indices: a third of all migrants remain in the same activity sector and less than a quarter does so in Spain and in Portugal (table 2).

### Table 2. Index of job sectoral stability: Share of migrants that keep the same activity sector before and after migrating - year 1999.

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<tr>
<td>nd</td>
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<td>44%</td>
<td>49%</td>
<td>48%</td>
<td>29%</td>
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<td>Average of core countries</td>
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*Source: LFS survey - Mouhoud, Oudinet (2007)*

In countries characterized as target countries, non-EC immigrants are rather sensitive to the labour market also (fig 1a). The nature of the work contract of migrants provides us with a shift of emphasis concerning their integration conditions in the host countries (table 3). It is again, in the southern peripheral countries (Greece and Portugal) that migrants conditions are the most precarious; the migrants in the United Kingdom also are vulnerable, they have five times as many temporary contracts as nationals do).

Estimations (fig 1a) rather concern wages in Germany (essentially from Turkey), in France (essentially from the North African countries), as well as in Ireland. Concerning United Kingdom, Belgium and Netherlands, the unemployment rate plays a larger role. It is

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⁸ Defined as the share of migrants that keep the same activity sector before and after migrating
noteworthy that in Portugal the labour market variables are not significant for non-EU immigration. The organisation of immigration (notably from Central and Eastern European member states) by Portuguese authorities and corporations according to economic variables may account for this weak dependence on the variations of the labour market. The new immigrant flows (Ukrainians and Eastern Europeans) are dependent on a disguised quota policy (Mouhoud, Oudinet, 2007). On the other hand, the weak amenities for them explain the strong negative fixed effect (fig 1.b).

Psychic costs are higher for non-EU migrants in the great majority of countries, especially in Spain and in Finland. Only in Luxembourg, where the Portuguese Diasporas reduces them, are they lower than for a migrant from the European Union.

In all, the analysis of the results of representations highlights two effects:
- a competition effect between labour market variables and structural variables (amenities and networks) on the one hand;
- a complementary effect within these structural variables distinguishing between fixed effects (amenities) and the inertia of adjustment (information and psychic costs of migration inversely correlated to network effects).

Otherwise, two types of behaviour on the labour market can be distinguished according to the categories of migrants on the one hand and the position of host countries on the other. From the migrants’ point of view, those who come from countries that are not European member states are more influenced by the wage differentials between countries in their location choice of the host country. Conversely, those who come from member states are less sensitive to relative wages and to employment since they keep the same position and the same salary within the framework of an internal labour market (multinational corporations).

The position of the host country also plays a role in the distinction of the different migratory logics within the European area. The peripheral countries of the European Union, which experience a structural divergence as compared to the core countries, use migration more readily as an adjustment variable, which explains why migrants are more influenced by the differences in wages and in jobs when moving to these countries. Conversely, network and structural effects play a larger role insofar as immigration to core European Union countries is concerned.

III. Why are there different regimes in the European Union area?

If, from the beginning of the creation of the European Union, each nation adopted different protections for workers, including labour laws and Social insurance programs. The different standards come from essential differences of of each member state. Each nation and the community had to honor the differences in standards and the overall community objective of allowing people to move freely between states, Therefore the Community has adopted various to remove the impediments to the freedom of movement.

Within the European construction, the immigration policy remains essentially within the scope of national sovereignties even if the European construction encourages its member states to strengthen their cooperation. But the diverse political solutions that have been adopted by different countries exemplify the difficulties to define a real European immigration policy. These difficulties are all the more important as several countries have taken unilateral measures concerning immigration according to the situation on the labour market. There appears indeed a strong asymmetry of the relative positions of European countries in terms of immigration policies: some are traditional host countries and implement
selective opening policies while the new immigration countries of the south of Europe continue to have regulated opening policies and serve as entrepot countries for highly educated and young migrants originating from Central and Eastern Europe as well as from developing countries.

The reasons for these divergences largely pertain to the heterogeneous economic needs of the different member states of the European Union:

- on the one hand, the big countries belonging to the core of the European Union, with needs for a workforce situated at the two extremes of the scale of qualifications, in certain industrial sectors or in high-tech services or again in more traditional sectors, more and more openly resort to qualified migrants originating from developing or Central and Eastern European countries but also to temporary semi-skilled workers (agriculture, construction);

- on the other hand, to the extent that the European Union is not a homogeneous zone, peripheral countries, which feature a structural divergence with core countries, tend to attract extra-EU migrants in a more or less official way. Spain and Portugal largely develop such policies of regulated opening;

- as for migrants, they evolve successive geographic and mobility strategies across sectors : they choose to enter the European Union through peripheral countries which quickly regulate their situation and accept low transitional salaries in exchange of the subsequent possibility they are thus given to get a “mobility passport” within the European area.

Far from converging towards a single immigration model, European regimes seem to be more competing than complementary. Thus, a North-European and a South-European regime can actually be distinguished. The positions of France and of the United Kingdom constitute mixed regimes poised between these two models: this mix model could be defined as historical regime based on strong historical linkages with their immigrants.

**The North-European model which France and the United Kingdom seem to quit**

The North-European model is characterized by opening policies in the shape of bilateral contracts for the skilled, aiming particularly at intra-Community immigration and the immigration of skilled originating from southern and Central and Eastern European countries. These countries are the favourite targets of skilled migrants who are more likely to find positions (aimed at by intra-Community skilled workers with standard degrees and by extra-EU skilled migrants who move repeatedly) that better match their level of qualification. Concerning the adjustment of labour markets, politicians loosen constraints on the unskilled (need for workforce in sectors that have difficulties to recruit). But to the extent that these countries benefit by a dominating competitiveness, regardless of cost, in exchangeable sectors, the adjustment by unskilled immigration essentially concerns non-exchangeable goods (services to households). Nevertheless, the United Kingdom and France stand out from these countries by the inertia of the historical structure of their immigration for which network effects prevail (less skilled extra-Community nationals). France tends to converge towards the South-European model, essentially because of its low attractiveness for highly-skilled migrants who prefer the United States, Canada, or even the United Kingdom.
The South-European model towards which France seems to converge

Portugal is a case in point featuring the import of non-official labour that is mainly carried out by the authorities for reasons of macroeconomic adjustment. Indeed, if Portugal has succeeded its nominal convergence by globally respecting the Maastricht criteria, the subsistence of a structural divergence in comparison with the average of the European Union causes it to seek alternative adjustment modes to the use of competitive devaluations which it frequently resorted to before adopting the Euro. As its relative labour costs turn out to be higher than those of Central and Eastern European countries (although they are inferior to those of the core EU countries) for a lower productivity level, the Portuguese economy experiences important problems linked to structural adjustment and to the under-competitiveness of its products on the European and extra-EU markets. The new migration inflows arriving in Portugal come from Central and Eastern European countries, from Ukraine, Moldavia or Russia… Traditional immigration waves keep coming to Portugal and originate in particular from former African colonies as well as from Pakistan and Brazil. Migrants, notably from Ukraine, Moldavia and Russia, choose to enter Portugal because of the flexibility of its reception and the greater possibility of regularization they are given. Indeed, a new law dating from January 2001 allows for a quick regularization of immigrants as soon as the candidates have employment proposals from companies that are in order. The Portuguese authorities and a more or less implicit policy of quotas favour the immigration from Central and Eastern European countries. Indeed, the regularization of immigrants is carried out case by case and goes through the employer. A high level of qualifications and the acceptance to do unskilled work in construction, textile or services, as well as the low level of wages for an increased productivity, are important assets for Portuguese employers. Moreover, as it has been experienced in Spain, the workers from Central and Eastern European countries are very likely to accept to be dispersed geographically in the different Portuguese regions.

Spain, Italy and Greece seem to follow the Portuguese model. What is noteworthy is that France, which seems to be situated in the core model, tends to join the South-European model. The French have specialized in ultra-high technology and it also developed an unskilled labour-intensive goods and services production. The Fordist model best explains the polarization of the French approach to immigration regulation. The main branches of Fordism (iron and steel industry, textile, automobile, construction and civil engineering, mining) depended on an immigration policy that created contracts at both ends of the scale of qualifications. During the early 2000 the French implemented a hybrid regime: on the one hand, the regime seeks to come closer to the Anglo-Saxon quota model for the purpose of employment; and on the other hand, it moves closer to the Mediterranean regime with its selective opening organized by nationality or by qualification in accordance with relegation strategies (lower wages than natives with equivalent degrees) and a geographic distribution in regions affected by difficulties to recruit. As in the Portuguese case, companies play the role of regularizers of illegal migrants. The ex post regularization model by companies is the one that allows for the highest flexibility and the lowest salaries, which is the basis of the relegation of employed migrants. This type of regulation is very flexible from the home country point view. In the crisis context and of jobs downsizing in the southern European countries, migrants are the first workers fired. And we can suppose than when the host countries will recover again the economic growth the companies will recruit again massively this type of workers.
For instance, the opened immigration policy in Spain in the early years of 2000 has contributed to boost the Spanish GDP growth. But since the beginning of the financial and economic crisis, the government stopped dramatically the immigration process and decided to encourage by financial supports, about 100 000 migrants to return back to their countries of origin. Furthermore, the government has signed bilateral agreements with States, as Romania in May 2009, in order to discourage emigration to Spain. As a result, net migration has been declining from 700 000 in 2007 to less than 500 000 in 2008 (figure 2). This dramatic decrease in migration flows is also observed for irregular migrants: 1.3 million to 0.376 between 2005 and 2007 according to the HWWI estimates (European Commission)\(^9\).

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\(^9\) Database on irregular migration (HWWI, project Clandestino, European Commission)
Table 3. Immigration regimes and labor markets in EU and USA

<table>
<thead>
<tr>
<th>Immigration regime (attracting the skilled)</th>
<th>Typical policy And type of host country</th>
<th>Role of migrations on the labour market</th>
<th>Competences and skilled</th>
<th>Adjustment role of labour markets</th>
</tr>
</thead>
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<tr>
<td>The northern Regime</td>
<td>Bilateral contracts for skilled (“Green Card” type)</td>
<td>Adjustment for the unskilled (need for labour in sectors with difficulties to recruit)</td>
<td>Strong attractiveness for the skilled “green card” type effect + bilateral agreements knowledge-intensive sectors (see education in France)</td>
<td>No macroeconomic adjustment by migrations ;</td>
</tr>
<tr>
<td>North EU</td>
<td>Strong intra-Community immigration</td>
<td>But dominating competitiveness, regardless of cost, for exchangeable sectors.</td>
<td>- Internal market for Community migrants</td>
<td></td>
</tr>
<tr>
<td>Germany, the Benelux</td>
<td>Closure to unskilled target countries (1st movement for intra-Community skilled with standard degrees)</td>
<td>Network effects prevail for less skilled extra-Community migrants</td>
<td>- Reinforcement of competitiveness, regardless of cost, by the immigration of highly-skilled</td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>2nd movement for extra-Community skilled</td>
<td>Limited opening for the unskilled</td>
<td>- Weak adjustment for exchangeable sectors</td>
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<tr>
<td>Sweden</td>
<td></td>
<td></td>
<td>- High adjustment for non-exchangeable sectors (extra-EU migrants sensitive to wages and employment)</td>
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<tr>
<td>United Kingdom*</td>
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<tr>
<td>*France</td>
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<tr>
<td>The Mediterranean Regime (competitiveness-price adjustment)</td>
<td>Pragmatic opening permanent regularizations (lists presented by employers)</td>
<td>Reserve of unskilled Ex post regularization model by companies</td>
<td>relegation conditions of the skilled more precarious working contracts than in the North substitution of relegated skilled immigrants (Central and Eastern European countries) for traditional unskilled migrations (ex. nationals of the Capo Verde Islands in Portugal)</td>
<td>macroeconomic adjustment by migrations since the adoption of the Euro Immigration adjustment variable</td>
</tr>
<tr>
<td>South EU</td>
<td>Transitory countries for qualified migrants and target countries for unskilled migrants</td>
<td></td>
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<tr>
<td>Portugal</td>
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<td></td>
<td>Exemple Spain: Contribution to growth and adjustment in crisis</td>
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<td>France</td>
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<tr>
<td>United States</td>
<td>Regulated opening for the skilled</td>
<td>American migrations are slightly more sensitive to labour market disequilibrium No network effects, contrary to immigration in Europe.</td>
<td>Very strong attraction of competences</td>
<td>Rebalancing role on the labour market for internal migrations (among regions) : strong macroeconomic adjustment for unskilled labour-intensive sectors and non-exchangeable</td>
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<td></td>
<td>Massive regularizations for the unskilled</td>
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</table>
4. Conclusion

The heterogeneity of the European economies facing monetary integration in particular favours an instability of national regimes in the absence of an EU common immigration policy: Europe thus has to deal with a fragmentation of labour markets in which the migrations of both skilled and unskilled play a key role which however remains ignored. There is an over-utilization of migrations in view of official policies, in conditions where skilled migrants as well as the reserve of unskilled migrants are relegated. Thus, competition operates more between the different waves of immigration rather than between immigrants and natives in Europe.

Despite the recent boost of immigration flows to Europe migration is a small phenomenon especially in comparison to the amount of mobility American workers have. Migration between states in the United States which remains about ten times as important as migration within EU nations. The determining factors of these flows are less linked to the disequilibrium on the labour market than to network and structural effects. Therefore, it can be said that there exists a network effect premium in the determinants of migrations within the European area, contrary to what has been observed in the American case.

Two types of behaviour on the labour market can be distinguished according to the categories of migrants on the one hand, and the position of the host countries on the other. From the migrants’ point of view, those who originate from non-EU member states are more influenced by the wage differentials among the different countries in their location choice of the host country. Conversely, those who come from member states are less sensitive to relative wages and employment, since they keep the same job as well as the same salary within the framework of an internal labour market (multinational corporations).

The position of the host country also plays an important role to distinguish the different migration logics within the European area. Peripheral EU countries, which are in a situation of structural divergence in relation to core countries, use migration more readily as an adjustment variable, which explains why migrants are more influenced by wage and employment differentials when moving to these countries. That’s what is happening more sharply since the last economic crisis. Again, but this time in a negative sense, migration is playing an adjustment variable role. Conversely, network and structural effects play a more important role in the case of immigration to the core countries of the European Union.
Bibliography


### Annex 1: Determinants in the choice of the host country of EU immigrants

\[
\log \left( \frac{IM_{i,t}}{POP_{i,t}} \right) = \alpha_i \cdot \log \left( \frac{w_{i,t}}{w_{*,i,t}} \right) + \beta_i \cdot \log \left( \frac{U_{i,t}}{U_{*,i,t}} \right) + \delta_i \cdot \log \left( \frac{IM_{i,t}}{POP_{i,t}} \right)_{\text{-1}} + \eta_i + \varepsilon_i
\]

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<th>Country</th>
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<th>Denmark</th>
<th>Spain</th>
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Period of estimation: 1986-1999, number of observations: 196

Adjusted R2: 0.99

Durbin-Watson: 2.04

### Determinants in the choice of host countries of non-EU immigrants

\[
\log \left( \frac{IM_{i,t}}{POP_{i,t}} \right) = \alpha_i \cdot \log \left( \frac{w_{i,t}}{w_{*,i,t}} \right) + \beta_i \cdot \log \left( \frac{U_{i,t}}{U_{*,i,t}} \right) + \delta_i \cdot \log \left( \frac{IM_{i,t}}{POP_{i,t}} \right)_{\text{-1}} + \eta_i + \varepsilon_i
\]

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Period of estimation: 1986-1999, number of observations: 196

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Durbin-Watson: 2.17