

# Labor Market Rights and Immigrant Flows Within Europe: The Role of the State in Shaping Destination Choices

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## Extended Abstract

Of all the social processes that governments seek to regulate, immigration is in many ways unique. On one hand, immigration is defined by the state and can exist only in a world with states and borders. On the other hand, immigration is a process over which states are often unable to exert significant control. As with other areas of human behavior, immigration is driven by strong social and economic forces that are bound to compete with state regulation. Unlike most other areas of government regulation, however, governing immigration means influencing people who are often outside of the state's territory, who may have few ties to the state, and who normally have little or no voice in the creation of the laws aimed at them. Moreover, potential immigrants come into contact with a given state's laws only to the extent that they choose to enter that state's territory; they may choose instead to subject themselves to a different state's laws, or simply to stay at home.

These unique qualities make it important for policymakers to look beyond their own borders when formulating immigration laws. Not only must they anticipate the effects of these laws on immigrants generally, they must also anticipate the consequences of other states' simultaneous attempts to regulate immigration. Unfortunately, there are gaps in our understanding of both of these issues, and particularly the second one. There exist well-developed theories and a large body of empirical research on the social and economic determinants of migration, but not about the role of the state, let alone the role of multiple states acting at the same time with varying policies.

This article adds to a growing body of work aimed at addressing these gaps. It exploits the particular circumstances surrounding the enlargement of the European Union (EU) in order to investigate the influence of labor market laws on migrants' destination choices in isolation from admissions and residence restrictions. The eastward

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expansion of the EU in 2004 and 2007 created a natural experiment: Citizens of the new member states were given the right to travel and reside in any of the old member states of the EU or European Free Trade Association (EFTA) with few restrictions; their employment, in contrast, was subject to potentially significant restrictions that each of the old member states had the option of imposing for up to seven years. Some of the old members imposed no restrictions, some imposed but later lifted restrictions, and some continue to maintain restrictions. This article examines the relationship between these varying labor market policies and the destinations chosen by immigrants from the new member states. Because of the near absence of admissions and residence restrictions, the expansion of the EU provides a setting in which the effects of labor market policies may be isolated more fully than would otherwise be the case.

The article addresses the hypothesis that migrants are more likely to choose destinations in which they will have greater formal labor market rights over those in which they will have fewer. While this might seem at first like an obvious proposition, our empirical knowledge of the world does not provide an easy answer. The simple wage expectations that form the basis of neoclassical theory have often proved less predictive of migration than such factors as relative deprivation and social capital. In addition, formal laws are capable of operating on migration decisions only through social and economic mediators: What matters are questions such as how the laws are perceived, how they affect markets and social networks, and whether they are obeyed in practice. Complicating matters further is the fact that the answers to these questions are likely to vary across heterogeneous populations. In this article I do not attempt to address the effects of population heterogeneity on migration patterns but rather test the broader hypothesis that formal law matters when it comes to labor market rights and migration.

To do so, I combine (1) annual data on intra-European migration flows and stocks compiled by Mariola Pytlikova, Peder Pedersen, and Nina Smith with (2) an index of labor market rights that I have created and (3) a set of control variables drawn from the World Bank and the Organization for Economic Cooperation and Development. I take two statistical approaches to analyzing these data. First, I fit a series of difference-in-differences (DD) and difference-in-difference-in-differences (DDD) models relating changes in migration rates to the lifting of labor market restrictions. Second, I fit a series of multinomial/conditional logit (MNL) models relating migrants' destination choices to the labor market rights index scores of the EU/EFTA states within their choice sets.

The results tend to support the hypothesis that greater formal labor market access makes migrants more likely to choose one destination over another. There are important limitations to the available data, which make it hard to determine whether the relationship holds once differences in sending and receiving state economic indicators are modeled. One interpretation of the DD and MNL logit models is that migrants choose destinations with greater job opportunities and higher wages, irrespective of formal labor restrictions. This interpretation, however, is based on

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results that may be artifacts of missing data. The strongest evidence in favor of the hypothesis comes from the DDD models, which show that the boost in migration rates between 2004 and 2005 associated with those destinations that lifted their labor market restrictions was significantly higher for migrants from new member states (who had been subject to the restrictions) than for migrants from old member states (who had not). This result holds even when economic indicators are included in the model.