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**The relationship between labor migration, unemployment
and economic growth: A review on EU countries**

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ABSTRACT

Migration, unemployment, and economic growth are interconnected phenomena that have been of great interest to scholars, policymakers, and the public in recent years. Labor migration has been a vital contributor to economic growth in many EU countries, but it has also led to significant changes in labor market conditions, including rising unemployment rates. This research aims to examine the relationship between migration, unemployment, and economic growth in EU countries. The primary aim of this research is to investigate the relationship between migration, unemployment, and economic growth in EU countries. The following objectives will guide the research which are to analyze the theoretical foundations of labor migration, unemployment, and economic growth and to examine the labor migration policies in EU countries and their impact on unemployment. This research will use quantitative methods to analyze the relationship between migration, unemployment, and economic growth in EU countries.

Keywords: Migration, Unemployment, Economic Growth, Labor Migration Policies, COVID-19 Pandemic, EU Countries.

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INTRODUCTION

Migration, unemployment, and economic growth constitute a complex and intricately connected triad that has captured the attention of scholars, policymakers, and the general public alike in recent years. Within the European Union (EU), these phenomena have assumed paramount significance, as the continent has witnessed waves of labor migration that have brought both opportunities and challenges to its member states. Labor migration, while undeniably a vital contributor to economic growth in many EU countries, has also catalyzed profound shifts in labor market dynamics, occasionally giving rise to rising unemployment rates. The interplay between these variables is not only of academic interest but also carries substantial policy implications that can shape the socioeconomic landscape of the EU. This research embarks on a comprehensive journey to illuminate the intricate relationship between labor migration, unemployment, and economic growth in EU countries. The primary objective is to conduct a thorough investigation into the multifaceted nature of this relationship, guided by a set of specific objectives:

- To analyze the theoretical underpinnings of labor migration, unemployment, and economic growth, seeking to elucidate the conceptual framework that governs their interactions.

- To scrutinize the labor migration policies implemented by EU countries and evaluate their impact on unemployment rates, acknowledging the role of policy decisions in shaping the labor market landscape.

- To investigate the disruptive influence of the COVID-19 pandemic on unemployment within EU countries, recognizing the exceptional challenges it presented to labor markets and economies.

- To employ rigorous quantitative methods for a detailed examination of the relationship between migration, unemployment, and economic growth in EU countries over the two-decade period spanning from 1990 to 2018.

The following research question will guide the exploration: What is the intricate relationship between migration, unemployment, and economic growth in EU countries? In empirical analysis, data spans the years 1987 to 2015, encompassing a diverse sample of 10 EU countries. The study hinges on three primary variables: labor migration rates (measured as the percentage of foreign-born individuals in the population), unemployment rates, and economic growth (measured as per capita GDP). All data utilized in this research have been meticulously sourced from the World Bank database, and natural logarithms have been applied to each dataset to ensure statistical robustness.

The analytical approach centers on the influence of international migration on unemployment rates and per capita GDP, employing multiple structural break techniques. Prior to commencing the

testing process, we meticulously assess the presence of horizontal cross-sectional dependence among the variables in the model, as the choice of unit root and cointegration tests is contingent on the existence of such dependence. Finally, the study culminates in a comprehensive analysis of both long and short-term relationships between variables, taking into account lagged values from one period, captured within the error correction term, to provide a holistic understanding of the dynamics at play.

CHAPTER 1: THEORETICAL FOUNDATIONS OF LABOR MIGRATION, UNEMPLOYMENT, AND ECONOMIC GROWTH

1.1 Definition of labor migration, unemployment, and economic growth

1.1.1 Theories of labor migration

People from all over the world relocate themselves and move to other parts of the world for extended periods of time due to a wide variety of personal and professional commitments. Movements of workers are one of the primary factors that contribute to such migration. This phenomenon occurs when people look for better employment prospects or superior economic conditions in other nations or regions, either to obtain better working conditions for themselves or to provide a higher quality of living for their families. According to Van Hear et al.'s research from 2020, the term labor migration refers to the movement of people who are seeking employment either across international borders or within the same country (Van Hear et al 2020). The movement of people from one country to another in search of job is what the International Organization for Migration (IOM) considers to be the definition of international labor migration. In a similar manner, the International Labor Organization defines it as the migration of individuals between two nations, motivated by the desire to find job, improve living conditions, or enhance the quality of life for themselves and their families. In other words, migration is driven by the desire to better one's quality of life. The majority of people who migrate internationally in search of work come from nations that are still considered to be developing or underdeveloped. This migration can be linked to both internal and external economic issues, some of which include inequalities in labor wages between nations, increasing gaps between wealthy and destitute countries, the impact of globalization, and demographic differences. There are many different kinds of international labor migration, but it can largely be broken down into three categories (Trachtman, 2016): permanent migration, temporary migration, and brain drain.

In the context of immigration, permanent migration refers to the process by which a person moves to a new nation with the aim of residing there permanently and without any plans to return to their home country in the foreseeable future. This not only results in a loss of labor in the individual's home country, but it also frequently leads to succeeding generations of the migrant moving away from that country as well. Temporary migration, on the other hand, is people relocating to another nation for a specified amount of time, with the purpose of eventually returning to their place of origin, where they were born and raised. This type of migration is more common than permanent migration. In the context of international labor migration, the term brain drain refers to the phenomenon in which highly educated and competent people leave their home country to seek employment elsewhere. This mobility of talent presents issues for undeveloped or developing nations, since they lose their

qualified workforce, which might delay their progress owing to limited resources. This movement of talent produces challenges for underdeveloped or developing nations. Developed countries, on the other hand, reap the benefits of this migration of skilled labor since they are able to offer better working conditions and greater compensation, hence recruiting bright individuals from other countries. Before moving to other nations to work as skilled professionals, such as scientists, doctors, engineers, and so on, most people in the country of origin receive a general education as well as a vocational education before making the move. According to Docquier and Rapoport (2006), the term brain drain refers to a prominent example of voluntary migration that falls under the category of international labor migration. This wave of migration is driven by the desire to pursue better work prospects.

The phenomenon of migratory workers is one of the most important aspects of international labor movement. They are the basis upon which this migration is built. In his seminal work titled *Laws of Migration*, the eminent English and German geographer E.G. Ravenstein made some of the earliest attempts to understand the dynamics of migration (Ravenstein, 1885). In the beginning, Ravenstein recognized seven migration laws; however, as he continued to research migratory data from the United States and other countries, this number expanded to eleven. The goal of these migration regulations was to explain and anticipate migration on both the domestic and international levels. The fact that many of these laws are still applicable in the modern day and are used as the basis for a variety of migration models is evidence of their objectivity and the fact that their theoretical validity has persisted for over a century. Following are the laws of migration that were established by Ravenstein as a result of his research (Ravenstein, 1885):

- Population tends to redistribute between different territories.
- Territories differ primarily based on economic characteristics.
- Most migrants tend to move short distances.
- Migration occurs step-by-step, in stages.
- Each migratory stream has a corresponding return stream.
- Migrants traveling long distances often head to large industrial and trade centers.
- Urban residents are less mobile than rural residents.
- Women exhibit more mobility in movements within a country, while men are more mobile in long-distance movements.
- Big cities primarily grow due to migration.
- The volume of migration increases with the development of industry, trade, and transport.
- Economic factors are the primary drivers of migration.

Later research on modeling and conceptualizing migratory processes were greatly affected by these migration laws in a significant way. Because Ravenstein carefully analyzed the available empirical data, he was able to determine migration's core characteristics in an objective manner. On the other hand, it is essential to keep in mind that the nature of these laws is descriptive, and they do not include exhaustive explanations of the variables that contribute to migration or the reasons why it occurs in the first place. The classical migratory theories contain both Ravenstein's laws and the econometric model produced by Everett Li in the 1960s (King, 2012; Lee & Lee, 1960). Ravenstein's Laws of Migration, developed by British demographer Ernst Georg Ravenstein in the late 19th century, offer a set of principles that describe migration patterns. These principles include the Law of Most Migrants (most migrants move short distances), the Law of Distance (migrants tend to move closer rather than farther from their place of origin), the Law of Step Migration (migrants often move in stages to reach a final destination), the Law of Intervening Opportunities (migrants may settle in an intermediate location if it offers better opportunities), and the Law of Counterstream (counterflows of migration may occur in response to primary migration streams). These laws provide qualitative insights into the factors driving migration, such as economic opportunities, family ties, and environmental factors. According to Li's model, the number of people moving into and out of a given territory is contingent on a number of migration variables, which may be broken down into three categories: holding, pulling, and pushing forces. There are some elements that have an effect on the majority of people, while others only have an effect on certain individuals. The groundbreaking research conducted by Li in 1966 (Lee, 1966) discovered the components that influence the processes of migration.

The term pushing factors refers to economic concerns such as unemployment, poor income, and excessive taxation, as well as social and political reasons such as poverty, discrimination, restrictions on religious freedom, and wars. These are all examples of pushing factors. On the other side, variables that attract illegal immigrants include a high degree of economic development, higher income prospects, safety, access to labor markets (including the informal sector, which is particularly crucial for illegal immigrants), and other conditions that are to their advantage. Migration processes are also affected by intermediate variables, and the larger the distance that separates regions, the more significant their influence becomes. These factors, which include the costs of transportation, legal limitations on movements, and the availability of knowledge about potential destinations, can all operate as constraints on migratory streams (Lee, 1966). The idea that migration is a selective process, in which the same circumstances might have different effects on different people, was a central tenet of Li's argument. People who have a high level of education and are already established in their destination region are more likely to be swayed by the factors that interest them, as they are likely to

obtain more favorable offers elsewhere. Because migration can lead to career development and improved compensation, highly skilled specialists frequently display high levels of mobility throughout their careers. On the other hand, low-skilled workers are more heavily influenced by elements that are considered to be pushing forces. The theory of Li emphasizes the active involvement of individuals in the labor market, which is where potential migrants make their own independent decisions regarding whether or not to move. The decision to migrate is based on the combined strength of the pulling and pushing elements, which must be strong enough to outweigh the challenges that will be encountered during the process of relocating. In addition to this, the stage of an individual's life cycle is a crucial factor that determines their tendency to migrate. Individuals who are going through significant life transitions such as getting divorced or leaving the job market (such as retiring) may choose to move back in home country (Lee, 1966).

The model developed by Li places a primary emphasis on the econometric features of migrants and the stages of their life cycle, but it ignores the influence of non-economic elements. It is necessary to recognise that, in addition to rational reasons for migration, irrational and personal elements can also influence the process of migration, and this is something that must be acknowledged. The neoclassical migration theory, which was developed as a result of fundamental research conducted in the second half of the 20th century, is predicated on the idea of unrestricted competition and a market for production factors that operates without a single flaw. This theory studies migratory dynamics at both the macro and the micro levels (Lee, 1966). It was initially designed to explain labor migration in the context of economic development. Geographical inequalities in the supply and demand of labor are a primary driver of migration. Indicators of migration include the salary levels (income) in both the regions from which people depart and those to which they move. It is necessary, however, that the wage level be adequate to meet the costs that are involved with the transfer. The neoclassical approach compares the study of migration to the process of effectively allocating resources. This has led to the development of practical applications in a variety of countries all over the world. For example, the former Soviet Union attempted to alleviate economic disparities between areas by addressing disparities in labor distribution that resulted from uneven economic development. These disparities were caused by uneven economic development. Migration patterns are influenced by the economic conditions of the regions that they pass through; areas with favorable economic conditions see immigration, whilst those with less favorable economic conditions see emigration. These streams are moving in the opposite direction of capital flows, which means they are going from low-wage regions to high-wage regions. The neoclassical model has a flaw in that labor markets can never be completely efficient, and it takes some time to find an equilibrium between supply and demand, which

might result in temporary joblessness. Despite this, the theory's micro-level provisions include a number of conceptual assumptions, including the following:

- International labor migration is driven by wage differences between countries.
- Once wage gaps are eliminated on a global scale, labor movements will cease.
- Human capital streams, involving high- and low-skilled labor, can move in different directions due to various influencing factors.
- Labor markets significantly impact international labor flows compared to other types of markets.
- Governments can influence migratory streams primarily by intervening in labor markets.

The movement of human capital streams, encompassing both high-skilled and low-skilled labor, can be influenced by a variety of factors, leading to diverse migration directions. One key theory that sheds light on these migration patterns is the Roy Model, which emphasizes the self-selection of migrants across countries. The Roy Model, developed by economist Rosenzweig in the 1970s, builds on the notion that individuals with differing levels of skills and abilities make migration decisions based on their expectations of earnings and opportunities in the destination country. In this context, high-skilled workers, possessing valuable skills and qualifications, tend to migrate to countries offering higher wages and better employment prospects in their respective fields. Conversely, low-skilled workers might opt for migration to countries where there is a demand for less-skilled labor (Ghatak et al., 1996). The wage differentials between the origin and destination countries play a pivotal role in driving these migration decisions. Skilled workers are drawn to countries with substantial wage premiums for their expertise, whereas less-skilled workers might migrate to places where low-skilled labor is relatively more valued. Moreover, the Roy Model considers the process of migrant assimilation. Skilled migrants are more likely to assimilate rapidly and secure employment opportunities commensurate with their qualifications. In contrast, low-skilled migrants may initially face challenges but can still find opportunities in labor markets that require fewer skills. Social networks also exert a significant influence. Migrants often follow established migration routes and may be more inclined to move to countries where they have family or community connections, thereby impacting the direction of migration streams. Government policies, visa regulations, and immigration laws further shape the direction of human capital migration. Countries with more favorable immigration policies for specific skill sets tend to attract higher-skilled migrants.

According to the microeconomic model of individual choice, rational individuals decide to migrate after analyzing the costs and benefits associated with the move. A crucial component is the assessment of the expected gains from earning higher wages. International migration is considered

an investment in human capital, with people choosing destinations where they can be most productive based on their qualifications. In countries with low incomes, the wage gap between unskilled and skilled workers can be around 20%, while in high-income countries, this gap can be 10-30 times larger. However, migrants must incur certain costs related to transportation, job search, language and cultural adaptation, breaking old connections, and forming new ones. The expected benefits of resettlement are higher for migrants with higher levels of education, often leading to a situation where migrants, on average, possess higher educational qualifications than the overall population of the destination country. Due to the limitations and constraints of the neoclassical theory of labor migration, M. Piore (1979) developed the concept of the dual labor market theory. According to this theory, international migration is a result of the specific labor market demands in modern industrialized societies. Piore (1979) argued that immigration is primarily driven by a stable demand for immigrant labor inherent in the economic structure of developed countries. On the other hand, in countries of origin, factors such as low wages and high unemployment motivate people to emigrate, while in host countries, there is a need for foreign labor. Piore (1979) associated the demand for immigrant labor with four essential characteristics of modern industrial society: structural inflation, motivational issues, economic dualism, and labor demography.

Structural inflation is a significant concern because the salary not only reflects supply and demand conditions but also carries social status and prestige. Raising wages to attract unskilled labor can disrupt the hierarchical salary structure, leading to pressure for wage increases at all levels. To avoid this, employers often seek alternative solutions, such as hiring migrants willing to work for lower wages. Motivation also plays a crucial role in the workforce, as workers are motivated not only by financial gain but also by the desire to maintain their social status. Motivational issues are particularly pronounced in lower-tier jobs, where individuals lack high social status to sustain. Immigrants, who often come to earn money for specific goals in their home countries, may be more willing to work in lower-tier jobs without expecting significant social status improvement in the host country (Piore, 1979). The concept of economic dualism characterizes industrialized countries, where a distinction exists between labor and capital. Skilled workers in capital-intensive sectors enjoy better conditions and benefits due to their specialized training and experience. In contrast, labor-intensive sectors have less stable and lower-paying positions, leading employers to seek ways to fill these jobs, often turning to immigrant workers. The emergence of a segmented labor market results from the duality between labor and capital. In the primary, capital-intensive sector, local workers are more valued and receive better wages, whereas in the labor-consuming secondary sector, where jobs are less stable and wages lower, employers often resort to hiring immigrants to meet the demand. Over time, the demand for local workers in the secondary sector decreased due to societal changes such as

the increased involvement of women in the workforce, lower birth rates, and greater emphasis on formal education for teenagers. This led to an imbalance in the labor market, resulting in a higher demand for immigrant workers (Piore, 1979). The dual labor market theory neither asserts nor refutes that economic actors carry out rational and profit-driven actions, as outlined in microeconomic models. The reluctance of people in advanced industrial nations to take up low-paying jobs creates job opportunities for foreign workers. The impacts of the dual labor market theory, according to Piore (1979), diverge from those derived from microeconomic models:

- The need for labor in developed nations drives international labor migration.
- As the demand for migrant labor is structured by economic necessities, wage levels do not directly influence labor migration, allowing employers to hire without increasing wages.
- A decrease in the number of immigrants won't result in higher wages in host countries.
- An increase in immigrant numbers can lead to lower wage levels in host nations.
- The government has limited ability to influence international migration; only significant economic shifts can alter the demand for immigrants.

However, the drawbacks of Piore's theory are its exclusive focus on pull factors and its omission of push factors associated with demographic changes in developing countries. Moreover, as highlighted by Massey et al. (1993), the theory overlooks the decision-making processes involved in migration. Immanuel Wallerstein's work, which explores migration within the framework of the world-system theory, is particularly notable. According to Wallerstein, the world or a particular country is split into a center and a periphery. The structure of the periphery evolves as capitalism expands, leading to land expropriation from farmers and urban development. Globalization quickens migration processes, with emerging global cities boosting the demand for immigrant labor (Wallerstein, 1989). Wallerstein (1989) posits that the penetration of economic relations into the periphery fosters a migratory population from non-capitalist societies. Capitalist firm owners and managers, driven by the pursuit of greater profits, enter impoverished peripheral countries seeking land, resources, labor, and new consumer markets. In the past, colonial regimes facilitated market penetration. Nowadays, this is made possible through neocolonial governments and multinational corporations that perpetuate the power of national elites.

According to the world systems theory, migration is a natural outcome of disruptions created during economic development. As capitalism expanded, a growing part of the globe and its population were incorporated into the world market economy. Consequently, migration flows emerged, partly moving abroad (Massey & Douglas, 1989). The New Economic Geography is an economic analysis

aimed at explaining the agglomeration effects and advanced development of regional economies by creating models of imperfect competition with increasing returns. These models also describe the effects of skipping or big jumps, where leaders change during periods of rapid technological change, causing the last to become the first. Backward nations technologically and economically can take advantage of lower wages to enter the market when new equipment, technology, institutions, or structures become more productive than the old ones, leading to a change in leadership (Brezis et al., 1993).

According to Paul Krugman, changing economic leaders are influenced by two types of technological change (Cooke, 2002): evolutionary (incremental) and revolutionary (radical). Gradual technological changes result from learning in the work process and are more rapid in countries with established advantages in technologically advanced sectors. However, periods of radical technological breakthroughs create opportunities for new players. Initially, innovative technologies may not seem superior to the old ones, and for the nation already leading in the old technology, the new one may even appear worse (Krugman, 2010). Interestingly, new technology leaders are often poorer countries than the old leaders. Their poverty allows them to take risks and adopt new technologies that may seem irrational and unappealing to the old leaders. The high wages of workers in leading countries can hinder their rapid adoption of new, less productive technologies or industries, making them attractive to outsiders where former technology has seen less development due to lower wages. J. Curry and other authors propose a link between high wages for workers of leaders and their failure in rapidly introducing new technologies and transitioning to higher productivity economic activities. For example, the overvaluation of the Dutch currency led to Holland's economic decline in the 18th century, and England lost its leadership to the US due to similar overvaluation. Paul Krugman's research over fifteen years delves into the mechanism of innovative development, based on changes in technology by country-leaders. In the context of ongoing technological revolutions, Krugman suggests the US may lose its leadership due to an overvalued dollar (Curry, 1989). In times of incremental technological change, increasing returns to scale help strengthen economic leadership. However, during periods of radical technological change, economic leadership, tied to high salaries, can slow down the introduction of new ideas in developed countries, leading to failure. For a backward country to become a new economic leader, several conditions must be met, such as significant wage differences between leading and potential new leader countries, the initial unproductiveness of the new technology compared to the old, a lack of application of old technology experience, and significant improvement in productivity with the new technology. Krugman's findings apply not only at the national level but also at regional and municipal levels. As a result, Krugman supports the conclusion that state governments should support innovative firms and the

development of regions to create or maintain a competitive economy, considering a combination of scientific, industrial, technological, organizational, market, and monetary factors (Gurieva, 2015).

There are both internal and external economic reasons that contribute to the phenomenon of international labor migration. In addition, variables such as unemployment as a result of geographic location, climate, natural disasters, political instability, and conflict all play a key influence in the process of pushing migration. Migration across international borders can be driven by economic and non-economic considerations, as well as push and pull forces, and is influenced by the network of links that people have with one another. Migration of workers across international borders is influenced by a number of different causes. Individuals are driven to look for better possibilities in other countries as a result of a number of factors, including rapid population expansion, restricted economic opportunities, political instability, natural calamities, and the presence of authoritarian governments. On the other hand, characteristics that promote migration are variables such as a strong demand for labor, growth in areas such as agriculture and industry, political freedom, and numerous economic prospects.

The continuation of international migration is frequently impacted by well-developed networks of relations, which is one area in which experienced immigrants who are familiar with local economic prospects can have a considerable impact on the course of events. Throughout the course of human history, mass migration has frequently been driven by economic factors. For instance, between 1619 and 1776, the United States of America legalized the use of slave labor in order to satisfy the demand for labor in the agricultural sector. In a similar vein, during Europe's industrial revolution there was a significant scarcity of labor, which led to nearly 52 million immigrants from a variety of nations moving to Europe between the years 1846 and 1932. Following the conclusion of World War II, several European nations, most notably Germany, relied on labor from other parts of the world, particularly North Africa, Italy, Spain, Portugal, and Greece, to assist in the reconstruction of their economies.

Although natural calamities have always been a driving force behind migration, the advent of the industrial revolution heralded a transition in which economic, social, and political forces became the primary motivators. As a result of the fact that people today favor cities and countries that have higher levels of economic affluence and development, factors such as high unemployment rates, poor earnings, and a scarcity of job prospects in the native country are key contributors to international migration. Other elements that contribute include political concerns, poor living standards, and pessimistic views for the economy. The lure of higher earnings, an abundance of work possibilities, and greater political liberties is what draws migrants to the countries that will receive them.

Individuals may decide to relocate to certain places because of the advantageous conditions there, which may serve as an attractive motive for them to do so.

People who live in countries that are politically and economically insecure may feel driven to flee to countries that are more developed and seek asylum there. In addition, for political considerations, talented workers from both wealthy countries and developing countries may choose to settle in other regions of the world. The number of people fleeing their country and looking for asylum is typically higher in nations that are wracked by political unrest. People are forced to leave their homes and communities because of political dangers such as civil wars, ethnic conflicts, and repressive governments. The incapacity of countries in Africa and the Middle East to establish political stability, coupled with the control exerted by oppressive forces in the consequent legal vacuum, leads to large migrations of people. Migration is largely influenced by politics for a variety of reasons, and the state of regional instability around the globe has a big bearing on the patterns of migration that are seen. Migration has been caused in part by traumatic events such as wars in the Middle East, a change in the government in Iran, the dissolution of the Soviet Union, and Russia's invasion of Afghanistan.

Migrations that are motivated by politics draw attention to the pressure and violence that is placed on individuals or groups, regardless of whether those components are legal or illegal. When confronted with a power they are unable to oppose on their own, those who have been forcibly displaced as well as the masses who have been forced to move desperately seek sanctuary in other regions or countries. This power may materialize in the form of state-sanctioned violence in some nations, while in others it may take the form of exploitation by organizations or structures that take advantage of administrative voids. In both of these hypothetical situations, large numbers of people are compelled to leave their homes as a result of violent tyranny. Migration can take place for a variety of reasons, including demographic factors like birth and mortality rates, economic considerations, and political agendas. The phenomena of migration is influenced both by free desires and by involuntary situations, and it is frequently driven by environmental factors such as security, human capital, and social conditions.

Migration is heavily influenced by a variety of factors, including but not limited to population growth rates and economic differences across cities and countries. Even though there has been significant progress made in both industry and healthcare, developed countries typically have slow rates of population increase; in fact, certain developed nations may even experience population loss as a direct result of their low birth rates. Underdeveloped nations, on the other hand, struggle with high rates of child and maternal mortality as well as poor health conditions, all of which contribute

to high birth rates and rapid population increase. This mismatch motivates people to migrate from countries with high population densities and rapid population growth to regions with lower population densities and birth rates. In addition to better living conditions, a higher level of economic and social development in the regions that are receiving migrants also plays a role in the decision to migrate. When opposed to rural areas, these communities often provide better access to education, healthcare, public services, infrastructure, and transportation, which makes migrating here an appealing alternative.

Labor migration can be driven by various environmental factors, including desertification and flooding. Desertification refers to the process of fertile land turning into desert due to factors like prolonged drought, deforestation, overgrazing, and soil erosion. As arable land becomes less productive and water sources dwindle, livelihoods dependent on agriculture and natural resources are threatened. This can result in a loss of livelihood for communities reliant on farming and herding, particularly in affected regions. When their land becomes unproductive, it becomes increasingly challenging to sustain their families. Crop failure and the inability to support livestock can lead to economic hardship and food insecurity. In response, people may choose to migrate in search of alternative livelihoods and better economic opportunities in other regions or countries.

Flooding, on the other hand, can also be a significant driver of labor migration. Flooding can occur due to various factors, including heavy rainfall, storm surges, and rising sea levels, which are often associated with climate change. When flooding occurs, it can lead to the destruction of homes, infrastructure, and agricultural land. This can displace communities and disrupt their lives. In the aftermath of a flood, people may face immediate dangers such as injury and disease outbreaks, as well as long-term challenges like rebuilding their lives and communities.

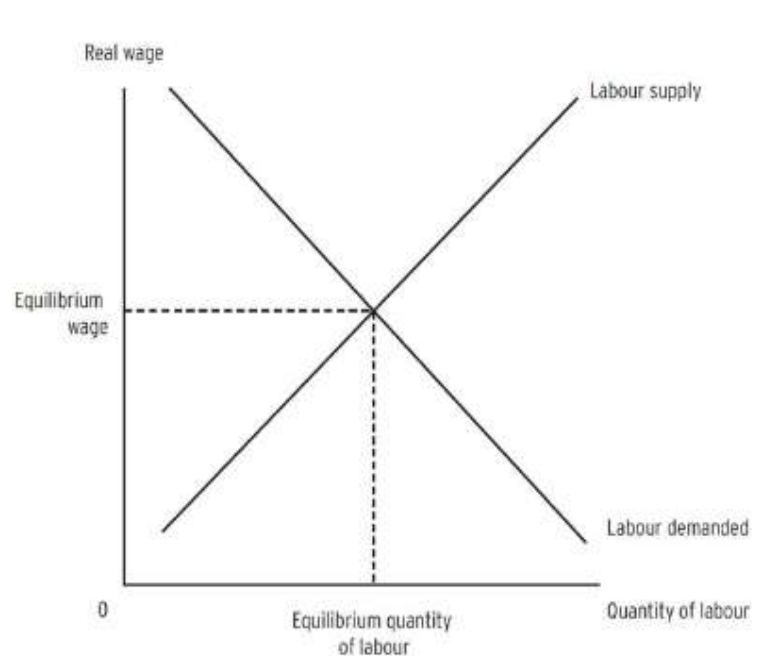
Some individuals and families may decide to migrate as a coping mechanism to escape the immediate dangers of flooding and seek safety and shelter elsewhere. They may also choose to relocate permanently if their homes and lands are repeatedly affected by flooding, leading to economic instability and the loss of their livelihoods. In both cases, desertification and flooding can drive labor migration by disrupting the livelihoods of affected communities and pushing individuals and families to seek better opportunities and safety in other areas. These environmental factors are part of a larger context of climate-induced migration, where changing environmental conditions play a significant role in people's decisions to move.

1.1.2 Theories of unemployment

Classical economic theory views unemployment as an indication of interference in the smooth functioning of the labor market. According to this approach, markets operate based on the idealized

supply and demand model, where the labor market is considered a single, unchanging market characterized by perfect competition, spot transactions, and institutions facilitating double-auction bidding. Figure 1 illustrates this abstract labor market, where quantity refers to the amount of labor services. This quantity of labor services can be measured, for instance, by the number of workers employed full-time during a specified period. The price of labor is represented by the real wage, given per day in this case. In this simplified model, all units of labor services are considered identical, and each worker is assumed to receive an equal wage. The equilibrium wage, denoted as W_E , represents the wage at which the supply of labor matches the demand for labor, leading to a state of balance in the labor market. At this equilibrium point, the quantity of labor supplied, represented by L_E , corresponds to the quantity of labor demanded.

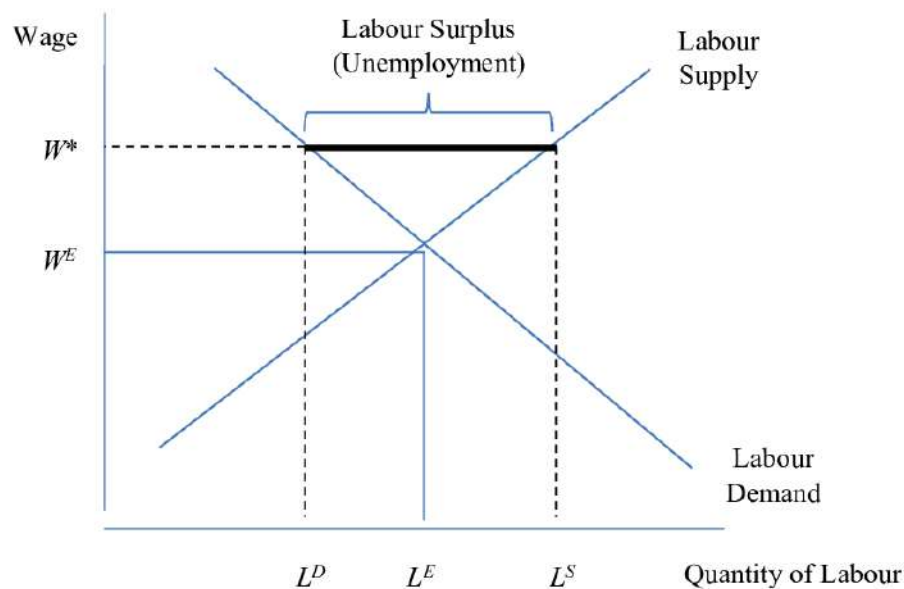
Figure 1. A Supply and Demand Model for Labor



In Figure 1, when the market is allowed to freely adjust, there is no involuntary unemployment. Everyone who desires a job at the current wage rate is able to secure one. However, there are individuals who would be willing to offer their services in this market if the wage were higher, as shown by the portion of the supply curve to the right of L_E . Nevertheless, these individuals have rationally chosen not to participate in the labor market given the current offered wage rate. According to the Classical model, genuine involuntary unemployment can only occur if certain factors interfere with market forces. One such factor often cited is the existence of a legal minimum wage. Figure 2 illustrates this situation, where employers are obliged to pay a minimum wage of W^* (referred to as W -star), which exceeds the equilibrium wage. As a result, the model predicts that employers will hire fewer workers. At the artificially high wage W^* , employers are willing to hire

only LD workers, but at the same time, LS individuals are seeking employment, leading to a surplus of labor. Consequently, the market is unable to adjust to equilibrium due to legal restrictions imposed on employers, resulting in people who want jobs at the prevailing wage but cannot find one, leading to unemployment.

Figure 2. Classical Unemployment



Source: Damane & Sekantsi, (2018)

The minimum wage primarily impacts a specific group of workers, particularly those with limited skills. On the contrary, unemployment affects individuals across different wage levels. Classical economists offer additional explanations for unemployment, often tied to market interference. They posit that the economy might not create enough jobs optimally due to various factors, such as business regulations limiting growth and thereby reducing labor demand. Additionally, labor-related regulations (e.g., safety rules, mandated benefits, limitations on layoffs and firings) and labor union activities can increase labor costs for businesses, prompting them to adopt labor-saving technologies and decrease job opportunities. Moreover, public safety net policies, like disability and unemployment insurance, can discourage people from actively seeking work, resulting in an overall reduction in employment. From a Classical perspective, labor-market recommendations concentrate on removing regulations and social programs believed to hinder proper market behavior. These Classical proposals advocate for a *laissez-faire* approach, urging the economy to function optimally with minimal intervention.

The Classical theory of labor markets suggests that rapid market adjustments, specifically falling wages, can lead to full employment equilibrium. However, John Maynard Keynes challenged this idea during the Great Depression, arguing that real-world human psychology and institutional factors make it unlikely for wages to fall quickly in response to a labor surplus (Minsky, 1976).

Several reasons contribute to the stickiness of wages. One reason is the psychological resistance to wage cuts. People do not like to feel that they are losing something, and workers may strongly resist wage reductions, potentially leading to strikes, demonstrations, or other forms of resistance. Another factor that contributes to sticky wages is the presence of long-term contracts, especially in labor unions, which may set wages at levels above equilibrium.

The insider-outsider theory posits that existing employees (insiders) may work to keep wages artificially high by creating barriers for new workers (outsiders) to enter and replace them, thus maintaining their higher wages (Lindbeck & Snower, 1989). Efficiency wage theory proposes that employers may intentionally pay higher wages than strictly necessary to attract and retain productive employees. Higher wages can lead to better-nourished, healthier, and more motivated workers, which improves productivity. Moreover, workers may be less likely to quit if they feel they are getting a good deal from their employer. When wages remain sticky due to these reasons, it becomes challenging to achieve full employment, as the labor market does not adjust as rapidly as predicted in the Classical model (Akerlof & Yellen, 1986).

Given the existence of sticky wages, policies to address unemployment may be proposed in sticky wage theories. These policies could involve government intervention to relieve unemployment-related hardships. This might include implementing aggregate demand policies, unemployment benefits, or job creation programs. Some economists argue that moderate economy-wide price inflation can also help alleviate sticky wage unemployment. Inflation reduces the purchasing power of nominal wages over time. As a result, even if wages remain constant in nominal terms, their real value decreases. This subtler form of reduction in real wages might be more acceptable to workers compared to explicit wage cuts. The expectation is that a decrease in real wages can potentially lead to increased employment levels as employers find it more affordable to hire additional workers.

In the real world, where motivation, labor relations, and power dynamics play significant roles, even the traditional notion that minimum wages directly lead to extensive unemployment may be subject to scrutiny. A well-known study by economists David Card and Alan Krueger challenged this idea when they discovered that a moderate increase in New Jersey's minimum wage did not result in a decline in low-wage employment; in fact, it might have even increased it (Schmitt, J. (2013). While some economists criticized this finding, it highlights the difference between the idealized world of perfect competition assumed by Classical economics and the complexities of real-world labor markets, where employers may have enough influence to pay workers less than their true value. Labor markets prove to be more intricate than the simplified supply-and-demand model suggests.

Keynes, on the other hand, focused on the overall level of aggregate demand in the economy and the expectations of businesses regarding future profitability. He argued that even if wages were to decline rapidly in certain labor markets, it might have more adverse effects than positive ones. When workers receive lower wages, their spending power diminishes, leading to reduced demand for goods and services produced by businesses across the economy. This decrease in demand can then cause businesses to cut back on investments and employment, creating a cycle of low demand, low incomes, and reduced spending throughout the economy.

Contrary to attributing unemployment to excessively high wages, as depicted in a graph of a hypothetical unified national labor market, Keynes identified the root cause of cyclical unemployment as inadequate labor demand in various individual labor markets, resulting in an overall surplus of available workers. As a solution to unemployment during recessions or depressions, Keynes and his followers believed that it was essential to boost aggregate demand in the economy to stimulate hiring, rather than merely focusing on making labor markets function more efficiently.

1.1.3 Theories of economic growth

The primary definition of economic growth is the rise in the volume of production that occurs within an economy over the course of time. Changes in a nation's gross domestic product (GDP) are one of the important measures of that nation's level of economic development. Not just in industrialized countries, but also in developing ones, the subject of economic growth is of the utmost importance. However, wealthy countries place a strong emphasis on economic growth, which is often tracked by changes in real GDP over time. On the other hand, countries still on the path to economic development place a greater emphasis on economic development itself as opposed to economic growth alone. The term economic development refers to not only the expansion of the economy, but also the improvement of social and political conditions, including the narrowing of income gaps, the reduction of unemployment, and the modernization of both economic and social institutions.

There are two primary categories of economic growth theories: those that focus on the economy's interactions with its environment and those that focus on the economy's interactions with itself. In the neoclassical paradigm, technical progress is considered to account for the portion of production growth that cannot be described by production factors alone. This is the portion of production growth that exceeds what can be explained by production factors alone. Because of this, the progression of technology is regarded as an external influence. This presumption originates from the notion that although technical advancement has a substantial impact on GDP, it is supposed that it is not impacted by economic considerations due to the fact that this impact is so significant. However, recent research suggests that the emergence of new technologies is a reaction to economic

signals such as pricing and profits, and that this reaction is, thus, an internal process within the economic system. Growth in the economy is linked to advances in technology that ultimately result in higher levels of production, according to the traditional school of economic philosophy. The origin of expansion can be traced back to savings, which ultimately result in investments and the accumulation of capital. When people's incomes rise, their propensity to save money also rises; these savings are then put into investments in the hope of generating a profit. When there is complete and unrivaled competition in a market, money is deployed more effectively, which results in decreased expenses and increased profits. As a direct result of this, there has been a rise in the amount of capital accumulated as well as investments, which has led to an expansion of the economy.

John Maynard Keynes was a pioneer in the use of monetary and fiscal policies to battle economic downturns and promote economic recovery. This work was done in the aftermath of the Great Depression of 1929. The theoretical efforts that were started by Keynes were further refined with the help of Harrod and Domar's contributions. The findings of two separate research projects carried out by Roy F. Harrod (1939) and Evsey D. Domar (1946) serve as the foundation for the Harrod-Domar model. In spite of the fact that the two studies did not provide identical results, many people still refer to the model as the Harrod-Domar Model. The framework of a market economy with a single commodity and two factors serves as the basis for the construction of the model. In this kind of economy, there is only one type of product that can be made that can be utilized for either personal consumption or financial investment. Because there is no involvement of money, the model does not include any monetary prices. The government does not take part in any economic operations, and private decision units are responsible for making all economic decisions instead. Because there is neither open trade nor open financial markets, we have a closed economy.

In the field of economics, net investment has two purposes: on the one hand, it creates demand, and on the other, it boosts an economy's capacity to produce output. For instance, the construction of a new factory can result in an increase in the demand for components such as bricks, iron, and machines. Concurrently, a rise in the economy's production capacity is brought about as a result of the completion of the factory. It takes a certain quantity of capital, presuming there are no modifications made to the methods of production, in order to reach a particular level of production. It is possible to express the average capital-output ratio using the formula K/Y , where K stands for the capital stock and Y stands for the level of output. For example, if the creation of one unit of output takes an investment of three units, then the required amount of capital stock for the production of one hundred units is three hundred units. The marginal capital-output ratio, also written as K/Y , indicates the amount of additional capital that must be invested in order to generate a given increase in production. For example, the marginal capital-output ratio equals three if a net investment of sixty

units leads to a rise in production of twenty units as a direct result of the investment. The average effectiveness of capital can be determined by taking the inverse of the average capital-output ratio, which is denoted by the notation Y/K . If it takes three units of capital to produce one unit, then the average efficiency of capital would be one third. The ratio of the growth in production capacity to the growth in capital stock is denoted by the symbol Y/K , and it is represented as the rate at which Y increases in relation to K . It was first described by Domar as the prospective societal average investment efficiency. Either an increase in the rate of savings or an improvement in the efficiency with which capital is used is required, according to the Harrod-Domar model, in order to stimulate economic expansion. The Harrod-Domar model has been subjected to a variety of criticisms for the assumptions it is based on as well as its inability to explain the performance of economic growth in economies that are not those of advanced countries. In particular throughout the decade of the 1950s, a number of research were carried out to solve the shortcomings of the Harrod-Domar model. It was discovered that the fundamental premises of these studies are consistent with traditional economic points of view. As a consequence of this, the economic system functions under conditions of perfect competition, and there are no flaws in the market. The percentages of production factors are decided depending on how productive each factor is at its marginal level in the economy. Both labor and capital can be considered interchangeable in some contexts. It has been noticed that production components have diminishing marginal returns, and technology is seen as an exogenous variable. The contributions of prominent economists like Solow and Swan are important to the development of this model, which is also known as the Neoclassical Growth Theory or the Solow Growth Theory. Several economists have contributed to the ongoing development of the Solow Model.

The expansion of the working-age population and the labor force, along with advances in technology, are categorized as exogenous factors under this paradigm. Alterations in the level of productivity or efficiency of human capital are not taken into consideration. The model generates a growth path that is both balanced and sustainable by increasing per capita capital and per capita production at the same rate. When a nation's economy is said to be in a state of balanced growth, the rate of increase in per capita income and consumption matches the pace of increase in technological advancement. In other words, the solitary factor responsible for the rise in average income is technical development, which is an external variable in the model. This is because technological change is the only element that has increased. The rate of savings has no effect on the growth rate when the economy is in a condition of equilibrium. The population growth and technical change are both treated as exogenous variables by the model, which means that the model does not directly link these factors to economic growth through the implementation of governmental policies. The following are the fundamental presumptions that underpin the Neoclassical Growth Theory:

- A closed economy
- Competitive markets
- Rational individuals
- Diminishing returns to scale for both capital and labor

According to the Neoclassical Growth Theory, under conditions of perfect competition, the output level is determined by capital and labor inputs, assuming diminishing returns and constant returns to scale. In the theory, total labor (L), capital (C), and natural resources (N) are used to represent real output level (Y) as a function: $Y=f_t(L,C,N)$. This functional relationship shows that Y changes proportionally with the amount of labor, capital, and natural resources used. Technology (f_t) is an element that determines the contribution of the other three factors to production. Technological advancement leads to growth in f_t and an equivalent increase in the contributions of the other factors to production. According to the model, economic growth occurs in the following three ways:

- An increase in the quantity of factors of production while technology remains constant
- Technological progress while the factors of production are fixed
- Both an increase in the supply of factors of production and technological progress

The condition where investment per worker is equal to depreciation per worker, and consequently, per capita capital and per capita output remain unchanged, defines the steady state in the model. In the Neoclassical Growth Theory, the steady state that maximizes consumption is referred to as the golden rule of capital. The golden rule of capital indicates the level of capital where the difference between per capita output and per capita depreciation is at its maximum. Since the law of diminishing returns operates in the model, when the model reaches a steady state, the primary factors determining economic growth are population growth rate and technological advancements. A country that saves relatively more will be more capital-intensive in the steady state compared to a country with lower saving rates. However, an increase in the savings rate in the steady state does not affect the economic growth rate. In the long run, economic growth is determined by external technological developments, which means that countries' income levels will converge over time. The idea that the income gap between developed and developing countries will disappear in the long run is called the convergence hypothesis. When there is a growth in the supply of capital but the supply of labor remains the same, this results in an increased amount of capital being utilized by each individual worker on average.

Studies conducted by Romer (1986) and Lucas (1988) form a significant part of the basis for the endogenous growth model's foundation. In stark contrast to the Neoclassical Growth Theory,

studies in this field propose that economic growth occurs endogenously as a result of the interaction of certain factors inside the functioning of the economic system. According to Lucas, the Solow model is more of an economic growth model that explains the expansion of the economy in the United States (Lucas, 1998). This model does not reflect the economic growth of emerging countries. The endogenous growth model is predicated on the hypothesis that the economic units already present in the market are the primary drivers of economic expansion. According to the endogenous growth model, the elements that are considered to be the engine of growth can be broken down into three primary categories (Ehrlich, 1990): Gary Becker, Kevin Murphy, Robert Tamura, and Mark Rosenzweig are some of the people who deal with issues pertaining to population increase and the buildup of human capital. Those individuals, such as Paul Romer, who link the evolution of technology to decisions made by entrepreneurs that are driven by market forces, And those researchers, such as Robert Barro, Robert King, and Sergio Rebelo, Dale Jorgenson, and Kun-Young Yun, who investigate the role of the general public in the process of economic growth and treat this role as an independent variable of economic expansion.

The study that Becker, Murphy, and Tamura conducted in 1990 forms the foundation for the first group's endogenous growth model. This model, which takes population growth and human capital accumulation as decision variables, was developed by this group. The most important assumption that the model makes is that the rate of return on the variable increases in tandem with both the fertility rate that is determined endogenously and the human capital rate. The fertility rate is a decision that is made on an economic level, and this decision shifts based on the general level of prices on the one hand, and the level of income on the other side. It is generally accepted that the production of new knowledge is supposed to be a linear function of the accumulation of human capital contributed by earlier generations. When it comes to human capital, the return on investment in people is higher in wealthy countries than the return on having children. This is because investing in people creates human capital. The converse is true in terms of human capital in countries that are often considered to be underdeveloped. (Lucas, 1988) Human capital, according to Lucas, has a crucial role in the expansion of a country's economy. In addition to this, Lucas contends that a growth in a person's human capital not only boosts that person's own productivity but also the productivity of other factors of production.

The study that Romer (1986) conducted was a groundbreaking effort that marked the beginning of endogenous growth models. These models link technical advancement to decisions made by entrepreneurs that are influenced by market forces. According to Romer (Romer, 1990), technological advancements are the cause of economic growth. These technological advancements are generated by investors who are looking to maximize their profits. The most important factor in economic

expansion is technological progress. Additionally, advancements in technology are also contributing to an increase in marginal productivity (Romer, 1986). Innovations in technology make it possible for businesses to raise their market share and their profitability on the company level, while also hastening the expansion of the economy as a whole from a macroeconomic point of view. The definition of capital in the endogenous growth theory does not restrict itself solely to the concept of physical capital. According to Benci and Wang (1997), the model also considers human capital and knowledge to be contributors to economic growth. The acceleration of technological progress within the realm of research and development (R&D), as articulated by Romer, is the primary impetus behind expanding economies. The concept of internalizing technological progress in the process of economic growth was proposed by Arrow (1962), and Romer's work is in some ways based on that idea. Arrow contends that the contribution of knowledge to the broader economy, through mechanisms such as spillover and learning by doing, is greater than the contribution of knowledge to the individual gains of a firm. In addition, Albelo asserts (Albelo, 1999) that learning by doing has an impact on human capital that is comparable to that of formal education. Romer is of the opinion that liberalizing international commerce and integrating with countries that have sophisticated technology both contribute to beneficial economic growth.

The authors Grossman and Helpman contend that advancements in technology have a beneficial effect on both trade policies and economic expansion. According to Grossman and Helpman (1989), the progression of technology makes it possible to produce more advanced goods, which in turn leads to a comparative advantage in international trade and a rise in the volume of global trade overall. According to Barro, the process of economic growth can be sped up by public spending. The author believes that the private sector is not doing enough to produce public goods that raise the overall economy's level of resource productivity. On the other hand, policies enacted by the government to promote research and development, education, healthcare, and other infrastructure investments all directly provide public services, which is necessary to reach an adequate level of social welfare. Spending by the government has a favorable impact on economic growth through the implementation of policies that aim to maximize profits and improve the utility function of representative households. These kinds of measures have a beneficial impact on the expansion and prosperity of the economy. It is commonly accepted that a loss in private savings as a result of taxation is to blame for the negative effect that public spending has on the rate of economic growth. Endogenous growth theory contends, in contrast to neoclassical growth theory, that technological advancement originates from within the economic system itself and is thus influenced by the decisions that are made within the economic system. In addition, the convergence thesis that is proposed by the Neoclassical Growth Theory is rejected by the Endogenous Growth Theory. It highlights the possibility that the income gap between

industrialized countries and developing countries could widen over time if developing countries do not achieve adequate economic performance. In addition, the theory provides support for the possibility of interventions by the government in the economy in order to achieve the optimum rate of growth.

1.2 The relationship between labor migration, unemployment, and economic growth

The labor market is a market where talents are exchanged for wages, salaries, and other forms of compensation. Participants in the labor market include anyone pursuing remuneration for work as well as any organization in search of labor. On the labor market, there is both labor demand and labor supply. Labor demand adheres to the general economic law of demand. The labor wage is inversely proportional to labor output. In other words, when wages decrease, employers will engage more individuals, whereas when wages rise, fewer individuals will be hired. When wages decrease, the labor supply increases, and when wages increase, the labor supply decreases. When labor supply exceeds labor demand, unemployment results (Card, 1990). Evidence from a number of EU countries suggests that immigrants complement native citizens on the labor market. Thus, there is no negative effect on the wages and expectations of native employees (Münz et al., 2007). Immigrant workers contribute to employment in a variety of ways, including by increasing domestic demand for products and services and improving labor market efficiency.

Migration significantly improves the effectiveness of the labor market. Jobs that are avoided by natives, such as dirty, difficult, and dangerous jobs, low-paid domestic work, low-skilled jobs in the informal economy, and jobs with strong seasonal fluctuations (such as agriculture, road repair and construction, hotel, restaurant, and tourism-related services), rely heavily on immigrant labor supply. Without immigrant labor, these industries would face acute labor shortages and steep increases in labor costs. Since the early 1990s, there has been an increase in the migration of highly skilled workers. Generally, migrants acquire production capacity from their home countries, but only a portion of this human capital can be transmitted to the labor market of the destination country. Consequently, newly arrived immigrants have a lower earning potential than natives. In addition, they lack human capital, such as the language spoken in developed nations where they reside. Due to their reduced earning capacity, the opportunity cost of immigrants' investments is relatively low. As the human capital of immigrants increases, their earnings will approach those of natives (Chiswick, 1978).

According to Bauer and Zimmermann (1999), when analyzing the influence of migration on international labor migration and labor markets, a number of significant factors manifest. First, the level of education of immigrants is essential to the human capital of host nations. Additionally,

language proficiency is a crucial factor for rapid assimilation into the labor markets of recipient nations. Second, origin differences and admission criteria have a significant impact on the labor market performance of immigrants. Thirdly, there has been a recent decline in the caliber of immigrants in nearly all nations. This decrease is quantified by the wage disparity between immigrants and natives in the labor markets. (Bauer et al., 2000) Immigrants from cultures and education systems that are distinct from those of the receiving country are responsible for this decline in quality. For instance, Mexicans and Asians in the United States, Asians in Canada and New Zealand, and remaining European refugees. Changes in international labor migration can be observed to have either a positive or negative impact on labor markets, as well as on individual and societal behavior. Therefore, migration and labor markets interact continuously. When there is an abundance of potential workers in a country, the labor market tends to contract. At the same time, there is an increase in both labor productivity and earnings. In contrast, regions that have a smaller labor force tend to experience an expansion of the labor market, which in turn leads to a fall in wages. The removal of income disparities and differences in labor productivity, or, to put it another way, the balancing of the existing labor productivity and pay levels among countries, is what is required to eliminate international labor migration. According to Munz et al. (2006), a scenario like this suggests that the possibility of substantial labor migration from low-income regions to high-income regions increases as the income gap between countries widens.

According to a report published by the United Nations in 1998, nations that already have a high population density may not see much of an impact from high levels of migration on unemployment or salaries. However, due to the fact that migration is selective, it has the potential to drive higher pay levels in some industries. Wages have risen, for instance, as a result of skilled employees migrating from Pakistan to Gulf nations in order to take advantage of employment opportunities there (UN, 1998). In a similar vein, it would appear that migration has led to an increase in real earnings in the Philippines, notably among those employed in manufacturing (Lucas, 2005). According to research by Rajan et al. (1999), an increase in the number of people migrating from the Indian state of Kerala to the Gulf region has led to an increase in salaries in Kerala. It is common knowledge that people who are unable to find work would frequently move to more developed nations in order to improve their standard of living and overall quality of life. Therefore, migration becomes an issue that affects the entire world. Several studies have been carried out in order to ascertain the potential difficulties that immigrants might face in their new countries of residence after migrating there, as well as the effect that migration has on the labor markets of both the countries of origin and the countries of residence. The results of these research indicate that there is a possibility that wages in the destination

country would fall, and that the unemployment rate will rise, because of the growing labor supply that is produced by migration.

From a theoretical point of view, an increase in the supply of labor does not automatically imply a reduction in the level of wages received by workers. Additionally, when labor markets are not fully competitive and wages are sticky, this can lead to an increase in unemployment as capital and goods markets respond to shocks in the labor supply. In particular, the concept of an increasing labor supply not having any reaction to labor-intensive output in the long run is one that is supported by specific pieces of evidence. This idea comes up in the context of the adaptation of capital markets. According to the findings of recent research, the effect of migration on income and unemployment is relatively minor and hardly worth mentioning. In spite of widespread ideas and attitudes to the contrary, migration does not have nearly as great of an impact as one might think on the employment chances and wages of the native people. Because of unemployment, there is pressure placed on the income of workers in their countries of origin, which pushes those who are talented and qualified to relocate abroad. It is only natural for people to relocate to nations in which they can maximize the financial return on the value of their professional skills. Because of this, the distribution of income in the nations that accept immigrants will have a direct bearing on the quality of immigrants that settle there.

Both the nations of origin and destination are able to witness the consequences of international labor movement on development. These effects might be positive or negative. However, the effect that international labor migration has on development, productivity, and the reduction of poverty is not the same for every country; rather, it is contingent not only on the conditions of the host country but also on the nature and volume of migrant flows. According to the World Bank (2013), the primary factors that determine the amount of money that migrant workers of working age make are their level of education, age, gender, occupation, and employment status. There are also additional influences that come into play. For instance, a number of research (Ratha et al., 2007) have suggested that remittances have a favorable impact on educational outcomes. It is possible for remittances to raise expenditure on education by providing the necessary funding and reducing the demand for child labor, as is the case in Ghana. As is the case in Pakistan and Peru, receiving remittances can greatly enhance the number of years that girls spend in school and their overall level of education. According to the findings of a study carried out by the International Labor Organization in Moldova (Cojocaru and Sintov, 2013), households who received remittances had a greater ability to provide their children with access to information technology and training in foreign languages.

It is possible for migrants to make a contribution to the economic growth of the nations to which they originally belonged by returning home. The accumulation of financial and human capital during

time spent abroad can boost the possibility of migrants returning home going on to start their own businesses. In addition, migrants have the potential to play a significant part in enabling the movement of commerce and investment across nations. They are also important consumer groups that have the potential to generate new demands for goods and services (Head and Ries, 1998). When an economy is still in its early stages of development, exporting labor to countries with more developed economies can be beneficial to economic growth. A transitional economy that is mostly agricultural is the most common descriptor for an economy like this one. A nation with a less developed agricultural economy makes slow but steady progress toward becoming industrialized. While transitioning into a (free market) economy, for example, with increased employment, one achieves a more efficient utilization of production components (Lutz, 1961). This is because optimal use of production factors, such as labor and capital, is achieved.

The loss of talented individuals has enormous repercussions for a nation's ability to achieve sustained development. According to Lowell and Findlay (2001), the level and size of development, as well as the relevant industries and professions, as well as the migratory structure (temporary, permanent, or circular), all play a role in determining the impact of brain drain on development. The loss of skilled workers results in a reduction in the amount of public money that can be invested in education and in prospective tax collections. According to Katseli et al. (2006), the loss of highly skilled employees can have a negative impact on innovation, the progression of technology, productivity, and overall growth. Migration is seen as an alternative to progress in the eyes of economists. The levels of income have become more comparable as a result of growth and development. Even if some employees are able to freely migrate to industrialized countries, only a small percentage of the labor force finds migration to these advanced economies to be attractive. This is due to the fact that growth and other measures contribute to a reduction in the economic disparities that exist across nations. According to Borjas (1995), migration has a tendency to result in lower wages for natives, a redistribution of income from workers to owners of capital, and the creation of a migration surplus. According to Brucker (2011), a move toward migration policies that are more selective but do not involve an increase in overall migration volume can be detrimental to the welfare of the country that is sending migrants. Fuest and Thum (2000) investigate the consequences of increased unionization in certain industries on the general welfare. It is possible that migration will be beneficial in fields that are highly competitive and in which the wage elasticity of labor demand is lower for unionized workers. Migration on a small scale has a negative impact on the wellbeing of native populations, whereas migration on a big scale has a positive impact.

It may be profitable to migrate from countries that have a labor surplus to those that are experiencing labor shortages. This can lead to higher levels of income and a better quality of life in

the country that is the destination. It can also boost the production and efficiency capacities of that country. Under certain circumstances, migration from countries with low incomes to nations with high incomes can result in an improvement not only in the welfare of the migrants but also of the global community as a whole. This is due to the fact that a surplus of labor can be addressed in the country that is sending workers, while labor shortages can be solved in the country that is receiving workers, resulting to an improvement in the distribution of resources. According to Schmidt et al. (1994), however, when wage adjustments are distorted, the migration of skilled people can have detrimental impacts on the welfare of unskilled workers in the country that is sending them.

CHAPTER 2: LABOR MIGRATION POLICIES IN EU COUNTRIES, UNEMPLOYMENT ISSUES, AND LATEST POLICIES TO TACKLE UNEMPLOYMENT

2.1 Labor Migration Policies in EU Countries

Labor migration policies in EU countries refer to the set of regulations, laws, and procedures that govern the movement of foreign workers within the European Union. These policies are designed to manage and facilitate the cross-border movement of workers, ensuring that labor migration benefits both the sending and receiving countries, while also safeguarding the rights of migrant workers (Paul, 2022). The free movement of workers is a fundamental principle of the European Union (EU) based on Article 45 of the Treaty on the Functioning of the European Union (TFEU) (Dølvik & Visser, 2009). This principle grants workers the right to move and work freely within EU member states. It complements the EU's single market by abolishing discrimination based on nationality in terms of employment, pay, and working conditions. EU citizens can seek jobs in other member states without needing a work permit for the first three months, and after five years of legal residence, they can acquire permanent residence rights (Baltoni, 2003). The EU also has agreements with non-EU countries to allow certain nationals to work in the EU with equal rights. Regulations and directives like Directive 2004/38/EC and Regulation (EU) No 492/2011 outline the rights and conditions related to free movement, including social benefits, equal treatment, and access to education (Cărbăușan, 2009). However, the principle does not apply to employment in the public sector, and during transitional periods after new member states join. The COVID-19 pandemic and Russia's aggression against Ukraine have temporarily disrupted free movement, prompting coordinated EU responses to protect workers' rights and facilitate the integration of refugees. The European Parliament has played a role in advocating for the protection and coordination of free movement (Rogers et al., 2012).

While the treatment of migration as a significant topic has been addressed internationally through various agreements and treaties dating back to the early 1950s, such as the 1951 Geneva Convention on Refugees, focusing on the European context, the management of this issue was primarily under the control of individual national systems until the late 1970s (Krause, 2021). The initial steps toward a recognizable international approach became evident with the "Schengen agreements" in June 1985 (Grieves, 2012). Initially adopted by France, Germany, Belgium, Luxembourg, and the Netherlands, these agreements aimed to gradually eliminate border controls among these countries, enabling unrestricted movement for citizens of these nations, as well as citizens from other EU countries and select third-party nations. This approach was further developed and formalized through the "Schengen Area" established by the 1990 convention of the same name.

This concept gained more significant supranational grounding through the Maastricht Treaty, providing a solid normative framework for visa, asylum, and immigration matters. The full integration of the 1985 agreements into the EU was realized with the Amsterdam Treaty, effective since May 1999 (Cini & Borragán, 2022).

Through the adoption and enforcement of the Lisbon Treaty, a significant alteration of primary European law was accomplished in this domain. Within the realm labeled the "area of freedom, security, and justice," the Union strives for the elimination of internal borders and the establishment of a unified policy concerning asylum, external border management, and immigration. This objective is underpinned by Article 67 of the Treaty on the Functioning of the European Union (TFEU), which emphasizes the principles of solidarity and equitable sharing of responsibilities among member states, as outlined in Article 80 of the same treaty (Goldner Lang, 2013). A group of twenty-six European countries are encompassed within this area, which includes nations like Cyprus, Croatia, Romania, and Bulgaria. However, in the case of the latter, the complete removal of internal border controls has not been fully achieved. Additionally, Liechtenstein, Norway, Iceland, and Switzerland are also part of this zone due to their individual association agreements with the EU. A noteworthy example is Ireland, which, despite substantial engagement in initiatives related to judicial cooperation and criminal oversight, is not formally integrated into this space through a specific agreement.

Under Title V of the TFEU, three distinct domains are governed: visas and border controls, in accordance with Article 77; international protection, as defined by Article 78; and immigration, based on the provisions of Article 79 (Thym & Hailbronner, 2016). In accordance with Article 77, the Union works towards establishing a policy to guarantee that individuals, regardless of their nationality, can cross internal borders without undergoing checks. On the other hand, there is a strong emphasis on controlling and effectively monitoring external borders. This involves gradually setting up an integrated system to manage these borders. With these aims in mind, European institutions passed two separate regulations to approve codes governing border crossings and visas, permitting stays of up to three months. Under Article 78, both European institutions and member states bear the responsibility of implementing unified regulations in the realm of asylum, subsidiary protection, and temporary protection. The objective is to provide suitable status to third-country nationals in need while ensuring adherence to the non-refoulement principle. This commitment is aligned with the 1951 Geneva Convention, the 1967 Protocol on the Status of Refugees, and other relevant legal frameworks.

The enactment of Regulation (EU) No 604/2013 designates the member state into which an applicant enters irregularly as the party responsible and competent for evaluating their international

protection application. According to Directive 2011/95/EU, once the application is recognized and accepted, the applicant gains a range of rights. These include access to the job market, relatively equal treatment, and adequate social support (Carrera et al., 2019). It's crucial to highlight the notable contrast between asylum and subsidiary protection. The distinction between these two concepts is significant. An individual is categorized as a "refugee," making them eligible for asylum, if they find themselves "outside their country of origin and are unwilling or unable to seek protection from that country due to a well-founded fear of persecution based on factors like race, religion, nationality, membership in a specific social group, or political beliefs." This also includes individuals who lack a nationality and are outside their former habitual residence due to such circumstances and are unable or unwilling to return.

On the other hand, subsidiary protection is extended to a "third-country national or stateless individual who doesn't meet the criteria for refugee status. However, there are substantial reasons to believe that if this person were sent back to their country of origin, or in the case of a stateless person, their former habitual residence, they would face a genuine threat of severe harm. Additionally, this person is incapable of seeking protection from the concerned country due to the perceived risk." As for Article 79, the Union aims to develop a common policy for the effective management of migration flows, ensuring fair treatment of lawfully resident foreign nationals and promoting prevention, as well as combating illegal immigration and human trafficking. The EU also possesses the capacity to conclude agreements with third countries regarding readmission, for those foreign nationals who do not meet the conditions for entry, presence, or residence in the host territory, without affecting the member states' right to determine the volumes of entry into their territories.

The adoption of Directive 2011/98/EU, which defines the procedural conditions for issuing a single permit, encompassing both residence and work permits, lays the foundation for identifying a series of procedural and substantive rights and guarantees for foreign nationals who hold such permits. These include the obligation of written notification of the reasons for a potential denial for the applicant, the right to equal treatment in terms of working conditions as the host country's citizens, freedom of association, access to education, recognition of diplomas, training and professional qualifications, tax benefits, social security, and access to public goods and services. These general attributions are applied while granting member states full competence to set fees for permit issuance and define entry quotas for the labor market and levels of guaranteed social security (Sánchez, 2016). The implementation of the directive mentioned above has led to a series of specialized interventions in various sectors, addressing protocols for different groups, such as seasonal workers, individuals with advanced skills, and those migrating for research, education, internships, volunteering, and au pair placements. Regarding the initial category, Directive 2014/36/EU establishes fundamental

prerequisites for granting relevant permits. These requirements encompass having either a contractual agreement or a confirmed job offer and possessing valid health insurance documentation. To safeguard the respectable living standards of foreign nationals, significant attention is dedicated to housing accessibility. If lodging is provided by the employer, it must not be funded through salary deductions or excessively high charges. The directive also highlights the potential for permit extensions and renewals, all within a maximum period of 9 months. It underscores the employer's responsibility to uphold contractual terms that align with local laws, regulations, and prevailing practices within the host member state (Wiesbrock et al., 2016).

For highly skilled laborers, Directive 2009/50/EC, presently undergoing revision, outlines the creation of an admission framework that respects member states' prerogatives regarding admission quotas. This framework hinges on a contractual job proposition spanning a minimum of one year and ensuring compensation of at least one and a half times the host country's average annual gross salary. It's noteworthy to underscore that this employment offer obliges the highly skilled worker to be exclusively engaged in the work specified within the employment agreement for a duration of two years, as per the authorization or invitation received (Tutilesco, 2015). Concerning permits granted for purposes such as research, education, internships, etc., which make up 3.6% of permit recipients according to recent data from Eurostat, Directive 2016/801/EU establishes general prerequisites for entry, including verified sufficient financial means, suitable health insurance, and a valid address within the host member state. These conditions are complemented by specific requisites for each respective category. As an illustration, students are permitted to undertake employment activities as long as they align with the intent for which the permit was granted. In this instance, pursuing education would entail the possibility of acquiring only part-time employment contracts (Rasnača & Bogoeski, 2023). The protection of migrant labor is additionally governed by Directive 2009/52/EC, which mandates employers to furnish competent authorities with documentation pertaining to the residency permits of their non-European Union (EU) staff. They are also required to notify authorities when hiring foreign workers who don't have long-term residency status or a residence permit valid for a minimum of one year. Furthermore, if a foreign national has been engaged in unauthorized employment, they have the right to be reimbursed for unpaid wages based on the previously mentioned condition (Verschueren, 2018).

Another pivotal facet involves permits for family reunification. Foreign nationals possessing permits lasting at least one year, demonstrating a genuine intent to establish permanent residence in Europe, and desiring to reunite with family members—including non-EU spouses, minor children, and the immediate first-degree ancestors of the permit holder or their spouse, who are financially reliant and lack adequate family support in their home country—are encompassed in this category.

According to the most recent data from Eurostat, this group constitutes 36.37% of permit recipients until 2020. This represents a significant and potential workforce segment in the European labor market, both in the short term and over the medium to long term, as the gradual integration of immediate family members is considered. In line with Directive 2003/86/EC, it acknowledges that member states hold the responsibility to grant family members of applicants an independent status after a specific period of residency. This status ensures access to education, vocational training, and employment. However, the directive also empowers member states to reject, withdraw, or decline to renew entry and residency applications if reasons related to public order, security, or health are present (Hailbronner et al., 2016).

Subsequent to the incorporation of the Treaty of Lisbon and its integration into core European law concerning migration, a range of plans have emerged from both community and non-community institutions. These plans aim to enhance the efficient and organized management of the migration phenomenon. These initiatives introduce practical and analytical tools. Notably, the European Agenda for the Integration of Third-Country Nationals, adopted in July 2011, stands as a significant undertaking in this sphere (Valcu, 2018). This message emphasized the vital significance of fields like advancing a more encompassing education that values various ethnic and cultural backgrounds. This objective is reinforced by resources for linguistic integration, territorial agreements at multiple levels, and collaborations between Europe and nations of origin.

Concerning the initial aspect being examined, the Commission directly alluded to the endorsement of the CEFR, the Common European Framework of Reference for Languages. This framework, initiated by the Council of Europe in 2001, aims to ease the reciprocal acknowledgment of language competencies. It comprises a standardized structure with six tiers of language aptitude and currently encompasses more than 40 recognized languages. Speaking about territorial pacts, these mechanisms offer participants the avenue to attain specific political objectives at the local level, achieved through a rationalized utilization of procedures and financial strategies. A noteworthy instance spotlighted within the agenda was the INTI-Cities initiative. This project, which underwent successful testing between 2007 and 2009, unfolded across 12 cities in 9 member states. These included prominent urban centers such as Helsinki, Düsseldorf, Rotterdam, Malmö, Lyon, and Genoa. The project's core focus was the evaluation of integration policies against rigorous benchmarks. This evaluation aimed to furnish verified comparative insights drawn from experts, highlighting localized practices linked to overarching governance arrangements in integration. Additionally, the assessment encompassed policies that bolster individual empowerment, the effectiveness of administrative collaboration structures, as well as measures facilitating partnerships with civil society and migrant associations (Gebhardt & Güntner, 2022).

Between 2014 and 2020, a series of projects were unlocked in this field, thanks to the use of specific investment funds. Through the European Social Fund (ESF), it was possible to develop a sectoral investment plan amounting to 84.2 billion euros for social inclusion programs, employment, as well as education and vocational training. Regarding the European Regional Development Fund (ERDF), infrastructure plans were launched totaling 21.5 billion euros, while the Asylum, Migration and Integration Fund (AMIF) allocated one billion euros for general integration measures in terms of training, civic education, dialogue promotion, skill development, and integration strategies (Eissel, 2020). Another essential piece of the puzzle is the European Agenda on Migration, presented on May 13, 2015, by the European Commission. Highlighting the inherent need for more effective integration policies for the successful management of the migration wave that affected European borders during that period, it recognized a mutual responsibility. On one hand, the primary responsibility of the member states in adopting the aforementioned policies, and on the other hand, the responsibility of the European Union to promote initiatives taken at different levels, "by national governments, local authorities, and civil society that embark on the complex and lengthy process of promoting integration and mutual trust" (Willermain, 2016).

The Action Plan on Integration and Inclusion 2021-2027 is a strategic framework aimed at facilitating the successful integration of migrants and ensuring their inclusion in European societies. This plan is in line with the new Pact on Migration and Asylum and acknowledges that effective integration is crucial for a well-managed migration and asylum policy, as well as for social cohesion and a thriving economy. The plan is designed to offer targeted and customized support, recognizing that people with a migrant background may face specific challenges related to their individual characteristics, such as gender or religious background. It emphasizes the importance of both early interventions and long-term commitment for successful integration and inclusion. Key actions outlined in the plan include (Palombino, 2021):

1. **Inclusive Education and Training:** This involves promoting education and training opportunities from early childhood to higher education. The focus is on expediting the recognition of qualifications and facilitating language learning, with support from EU funds.

2. **Enhancing Employment Opportunities:** The plan aims to improve employment prospects for migrants by recognizing their skills and contributions, with a special emphasis on women. The plan seeks to integrate migrants into the labor market, support entrepreneurship, and make it easier for employers to assess skills.

3. Access to Health Services: The plan dedicates EU funding to ensure access to health services for individuals born outside the EU. Member States are encouraged to exchange best practices in this regard.

4. Affordable Housing: Funding from various sources, including the European Regional Development Fund, European Social Fund Plus, Asylum and Migration Fund, and Invest EU, will be allocated to ensure migrants' access to adequate and affordable housing. Platforms for exchanging experiences at the local and regional levels to combat housing market discrimination and segregation will also be established.

Implementation of the action plan will involve the mobilization of EU funding and partnerships with various stakeholders, including migrants, host communities, social and economic partners, civil society, and the private sector. Digital tools will be utilized to modernize access to services, and efforts will be made to enhance the evidence base for policy development and effective monitoring of outcomes. The 2016 Action Plan on the Integration of Third-Country Nationals serves as a foundational framework for the current plan. The 2016 plan addressed the challenges faced by third-country nationals in the EU, including refugees. It covered areas such as pre-departure and pre-arrival measures, education, employment and vocational training, access to basic services, and active participation and social inclusion (Della Torre & de Lange, 2018). Furthermore, the 2016 plan emphasized coordination among various actors involved in integration efforts and introduced tools to strengthen cooperation at national, regional, and local levels. The European Integration Network played a role in promoting mutual learning between Member States, and a more strategic approach to EU funding for integration was adopted.

2.1.1 Italy

Labor migration policies in Italy encompass a complex array of regulations, strategies, and initiatives that govern the entry, employment, and integration of foreign workers into the Italian labor market. These policies reflect Italy's commitment to effectively manage labor migration flows while addressing economic, demographic, and social dynamics. By striking a balance between the needs of the labor market and the rights of migrant workers, Italy's labor migration policies seek to foster economic growth, enhance social cohesion, and uphold human rights (Gabaccia & Ottanelli, 2001). Italy's historical and geographical position has made it a focal point for both irregular and regular migration flows. As a result, the country's labor migration policies are characterized by a blend of humanitarian considerations, economic necessities, and legal frameworks that regulate the entry and stay of foreign workers.

One of the key aspects of Italy's labor migration policies is the establishment of legal channels for foreign workers to enter the country for employment purposes. Italy offers various types of work visas and permits tailored to the needs of different sectors and categories of workers. These include seasonal work permits, highly skilled worker visas, and intra-company transfer permits. These legal channels are designed to match the demands of the Italian labor market with the skills and expertise of foreign workers, thus contributing to economic growth and addressing specific labor shortages. To facilitate the integration of foreign workers into the Italian society and labor market, Italy has also implemented policies that provide access to essential services such as healthcare, education, and social services. Integration programs aim to promote social cohesion, combat discrimination, and enhance the overall well-being of migrant workers and their families. Language and vocational training programs are often offered to help foreign workers acquire the skills and knowledge necessary to succeed in their chosen professions and to contribute actively to the Italian economy.

However, like many countries, Italy also faces challenges related to irregular migration and exploitation of foreign workers. Policies to combat irregular migration focus on border control measures, collaboration with origin and transit countries, and initiatives to discourage dangerous journeys. Efforts to combat labor exploitation include enhanced labor inspections, stricter penalties for employers who exploit migrant workers, and campaigns to raise awareness about workers' rights. The issue of labor migration is closely linked to broader EU policies and agreements. Italy, as an EU member state, adheres to EU regulations that shape aspects of its labor migration policies. The EU's overarching approach to migration and mobility influences Italy's efforts to manage labor migration in a coordinated manner within the European framework.

Italy's labor migration policies are continuously evolving in response to changing economic and social dynamics. The country recognizes that well-managed labor migration can be a driving force for economic growth and development. Therefore, Italy seeks to strike a balance between the interests of the national economy, the rights of migrant workers, and the broader principles of human dignity and social inclusion (Colombo & Sciortino, 2004). Italy's labor migration policies are grounded in a series of directives, regulations, and frameworks that serve as guidelines for managing the entry, residence, and employment of foreign workers within the country. These policies are multifaceted and seek to address a spectrum of issues ranging from labor market needs to the social integration of migrants, all while ensuring adherence to both Italian legislation and broader European Union (EU) regulations. One of the foundational aspects of Italy's labor migration policies revolves around the establishment of employment contracts and permits. The country delineates various categories of work permits tailored to the diverse nature of employment. These include temporary permits for both seasonal and non-seasonal labor, permits for highly skilled workers, and provisions for intra-

corporate transfers. The process of obtaining a work permit involves demonstrating that the position cannot be feasibly filled by an Italian candidate, while concurrently satisfying the specific prerequisites tied to each category. Integral to this system is the concept of employer sponsorship. Foreign workers aspiring to work in Italy typically necessitate a concrete job offer from an Italian employer. The employer is then tasked with submitting a sponsorship application to the pertinent authorities. This submission outlines essential details about the job itself, the qualifications of the foreign worker, and the terms of employment. Notably, the job offer emerges as a pivotal factor in acquiring the requisite work permit. The issuance of work permits in Italy commonly pairs with the prospect of attaining residence permits. Foreign workers who successfully secure a work permit are subsequently eligible for a corresponding residence permit. The duration of these permits may fluctuate, contingent upon the type of employment and the exigencies of the labor market. Typically, these permits necessitate annual renewal or updating to align with employment continuity. Residence permits play an indispensable role, affording foreign workers the legal authorization to reside in Italy throughout the course of their employment.

Further underscoring Italy's labor migration approach is the imperative of integration. Integration programs form an integral component of these policies, embracing initiatives such as language courses, cultural orientation sessions, and vocational training. These programs are strategically designed to facilitate the adaptation of migrant workers to their new surroundings and augment their prospects of achievement within the labor market. A foundational principle intrinsic to Italy's labor migration policies is that of equal treatment and non-discrimination. Recognizing the significance of upholding equitable practices, foreign workers are accorded the same rights and privileges as their Italian counterparts, as mandated by EU directives. This commitment to combating discrimination ensures that all workers, irrespective of their origin, are granted equitable treatment, unrestricted access to rights, and unfettered opportunities. Moreover, the concept of labor market testing is intrinsic to Italy's labor migration framework. Prior to engaging a foreign worker, employers are often obligated to substantiate that no suitable Italian candidates are available for the role. This measure safeguards that the employment of foreign labor is commensurate with the exigencies of the domestic labor market and aligns with broader economic considerations. Collectively, Italy's labor migration policies encompass a comprehensive array of provisions, mechanisms, and safeguards aimed at fostering a well-regulated and harmonious environment for both foreign workers and the Italian labor market. The intricate interplay of these policies underscores the nation's commitment to addressing labor market requirements, promoting integration, and ensuring that the rights and well-being of all workers are diligently safeguarded.

The Italian labor immigration regime experienced notable developments between 2008 and 2020, driven by a combination of economic constraints, the refugee crisis, and shifts in labor demand. Although the legislative framework for non-EU labor immigration remained relatively stable since 2002, there was little substantial public discourse regarding the need for reform. Unlike Spain, which underwent a significant change in its immigration system, Italy's approach remained largely consistent. However, within this framework, there was a discernible shift towards a more restrictive orientation over the decade, responding to the economic downturn and refugee crisis (Devitt, 2023). The economic challenges posed by the Great Recession, which commenced in 2011, had a substantial and prolonged adverse impact on Italy's economy. During 2008–2017, the country experienced below-average GDP growth or even contraction, impacting labor demand. This economic contraction, in turn, led to higher rates of migrant unemployment, surpassing that among native workers. Notably, the unemployment rate among foreigners reached 17.9% in comparison to the overall national unemployment rate of 12% in 2013. Concurrently, the refugee crisis, which began in 2011 and reached its zenith in 2016, compounded the existing challenges. The combination of these crises compelled a more restrictive stance towards immigration, both for economic and political reasons. This shift was expedient due to the need to manage limited resources and mitigate potential backlash from domestic populations.

It's worth noting that in 2011, officials from the Ministry of Labor and Social Policies articulated a belief that the demand for non-EU labor migrants would lessen, suggesting that intra-EU mobility, family reunification, and the emergence of second-generation migrants would alleviate labor mismatches that were previously addressed through labor migration from non-EU countries. Regularizations of irregular migrants were also part of this narrative. Italy's labor market continued to accommodate irregular migrants, owing to informal job opportunities and changes in migration-related policies. While two regularization programs were implemented in 2009 and 2012, the frequency of such programs diminished over the years. In 2018, the abolition of humanitarian protection further contributed to the presence of irregular migrants in the country. Another facet of this evolution was the facilitation of highly skilled non-EU labor immigrants. Starting in 2007, Italy adopted policies to attract skilled individuals, aligned with European policy trends. Various channels emerged, including self-employment opportunities, entrepreneurial ventures, recognition of artists, and participation in innovative start-ups. European Directives introduced pathways for highly qualified workers, researchers, and intra-company transfers, including the "Blue Card" for highly skilled employees.

2.1.2 Germany

Germany's labor migration policy is designed to address the country's growing labor shortages, particularly in high- and medium-skilled occupations. The nation's aging working-age population has led to a need for managed labor migration to fill the gaps in the labor market. While Germany has a relatively liberal legal framework for hiring highly skilled migrants, practical complexities often deter employers from utilizing the system effectively. According to a joint survey by the OECD and the Association of German Chambers of Industry and Commerce (DIHK), nearly half of employers with vacant positions do not consider recruiting from abroad due to the perceived intricacies of the system. This has resulted in a low share of labor migrants from outside the EU entering Germany, in contrast to other OECD countries where labor migrants accounted for more than 9% of permanent inflows in 2016 (OECD, 2018).

Despite considerable skill shortages in medium-skilled jobs and small- to medium-sized enterprises, the German labor migration system is underused for recruiting immigrants in these roles. To address these shortages, it is suggested that labor migration channels be expanded for medium- and low-skilled workers, while closely monitoring their impact on the labor market. A notable challenge in recruiting immigrant workers is the demand for German language skills. Employers place a high value on language proficiency, and a reduction in language barriers could lead to increased hiring of foreign workers. To address this, other countries like Korea have implemented language tests in the country of origin as a criterion for employment permits. Additionally, incentives such as prioritization in the system for migrants with German language skills could be explored, although the availability of opportunities to learn German abroad remains limited. Germany's strategy to address skills shortages also involves increasing the number of international students and promoting their retention in the German labor market. While the number of international students in Germany has been steadily rising, their share remains slightly below the OECD average. To enhance retention rates, efforts to connect international students with employers, provide incentives for learning German, and facilitate internships during their studies are being considered.

Starting in the year 2000, Germany introduced a new Citizenship Act that modernized nationality law and shifted towards a more skills-oriented approach. This change was followed by the introduction of a special regulation in the same year, targeting the temporary stay of foreign Information and Communications Technology (ICT) specialists to address sector-specific labor shortages. This marked the beginning of a new era in German labor migration policy, where qualification became a primary criterion for selection decisions, replacing the traditional emphasis on the country of origin (Morjé Howard, 2008). In 2004, the Immigration Bill (Zuwanderungsgesetz)

replaced the old Foreigners Law, introducing a new Residence Act (Aufenthaltsgesetz) effective from January 1, 2005. This legislative framework aimed to manage and limit the influx of foreigners into Germany, regulating their entry, residence, economic activity, and integration. The Act created opportunities for highly qualified workers, self-employed individuals, entrepreneurs, and international students, with a focus on aligning the recruitment process with merits and skills. The Act laid the foundation for a skills-based labor migration policy, which underwent further developments through subsequent legal initiatives (Groenenduk, 2004).

A significant step in this direction was the introduction of the German Green Card in 2000, enabling citizens of any country to seek employment in Germany based on their qualifications, especially in the Information and Communications Technology (ICT) sector. In 2012, Germany adopted the EU Blue Card Directive, liberalizing access for highly skilled workers from non-EU countries by going beyond minimum requirements and introducing a job-seeking visa for applicants with recognized academic qualifications (Schneider, 2023). The Skilled Immigration Act of 2019 marked another major reform, restructuring the legal basis for skilled labor recruitment and vocational training. This Act aligned the legal status of skilled workers with vocational education and training with those academically qualified, offering a work visa to skilled workers with recognized equivalent qualifications. This Act expanded the eligibility criteria, allowing skilled workers from various fields to apply, not just those in shortage occupations. It also introduced provisions for training and adaptive qualification measures for foreign nationals. In 2015, a specific mobility scheme called the Western Balkans Regulation was introduced, allowing citizens of Western Balkan countries to access the German labor market under certain conditions. This scheme, motivated by a domestic political bargain, effectively addressed labor demand for both skilled and low-skilled workers from the region (Bither & Ziebarth, 2018). The German government, in collaboration with various stakeholders, has implemented different initiatives to promote labor mobility and training partnerships. These initiatives are categorized into four types based on their approaches and actors involved (Schneider, 2023).

Recruitment of Skilled Workers Abroad (Triple Win) - Germany actively recruits skilled workers from abroad, particularly in fields facing labor shortages such as healthcare. The Triple Win project is a notable example. It involves recruiting skilled healthcare professionals, especially nurses, from countries with a surplus of trained healthcare workers. These workers undergo linguistic and intercultural preparation in their home countries and then receive further training and adaptation in Germany. The project ensures transparency and fairness for both migrants and employers, requiring employers to cover the costs of recruitment and adaptation.

Vocational Education and Training (VET) in Germany - Germany offers vocational training programs for foreign workers in sectors like healthcare, construction, and hospitality. These programs aim to provide comprehensive training to foreign workers, preparing them for specific roles in the German labor market. For instance, the German-Moroccan Partnership focuses on training young Moroccans in the hospitality sector. Trainees receive language preparation and vocational training in Germany, allowing them to acquire valuable skills that meet local standards.

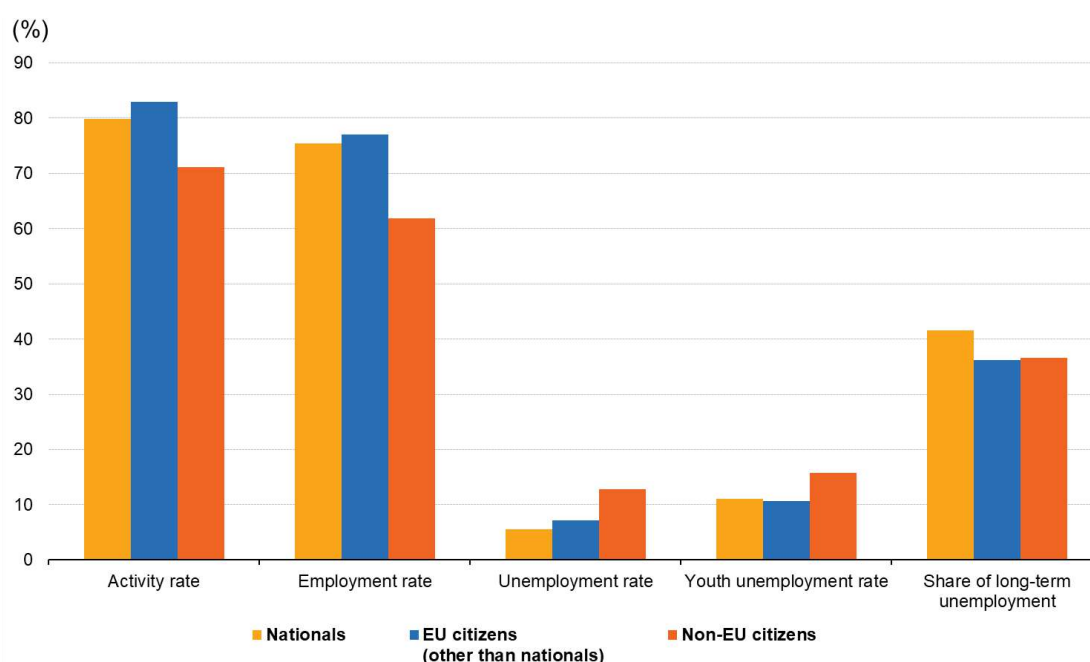
VET in the Country of Origin (Global Skill Partnerships) - Germany collaborates with partner countries to establish training programs in the migrants' home countries. These programs provide training according to German standards, ensuring that participants acquire skills relevant to both the German and local job markets. The Kosovo pilot project is an example of this approach, where young Kosovars receive vocational training as bricklayers in a Kosovo-based academy that follows German VET standards. This approach promotes development-oriented labor migration and benefits both partner countries.

Skills and Mobility Support Measures - Germany offers individual skills and mobility support measures to potential migrants, enabling them to find work or training opportunities in Germany. These measures include training courses, counseling, networking, and job offers. This approach emphasizes the agency of individual migrants and supports their integration into the German labor market (Schneider, 2023).

2.2 The Impact of Labor Migration Policies on Unemployment Rates in EU Countries

The European common labor market can ideally support the achievement of a state of equilibrium in the individual European occupational dimensions, as the dissolution of barriers to mobility would lead to equal factor prices. In this ideal context, the reduction of transfer costs on production factors will allow the gradual movement of labor towards destinations with higher wages, stimulating business investments in areas with lower occupational costs. However, in practical terms, an extensive complex of mobility costs and elements of conditioned and unconditioned friction lead to the persistence of imperfect markets. The heterogeneous and articulated European scenario significantly influences the integration process, not only in conditioning education levels but also consequently in occupational terms. In this regard, the gap between non-European citizens, European residents in their country of origin, and non-residents is evident both at the European level and in their respective national and regional dimensions. Substantially, although since 2010 the occupational gap among the previously mentioned categories has been scaled down over the years, non-European immigrants on average continue to have worse outcomes in the labor market compared to natives and intra-European immigrants.

Figure 1. Main labour market indicators



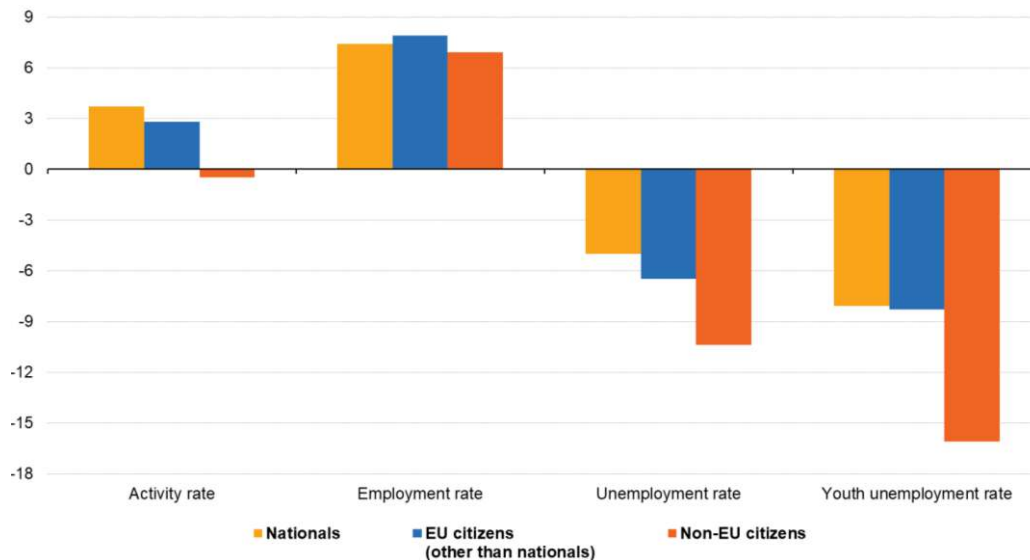
Source: Migrant integration statistics – labour market indicators, retrieved from: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migrant integration statistics %E2%80%93 labour market indicators#Activity rate](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migrant_integration_statistics_%E2%80%93_labour_market_indicators#Activity_rate)

For EU nationals, encompassing citizens of the member country, approximately 79.8% were part of the labor force, signifying they were either employed or actively job-seeking (unemployed). This engagement rate outpaced that of non-EU citizens, at 71.1%, yet slightly lagged behind citizens hailing from other EU Member States, who achieved a rate of 83.0%. Regarding actual employment, which includes employees, self-employed persons, and contributing family workers, roughly 75.4% of EU nationals were employed. This employment rate surpassed that of non-EU citizens, standing at 61.9%, though it slightly fell short of citizens from other EU Member States, who recorded a rate of 77.1%.

When examining unemployment rates for individuals aged 20 to 64, 5.5% of EU nationals within the labor force found themselves unemployed in 2022. By comparison, the unemployment rate was elevated for citizens of other EU Member States, reaching 7.1%, and notably more substantial for non-EU citizens, reaching 12.8%. Turning attention to the youth unemployment rate (computed for those aged 15 to 29), the figures for 2022 disclosed a rate of 11.0% for EU nationals, 10.6% for citizens of other EU Member States, and 15.7% for non-EU citizens. This implies that when contrasted with the overall unemployment rate for those aged 20 to 64, youth unemployment was approximately 2.0 times higher among EU nationals, 1.5 times higher for citizens of other EU Member States, and 1.2 times higher for non-EU citizens. Analyzing the length of unemployment spells, around 40% of individuals aged 20 to 64 who were without a job in the EU during 2022 had been in this situation for at least a year. Specifically, this proportion was the smallest for unemployed

citizens of other EU Member States, at 36.2%, slightly higher for unemployed non-EU citizens, at 36.6%, and highest for unemployed nationals of the country, reaching 41.6%.

Figure 2. Change in main labour market indicators, by citizenship EU, 2013-2022

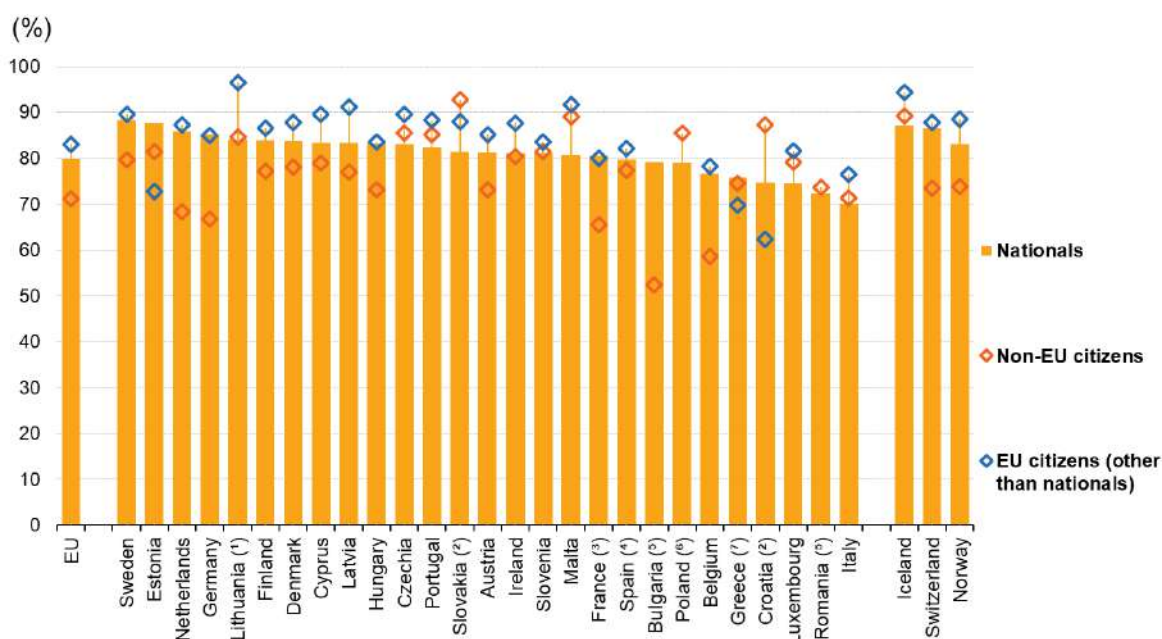


Source: Source: Migrant integration statistics – labour market indicators, retrieved from: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migrant_integration_statistics_%E2%80%93_labour_market_indicators#Activity_rate

In the European Union, the engagement and employment levels among individuals from other EU Member States closely paralleled those of the native population in 2022. In contrast, these rates were notably lower for individuals without EU citizenship. For instance, the proportion of non-EU citizens employed was roughly one fifth lower compared to that of native citizens. The unemployment rates in the EU during 2022 were higher for both groups of foreign citizens when contrasted with the rates for native citizens.

Notably, the disparity was more pronounced among non-EU citizens, with their unemployment rate being 2.3 times higher than that of native citizens. In comparison, citizens of other EU Member States had an unemployment rate 1.3 times higher than that of native citizens. Conversely, when considering the youth unemployment rate, there was little difference between the rates of citizens from other EU Member States and the rates of native citizens. However, the ratio for non-EU citizens was 1.4, suggesting a modestly higher youth unemployment rate among this group. In terms of extended unemployment, a noteworthy distinction emerged. In the EU of 2022, the proportion of long-term unemployment was lower for both categories of foreign citizens in comparison to native citizens.

Figure 3. Activity rate, 20-64 years, 2022



- (*) EU citizens: low reliability.
- (**) EU citizens and non-EU citizens: low reliability.
- (*) Definition differs for EU citizens and non-EU citizens.
- (*) Definition differs for nationals, EU citizens and non-EU citizens.
- (*) EU citizens: not available. Non-EU citizens: low reliability.
- (*) EU citizens: not available.
- (*) Definition differs for nationals.

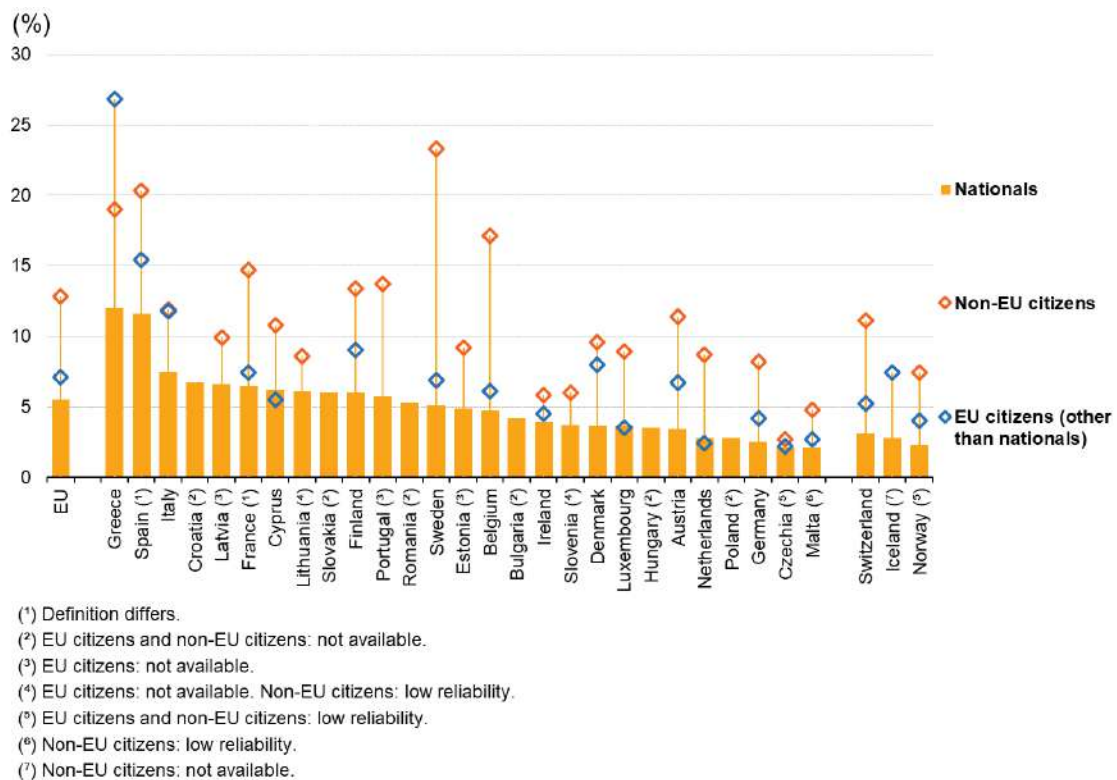
Source: Source: Migrant integration statistics – labour market indicators, retrieved from: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migrant integration statistics – labour market indicators#Activity rate](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migrant_integration_statistics_%E2%80%93_labour_market_indicators#Activity_rate)

In 2022, within the EU Member States, the activity rate for nationals displayed some variations. Sweden recorded the highest activity rate among nationals at 88.3%, with the majority of countries maintaining rates above 75.0%. A few countries, namely Croatia, Luxembourg, Romania, and Italy (the latter with the lowest rate of 70.1%), exhibited lower activity rates for nationals. Among citizens from other EU Member States, the range of activity rates in 2022 displayed greater diversity, with some countries (Bulgaria, Poland, Romania) lacking data. Rates above 90.0% were evident in Lithuania (96.5%, with low data reliability), Malta (91.7%), and Latvia (91.1%). Conversely, Croatia registered the lowest rate at 62.4%, albeit with low data reliability. For non-EU citizens, the variation in rates was even more extensive, spanning from 92.8% in Slovakia (low data reliability) to 52.4% in Bulgaria (low data reliability).

In 19 out of 24 EU Member States with available data, citizens from other Member States displayed higher activity rates than national citizens in 2022. Notably, Lithuania exhibited the largest disparity, with citizens from other Member States surpassing national citizens by 12.4 percentage points (low data reliability). However, in five Member States, including Germany, France, Greece, Croatia, and Estonia, activity rates were lower for citizens from other Member States compared to

their national counterparts. Estonia saw the most significant gap, with citizens from other Member States displaying a 14.8 percentage point lower rate than national citizens. In 16 out of 27 EU Member States with available data, non-EU citizens had lower activity rates than national citizens in 2022. The largest difference was observed in Bulgaria (low data reliability), where the rate for non-EU citizens was 26.7 percentage points lower than for nationals. Conversely, in 11 Member States, non-EU citizens displayed higher activity rates than national citizens. Notable gaps were identified in Croatia (12.5 percentage points; low data reliability) and Slovakia (11.3 percentage points; low data reliability). Among the 24 EU Member States with available data on the gap between the two categories of foreign citizenship and nationals, Estonia, Greece, Germany, and France were the only countries where the activity rate for nationals exceeded that of both categories of foreign citizens. Slovakia, Malta, Czechia, Portugal, Lithuania, Slovenia, Luxembourg, and Italy were the only Member States where the activity rate for nationals was lower than that for both categories of foreign citizens.

Figure 4. Unemployment rate by citizenship



Source:

Source: Migrant integration statistics – labour market indicators, retrieved from: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migrant_integration_statistics_%E2%80%93_labour_market_indicators#Activity_rate

In the realm of EU Member States, the year 2022 witnessed varying unemployment rates for nationals. Greece held the highest rate at 12.0%, closely followed by Spain at 11.6%. Throughout the rest of the EU, this rate remained under 8.0%. The lowest rates, both at 2.1%, were observed in

Czechia and Malta. For individuals hailing from other EU Member States, the range of unemployment rates in 2022 displayed greater diversity across countries (data available for 16 Member States). The highest rates were concentrated in Greece (26.8%) and Spain (15.4%) once again. On the opposite end, two Member States posted rates below 2.5%: the Netherlands at 2.4% and Czechia at 2.2% (both with low data reliability). Examining 2022, the span between unemployment rates in EU Member States was wider for non-EU citizens (data available for 21 Member States) compared to nationals. Sweden held the highest rate at 23.3%, which was 20.6 percentage points above the rate in Czechia (2.7%, with low data reliability).

Among the 16 EU Member States with available data, 13 displayed higher unemployment rates in 2022 for citizens from other Member States than for national citizens. Greece showcased the most substantial gap, with citizens from other Member States experiencing a rate 14.8 percentage points higher than nationals. In contrast, Cyprus, the Netherlands, and Luxembourg had narrow gaps (at most 0.7 percentage points) where citizens from other Member States recorded lower unemployment rates compared to their national counterparts. Considering all 21 EU Member States with available data, unemployment rates in 2022 for non-EU citizens surpassed those for nationals. The widest disparities emerged in Sweden and Belgium, where non-EU citizens faced rates 18.2 and 12.4 percentage points higher than nationals, respectively. Conversely, the smallest gaps appeared in Czechia and Ireland, at 0.9 and 1.7 percentage points, respectively. Across 16 EU Member States with data on the gap between the two categories of foreign citizenship and nationals, the majority exhibited the lowest unemployment rate for nationals and the highest for non-EU citizens. The exceptions were Cyprus, the Netherlands, and Luxembourg, where the unemployment rate for nationals did not fall below the rates for both categories of foreign citizens; instead, the lowest rate was for citizens from other Member States. Interestingly, Greece stood as the sole Member State where the unemployment rate for non-EU citizens did not surpass that of nationals and citizens from other Member States. In Greece, the highest rate was experienced by citizens from other Member States.

2.3 Policies to Tackle Unemployment in EU Countries

The European Union (EU) has been engaged in the fight against unemployment since the early 1950s, with its involvement intensifying in response to the 2008 economic and financial crisis, which led to a rise in unemployment rates across all EU Member States. The EU's commitment to promoting a high level of employment is underscored by its Europe 2020 strategy, which set a target of achieving 75% employment among 20- to 64-year-olds by 2020. Over the years, the labor market conditions in the EU have shown significant improvements, with most labor market indicators steadily

strengthening. Since mid-2013, the overall unemployment rate has steadily declined, reaching 6.5% in the EU-28 and 7.8% in the euro area by February 2019. However, challenges remain, including differences in unemployment rates between Member States, youth unemployment, and long-term unemployment. To address these challenges, several policy measures and initiatives have been implemented since 2014.

The issue of youth unemployment has long been a concern for policymakers, economists, and societies as a whole. Young people entering the labor market often face unique challenges that can hinder their ability to secure stable employment opportunities. These challenges include a lack of work experience, limited access to relevant skills and training, and competition for entry-level positions. The consequences of prolonged youth unemployment can be far-reaching, affecting not only individuals but also society's overall economic and social well-being. In response to this pressing issue, the European Union (EU) has introduced initiatives such as the Youth Guarantee (YG) to address the specific needs of young jobseekers and enhance their employability (Pesquera Alonso et al., 2021). The Youth Guarantee is a policy mechanism that emerged as a strategic response to the high levels of youth unemployment experienced in many EU Member States, particularly in the aftermath of the 2008 economic crisis. Designed to provide young people with a rapid and comprehensive entry point into the labor market or educational pathways, the YG operates on the premise that every young person under the age of 25 should receive an offer of employment, continued education, an apprenticeship, or a traineeship within four months of becoming unemployed or leaving formal education (Escudero & Mourelo, 2015).

The central objective of the Youth Guarantee is twofold: to enhance the employability of young individuals by equipping them with the necessary skills and experiences for sustainable employment, and to reduce the overall rates of youth unemployment across the EU. By ensuring swift access to opportunities and support, the YG aims to prevent long spells of unemployment among young people, which can lead to skills erosion, discouraged jobseekers, and potential social exclusion. The Youth Guarantee operates as a multi-faceted approach, involving coordination between governments, employers, educational institutions, and support services. It relies on a combination of elements that collectively contribute to achieving its goals (Escudero & López Mourelo, 2017):

1. Targeted Outreach and Guidance: The YG typically involves outreach efforts to inform young people about available opportunities. This might include career counseling, job fairs, workshops, and information campaigns to ensure that all eligible individuals are aware of the YG and how to access its benefits.

2. **Employment Opportunities:** Job placements, internships, and apprenticeships are key components of the YG. Employers are encouraged to create positions specifically for young jobseekers or to provide training opportunities that enable young individuals to acquire valuable work experience.

3. **Continued Education and Training:** Recognizing the importance of education as a pathway to improved employability, the YG encourages young people to continue their education or training. Vocational education and training programs aligned with labor market demands can provide young individuals with skills that are relevant and in demand.

4. **Tailored Support Services:** Some young people may face additional barriers to employment, such as disabilities or disadvantaged backgrounds. The YG may offer specialized support services, including mentoring, language training, and assistance with job applications.

5. **Monitoring and Evaluation:** Effective implementation of the YG involves monitoring its outcomes and assessing its impact. This includes tracking the number of young people who receive offers of employment or education, as well as evaluating the quality of the opportunities provided.

6. **Public-Private Collaboration:** The success of the YG often hinges on collaboration between public institutions, private sector employers, educational institutions, and civil society organizations. Partnerships between these stakeholders can create a more holistic approach to addressing youth unemployment.

The Youth Guarantee represents a comprehensive effort to tackle the challenges faced by young people entering the labor market. By providing timely and relevant opportunities for employment, education, apprenticeships, and traineeships, the YG seeks to bridge the gap between education and work, equip young individuals with the skills demanded by the labor market, and contribute to the reduction of youth unemployment rates. The initiative not only benefits young jobseekers themselves but also has the potential to boost economic growth, social cohesion, and the overall well-being of societies in the EU.

Vocational Education and Training (VET) has gained significant prominence as a crucial component of educational and workforce development strategies, particularly in the context of addressing youth unemployment and bridging the skills gap in the labor market. The European Union (EU) has recognized the value of VET and has introduced initiatives to enhance the quality, relevance, and accessibility of vocational training and apprenticeship programs. Two key initiatives that underscore the EU's commitment to strengthening VET are the European Alliance for Apprenticeships and the establishment of a Quality Framework for Traineeships (Brockmann et al., 2008). The European Alliance for Apprenticeships (EAA) was launched as a collaborative effort to

promote the expansion and improvement of apprenticeship systems across EU Member States. Launched in 2013, the EAA is built on the belief that high-quality apprenticeships can contribute to reducing youth unemployment and ensuring a better match between the skills possessed by young people and those demanded by employers. The initiative recognizes the value of hands-on learning and practical experience in preparing individuals for the world of work. The EAA operates as a platform for cooperation and dialogue among key stakeholders, including governments, employers, trade unions, educational institutions, and youth representatives. By bringing these actors together, the EAA aims to (Graf & Marques, 2023):

- Enhance the Image of Apprenticeships: The EAA seeks to change perceptions of apprenticeships, positioning them as valuable pathways to skills development and employment. By showcasing successful apprenticeship stories and emphasizing the benefits of this form of education, the initiative aims to attract more young people to consider apprenticeship as a viable option.

- Promote Employer Engagement: Engaging employers is critical for the success of apprenticeship programs. The EAA encourages businesses of all sizes to provide apprenticeship opportunities, enabling young individuals to gain practical skills and knowledge in real work settings.

- Share Best Practices: The EAA facilitates the sharing of best practices, experiences, and insights related to apprenticeships. Member States can learn from each other's successes and challenges, leading to the continuous improvement of apprenticeship systems.

- Facilitate Partnerships: Collaboration among governments, employers, educational institutions, and other stakeholders is essential for effective apprenticeship systems. The EAA fosters partnerships that can lead to the development of high-quality, demand-driven apprenticeship programs.

Recognizing the importance of providing young people with high-quality work experience, the EU introduced a Quality Framework for Traineeships in 2014. This framework sets out guidelines and principles to ensure that traineeships offer meaningful learning opportunities, relevant skills development, and fair working conditions. The Quality Framework aims to enhance the overall quality of traineeships and improve the transition from education to work.

Traineeships should provide clear learning objectives and outcomes that align with the skills required in the labor market. This ensures that trainees gain relevant experience and competencies. Adequate supervision, mentorship, and support should be provided to trainees to facilitate their learning and integration into the workplace. Trainees should receive fair treatment and access to the same rights and benefits as regular employees, ensuring that they are not exploited or subjected to unfair practices. The Quality Framework emphasizes the importance of appropriate traineeship

durations to ensure that trainees have sufficient time to acquire meaningful skills. Traineeships should be accessible to a diverse range of young people, including those from disadvantaged backgrounds.

Labor Mobility, a key aspect of the European Union's efforts to combat unemployment and promote a more integrated and dynamic labor market, has been a central focus in addressing labor market imbalances, skill shortages, and job opportunities across EU Member States. The EU has implemented a range of measures to facilitate and enhance labor mobility, recognizing its potential to drive economic growth, increase job opportunities, and create a more flexible workforce. Two significant initiatives that underscore the EU's commitment to labor mobility are the strengthening of the EURES portal and the tightening of rules on posted workers (Cojocaru, 2020).

The European Employment Services (EURES) portal serves as a crucial tool in facilitating job matching, information sharing, and labor mobility across EU Member States. Launched in 1993, EURES operates as a network connecting Public Employment Services (PES) from different countries, employers, jobseekers, and other labor market actors. Its primary aim is to promote the free movement of workers within the EU, allowing jobseekers to explore opportunities beyond their national borders and employers to find suitable candidates from a wider talent pool (Wiesböck, 2016). The EURES portal offers a comprehensive database of job vacancies and CVs, allowing jobseekers and employers to connect more easily. Jobseekers can search for job opportunities in different EU countries, while employers can access a diverse pool of potential candidates. EURES helps individuals overcome practical obstacles related to working in another country, such as language barriers, recognition of qualifications, and legal requirements. It provides information on living and working conditions, social security, and other relevant aspects of cross-border mobility. Employers can use the portal to advertise job vacancies, reaching a wider audience and attracting candidates from different EU countries.

The EU has taken steps to address issues related to the posting of workers, a practice that involves sending employees from one EU Member State to work in another temporarily. While posted workers contribute to labor mobility and cross-border economic activity, concerns have been raised about unfair treatment, social dumping, and exploitation. To ensure that posted workers receive fair treatment and protection, the EU has introduced measures to tighten rules and regulations. Long-term unemployment, a persistent challenge faced by many countries, necessitates comprehensive strategies aimed at reintegrating individuals into the labor market and ensuring their sustained employability. The European Union (EU) has recognized the importance of addressing long-term unemployment and has implemented a range of measures to support the integration of the long-term unemployed into the labor market. These efforts are crucial not only for the economic well-being of individuals

but also for the overall health and dynamism of the labor market. The integration of the long-term unemployed into the labor market is a priority for the EU. Long-term unemployment can have severe negative impacts on individuals, leading to skill erosion, decreased self-confidence, and social exclusion. To combat these challenges, the EU has emphasized the need for active labor market policies that focus on providing targeted support and opportunities for those who have been out of work for an extended period.

One of the key measures in addressing long-term unemployment is encouraging individuals to register with employment services. This step enables authorities to assess their needs, skills, and aspirations. By understanding the unique challenges faced by long-term unemployed individuals, employment services can tailor interventions and support services to maximize their chances of successful reintegration into the labor market. To ensure a smoother transition for the long-term unemployed into employment, the EU has introduced the concept of job integration agreements. These agreements aim to provide a structured approach to helping individuals reenter the labor market. Job integration agreements typically involve setting individualized goals, identifying training or upskilling needs, and outlining the support services that will be provided. These agreements are intended to provide a clear roadmap for both jobseekers and employment service providers, facilitating the process of reintegration. The EU recognizes that financial support is essential for effective measures to combat long-term unemployment. The European Social Fund (ESF) plays a crucial role in providing funding for initiatives that focus on employment and social inclusion. The ESF supports a range of projects and programs that aim to enhance the employability of individuals, provide training and skills development, and create pathways to sustainable employment.

Additionally, other funds within the EU's multiannual financial framework, such as the European Globalisation Adjustment Fund (EGF), contribute to efforts to combat long-term unemployment. The EGF is designed to provide support to workers who have lost their jobs due to significant changes in the structure of global trade or due to large companies reducing production or relocating out of the EU. This fund aims to equip affected workers with the skills and support they need to transition into new job opportunities (Schmid, 2019). Addressing long-term unemployment requires an integrated approach that combines support services, skills development, job matching, and social inclusion efforts. The EU recognizes that reintegration into the labor market is a multifaceted process that requires collaboration between governments, employers, educational institutions, and social service providers. By creating a supportive ecosystem that offers a range of resources and interventions, the EU aims to provide a comprehensive response to the challenge of long-term unemployment. The Blue Card is an EU-wide work permit designed to attract highly skilled non-EU workers. The EU Blue Card Directive (Directive 2009/50/EC) establishes the rules and

procedures for the entry and residence of highly qualified non-EU nationals seeking employment within EU member states, excluding Denmark, Ireland, and the United Kingdom. The primary objective of this directive is to create a standardized system known as the EU Blue Card, which simplifies the admission process and rights for highly skilled workers and their families (Burmann et al., 2018). The directive stipulates the criteria that individuals must meet to be eligible for an EU Blue Card. Applicants are required to provide evidence of a valid work contract or a binding job offer with a minimum duration of one year (Cerna, 2014). The salary offered should be at least 1.5 times the average gross annual salary in the respective member state. Additionally, applicants must demonstrate that they possess the necessary qualifications for the job they intend to take up. They should also hold a valid travel document and, if applicable, an appropriate visa, along with proof of adequate health insurance coverage. To be eligible for an EU Blue Card, applicants must not pose a threat to public policy, security, or health. Member states reserve the right to reject applications if the specified conditions are not met or if the submitted documents have been obtained illegally, falsified, or tampered with (Fons, 2017).

Successful applicants who are granted an EU Blue Card are entitled to reside and work within the issuing member state for a standard period of one to four years, depending on the specific member state's regulations. If the work contract's duration is shorter than the standard validity period, the card remains valid for the duration of the contract plus an additional three months (Cerna, 2013). During the first two years of their residency, EU Blue Card holders are generally limited to engaging in highly qualified employment that adheres to the admission criteria. Subsequently, they have the opportunity to apply for other highly qualified employment opportunities on an equal footing with nationals of the member state. EU Blue Card holders and their families have the right to enter, re-enter, and remain in the member state that issued the card, as well as to travel through other EU member states. They enjoy similar rights to those of nationals in areas such as working conditions, education, recognition of qualifications, social security, and freedom of association. However, some rights, such as educational grants and loans, may be subject to restrictions imposed by the member state.

Member states are empowered to withdraw or decline to renew an EU Blue Card if the holder no longer fulfills the original conditions, remains unemployed for over three months, or becomes a perceived threat to public policy. After residing legally for 18 months, EU Blue Card holders receive certain facilitation regarding obtaining visas for moving to another member state. They may be permitted to commence employment even before a visa decision is made, provided they still meet the admission criteria. Family members of EU Blue Card holders are also eligible to join them promptly. The directive includes provisions for the European Commission to report every three years on the implementation of this legislation. The directive will be repealed and replaced by Directive (EU)

2021/1883 starting from 19 November 2023 (Verschueren, 2023). As the European Union (EU) charts its course for the future, it continues to prioritize initiatives that foster economic growth, social well-being, and the overall prosperity of its member states and citizens. One such initiative is the European Social Fund Plus (ESF+), a forward-looking proposal by the European Commission for the period 2021-2027. This ambitious program underlines the EU's commitment to enhancing workers' mobility, expanding employment opportunities, reinforcing social cohesion, and boosting competitiveness across the continent (Lecerf, 2019).

At the heart of the ESF+ proposal lies a comprehensive and integrated approach to addressing the multifaceted challenges that European societies and labor markets face. By consolidating and streamlining various existing funds, the ESF+ aims to channel resources effectively and strategically into areas that have a tangible impact on citizens' lives, particularly in the realms of education, employment, and social inclusion. One of the key pillars of the ESF+ is the drive to enhance workers' mobility within the EU. This initiative recognizes that a flexible and dynamic labor market is essential for economic growth and the efficient allocation of resources. By facilitating cross-border job matching and employment opportunities, the ESF+ seeks to create an environment where workers can explore new horizons, gain diverse experiences, and contribute their skills and talents to different corners of the EU. This not only benefits individuals seeking employment but also enriches the labor markets of member states and promotes the exchange of knowledge and expertise (Hermans et al., 2023). The ESF+ underscores the EU's unwavering commitment to fostering social cohesion, a fundamental principle that underpins the vision of a united and inclusive Europe. In an increasingly interconnected world, social cohesion plays a pivotal role in ensuring that citizens from all walks of life have access to opportunities, resources, and a dignified standard of living. By concentrating investment in areas that promote social inclusion, the ESF+ seeks to reduce disparities and inequalities across member states, promoting a sense of unity and solidarity that transcends borders.

Recognizing that global competition is a driving force shaping the economic landscape, the ESF+ emphasizes the need to enhance Europe's competitiveness on the world stage. Through targeted investments in education, skills development, and innovation, the ESF+ aims to equip European citizens with the tools they need to thrive in an ever-evolving and technology-driven economy. By fostering a culture of lifelong learning and adaptability, the program seeks to empower individuals to remain competitive and resilient in the face of rapid changes in the labor market. A distinctive feature of the ESF+ is its consolidation of various existing funds into a cohesive framework that emphasizes the importance of education, employment, and social inclusion. By streamlining these resources, the EU aims to maximize their impact and efficiency, ensuring that investments are strategically deployed to achieve tangible outcomes. Education remains a cornerstone of the program, with a focus on

equipping individuals with the skills, knowledge, and abilities needed to succeed in a dynamic and interconnected world. Employment opportunities are viewed as a gateway to economic independence and social participation, while social inclusion efforts seek to create an environment where everyone can contribute and thrive.

The ESF+ proposal represents a unified vision for the future of the EU, one that recognizes the interconnectedness of economic, social, and individual well-being. By concentrating resources in areas that directly affect citizens' lives, the program aims to create a positive feedback loop where economic growth and social progress reinforce each other. As member states face common challenges and opportunities, the ESF+ provides a framework for collaborative action and the pooling of resources to address shared goals. The "new skills agenda for Europe" is a comprehensive and forward-thinking initiative designed to harness the full potential of skills to drive economic growth, enhance employability, and foster innovation. This multifaceted agenda seeks to address the dynamic challenges of the 21st century labor market by promoting a broader and more adaptable skill set, leveraging existing skills, and bridging gaps in specific economic sectors. Central to the "new skills agenda for Europe" is the acknowledgment that skills constitute a cornerstone of individual and collective success. The program's overarching aim is to empower individuals with a comprehensive toolkit of skills that enable them to thrive in a rapidly changing world. This emphasis on lifelong learning reflects the understanding that skills acquisition is not confined to a specific phase of life but is an ongoing process that adapts to the demands of the modern economy (Papagiannis & Sipitanou, 2018).

One of the key strategies of the agenda involves optimizing the utilization of all available skills within the labor market. Often, a significant portion of a nation's workforce possesses skills that are underutilized or unrecognized. By creating mechanisms that match individual skills with appropriate job opportunities, the EU seeks to maximize labor market efficiency, reduce skills mismatches, and elevate overall productivity. This approach not only benefits individuals by enabling them to contribute meaningfully to the workforce but also augments the economy by unlocking latent potential. Moreover, the "new skills agenda for Europe" seeks to address skills shortages in specific economic sectors. The shifting tides of technology, innovation, and globalization have led to a demand for new skill sets that traditional education systems may not fully address. By identifying sectors with acute skills shortages and strategically investing in skill development programs, the EU aims to create a more seamless alignment between the workforce and industry needs. This endeavor not only benefits the industries themselves by supplying a skilled talent pool but also bolsters economic growth by fostering innovation and competitiveness. At its core, the "new skills agenda for Europe" reflects a holistic approach that encompasses multiple dimensions of skills development. It

recognizes that traditional academic knowledge is just one facet of a broader skill repertoire. Skills such as digital literacy, problem-solving, adaptability, and cross-cultural communication are increasingly essential in the modern workplace. The agenda encourages member states to incorporate these skills into educational curricula and training programs, ensuring that individuals are equipped to navigate the complexities of the contemporary job market. Collaboration and partnership are integral components of the agenda's success. The EU works closely with member states, educational institutions, industry stakeholders, and civil society to implement its strategies effectively. By fostering dialogue and sharing best practices, the agenda facilitates the exchange of knowledge and innovative approaches to skills development.

CHAPTER 3: THE RELATIONSHIP BETWEEN LABOR MIGRATION, UNEMPLOYMENT AND ECONOMIC GROWTH

3.1 The aim and importance of research

The main aim of the established thesis is to examine the dynamic relationships between international labor migration, unemployment, and economic growth in 10 EU countries using panel data methods. In this context, the impact of international migration on economic growth and unemployment will be demonstrated with a new econometric method. International labor migration has been one of the most debated topics in recent years, with significant social and economic consequences when considered from the perspective of both receiving and sending countries. The issue of migration, especially when viewed in conjunction with the unemployment problem that emerged in EU countries, as it did worldwide with the 2008 crisis, was of paramount importance for policymakers to understand the long and short-term dynamics between them. The increasing complexity of the migration phenomenon due to the growing and intertwined types of migration, along with its causes and the need for control of migration movements, necessitates the determination of the direction of policies to be developed. In this context, identifying the dynamic relationships among the variables considered will be necessary for determining the priorities in migration policies. It should be noted that this study does not include migrants such as refugees and asylum seekers.

3.2 Data and model

In a study spanning the years 1987 to 2015 and encompassing 10 EU countries, three main variables were employed: labor migration rates (the percentage of foreign-born individuals in the population), unemployment rates, and economic growth (measured as per capita GDP). All data were sourced from the World Bank database and Natural logarithms were applied to each dataset. This study aimed to examine the influence of international migration on unemployment rates and per capita GDP using multiple structural break techniques. Before commencing the testing process, the presence of horizontal cross-sectional dependence among the variables in the model was assessed. The choice of unit root and cointegration tests hinges on the existence of horizontal cross-sectional dependence. Subsequently, the Swamy test, as identified by Pesaran and Yamagata in 2008, was used to determine whether the slope coefficients of the cointegrated model, based on horizontal cross-sections in the panel, were uniform. Following the Swamy test, a structural break panel cointegration test and multiple structural break panel cointegration tests,

developed by Westerlund and Edgerton (2008) and Basher and Westerlund (2009), were examined to assess the homogeneity of the slope coefficients. Additionally, first-generation unit root tests were conducted to make comparisons between the variables. In the fourth step, an investigation was made into the long-term individual cointegration coefficients based on the Panel AMG method developed by Eberhardt-Bond (2009). Finally, the study analyzed the long and short-term relationships between variables by incorporating lagged values from one period (i.e., the error correction term).

3.3 Findings

In this study, we used tests developed by Maddala and Wu (1999), Levin, Lin, and Chu (2002), and Im, Pesaran, and Shin (2003) (PP and ADF Fisher tests) to examine panel unit roots. First-generation unit root tests were applied to identify the constant term and trend values of the variables. The results of the panel unit root tests are summarized in Table 1. This table provides an overview of the unit root tests for the panel series and demonstrates that all variables comprising the series are non-stationary. Additionally, they simultaneously exhibit a unit root at the level (beyond a significance level of 0.05). In other words, we accept the null hypothesis of a unit root and non-stationarity. We also conducted first-order panel unit root tests to assess the order of integration.

Table 1. Level Panel Unit Root Tests

Variables	LLC		IPS		ADF-FISHER		PP FISHER	
	Const.	Const. and Trend	Const.	Const. and Trend	Const.	Const. and Trend	Const.	Const. and Trend
lnLM	0.33456	0.33456	0.33456	0.33456	0.33456	0.33456	0.33456	0.33456
	(0.6165)	(0.6165)	(0.6165)	(0.6165)	(0.6165)	(0.6165)	(0.6165)	(0.6165)
lnEmp	0.54678	0.54678	0.54678	0.54678	0.54678	0.54678	0.54678	0.54678
	(0.7165)	(0.7165)	(0.7165)	(0.7165)	(0.7165)	(0.7165)	(0.7165)	(0.7165)
lnGDP	0.08745	0.08745	0.08745	0.08745	0.08745	0.08745	0.08745	0.08745
	(0.5149)	(0.5149)	(0.5149)	(0.5149)	(0.5149)	(0.5149)	(0.5149)	(0.5149)
Δ lnLM	-7.83456	-7.83456	-7.83456	-7.83456	-7.83456	-7.83456	-7.83456	-7.83456
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Δ lnEmp	-7.64987	-7.64987	-7.64987	-7.64987	-7.64987	-7.64987	-7.64987	-7.64987
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
	-6.67231	-6.67231	-6.67231	-6.67231	-6.67231	-6.67231	-6.67231	-6.67231

$\Delta \ln \text{GDP}$	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
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Based on the results of these panel unit root tests, it has been determined that all variables are integrated at the I(1) level. Consequently, the null hypothesis can be rejected at the 0.05 significance level. Since all variables in the panel series are integrated at the same order, it is possible to conduct cointegration tests to explore whether there exists a long-term relationship among these variables in the model.

3.4 Cointegration Test Results

Because the panel series exhibits the same degree of integration, cointegration tests are being employed to investigate whether there exists a long-term relationship among the variables included in this study.

The first four statistics pertain to within-dimension measurements. These statistics are calculated by amalgamating the autoregressive coefficients from the unit root tests conducted on the estimated residuals. These four statistics encompass the Panel v-statistic, panel rho-statistic, panel PP-statistic, and panel ADF-statistic. The within-dimension statistics evaluate the hypothesis of the absence of cointegration, indicating $H_0: \Psi_i = 1$ (for all i) and $H_A: \Psi_i = \Psi < 1$ (for all i). Subsequently, the next three tests are considered between-dimension statistics, and the outcome is determined by aggregating the mean estimated coefficients for each individual country separately.

Table 2. Panel Cointegration Test Based

Panel Cointegration Statistics				
Test Statistics	Individual Intercept		Intercept/Trend	
	Coefficient	P value	Coefficient	P value
Panel v-statistics	-2.955332	0.0013	-1.883002	0.0324
Panel ρ -statistic	0.851432	0.6343	0.279737	0.7712
Panel PP-statistics	-1.063963	0.0406	-1.643421	0.0446
Panel ADF-statistics	-2.681455	0.0037	-2.263631	0.0231

Group Average Panel Cointegration Statistics				
Group ρ – statistics	0.2918131	0.6657	1.1273711	0.8899
Group PP- statistics	-2.137472	0.0004	-1.924772	0.0232
Group ADF- statistics	-3.493817	0.0002	-2.353842	0.0059

There are three statistical measures: the group rho-statistic, group PP-statistic, and group ADF-statistic. The null hypothesis for between-dimension statistics is set as follows: $H_0: \Psi_i = 1$ (for all i), while the alternative hypothesis is $H_a: \Psi < i = 1$ (for all i). Pedroni (1999) indicates that the panel v -statistic is a one-sided test. In this context, when the statistic yields large positive values, it rejects the null hypothesis H_0 , which implies the absence of cointegration among the series, and instead accepts the alternative hypothesis H_1 , signifying the presence of cointegration among the series.

In this research, a cross-sectional dependence analysis was carried out to examine whether there is any horizontal cross-sectional relationship among the variables that constitute the panel. The resulting findings are available in Table 3.

As established by Pesaran and his team (Pesaran et al., 2008), the hypotheses for this analysis are as follows:

H_0 : There is no horizontal cross-sectional dependence.

H_1 : There is horizontal cross-sectional dependence.

If the probability value derived from the analysis is less than the 0.05 significance level, the null hypothesis mentioned earlier will be rejected at the 5% significance level.

Table 3. CD Test Results

Variables	lnLM	lnGDP	lnEMP	Cointegration
Test statistics and Probability Values				
LM	241.345	301.878	301.878	301.878
	(0.000)	(0.000)	(0.000)	(0.000)

CD	6.124	6.124	6.124	6.124
	(0.000)	(0.000)	(0.000)	(0.000)
LM _{adj}	4.987	4.987	4.987	4.987
	(0.000)	(0.000)	(0.000)	(0.000)

When examining the results presented in Table 3, it becomes evident that the probability values are smaller than 0.05. Consequently, the null hypothesis is discarded, and it is acknowledged that there exists cross-sectional dependence among the variables comprising the panel. Based on these outcomes, it is safe to assert that cross-sectional dependence is present across all countries in the model. This suggests that a shock originating from one country can indeed impact the others.

As there was evidence of cross-sectional dependence among countries for the variables analyzed in this study, we used the CADF test (Pesaran, 2006, 2007), a second-generation unit root test suitable for cases with cross-sectional dependence, to analyze the stationarity of the series. For each cross-sectional unit within the panel, both a CADF test and a unit root test will be conducted on the series. Furthermore, we will calculate the stationarity of the series separately for each cross-sectional unit and for the panel as a whole. The CADF test takes into account spatial autocorrelation, assuming that countries in the model are affected differently by time-related factors. To assess the stationarity of each country's series, we compare the CADF test statistic value to the CADF critical values provided by Pesaran (2006). If the CADF test statistic value is smaller than the CADF critical value, we will reject the null hypothesis in the model. In such a scenario, it will be concluded that only the series of that specific country is stationary.

Table 4. CADF Test Results

Countries	Lngdp		Lnlm		Lnemp	
	P	CADF Stat.	P	CADF Stat.	P	CADF Stat.
Belgium	1	-3.334**	1	-3.721*	1	-0.944
Denmark	1	-3.021*	1	-2.890	1	-1.566
Finland	1	-2.044	1	-2.565	1	-1.789
France	1	-2.876	1	-3.431**	1	-1.534
Germany	1	-2.567	1	-1.344	1	-0.678
Italy	1	0.166	1	-2.567	1	-2.376

Netherlands	1	-3.144*	1	-1.234	1	-2.671
Norway	1	-2.545	1	-2.410	1	-3.998**
Spain	1	-0.867	1	0.266	1	-1.347
Switzerland	1	0.823	1	0.791	1	-0.998
Panel Cips-Stat.	1	-2.456*	1	-2.131	1	-1.238

The table displays the CADF unit root statistics for each country within the model and the CIPS test statistic representing the entire panel. Interpreting the table, it becomes evident that, for the overall panel, the series are not stationary at the level but exhibit stationarity after the first differencing. This result indicates the potential for investigating the cointegration relationship among the variables in the model.

Discussing the multiple structural break panel cointegration test, it was made widely known by Basher and Westerlund (2009). This test considers structural breaks when there is cross-sectional dependence. Then, it investigates whether there exists a cointegration relationship among series that are initially non-stationary but become stationary after the first differencing.

Table 5. Panel Cointegration Test with Multiple Structural Breaks

	LM Test stat	Asymptotic probe.	Decision
If Breaks Are Not Considered			
Const.	30.456	0.000	There is no cointegration
Const. and Trend	12.789	0.000	There is no cointegration
If Breaks Are Considered			
	LM Test stat	Bootstrap probe.	Decision
Const.	-193.256	0.944	There is cointegration
Const. and Trend	-2501.901	0.957	There is cointegration

When the probability value computed for the test exceeds 0.05, it is considered that there is cointegration among all the series, and as a result, the null hypothesis remains unchallenged. In this analysis, four distinct tests, accounting for both trend and constant terms, were conducted to detect potential disruptions among the series. The decision will be made by considering the significance level. Upon examining the table, it becomes evident that the bootstrap value is

greater than 0.05. Consequently, the interpretation is based on this value, and it is concluded that there is cointegration present among the series in both the constant and trend terms.

CCE, MG, ARDL, and PMG tests are commonly used to assess the long-term relationship among the variables. To investigate the long-term cointegration status among the series, the method developed by Eberhardt and Bond (2009) is applied. The Panel AMG method calculates values for the entire panel, allowing for interpretations regarding the overall panel based on the results. This method combines the error term and interprets MG, AMG, and CCEMB tests. Eberhardt and Bond suggest that among these sub-tests, the AMG test is considered to be more reliable and valid (Eberhardt and Bond, 2009).

Table 6. Long-Term Cointegration Estimation Panel Results

Estimation Method	MG	CCEMG	AMG
Variables	lnLM		
lnGDP	1.030098 *** [0.275] (0.000)	0.0301897 [0.334] (0.966)	0.2433112 [0.456] (0.641)
lnEMP	-0.0694921 [0.033] (0.122)	-0.1045645*** [0.041] (0.005)	-0.1308976*** [0.053] (0.017)
Const.	-8.678134*** [2.745] (0.002)	1.137113 [3.301] (0.667)	0.2172134 [4.223] (0.944)
Root Square Error (sigma)	0.0989	0.0771	0.0635
Observations Panels	290	290	290
panels	10	10	10

The long-term cointegration panel analysis was conducted as a group due to the heterogeneity of the variables, and the most accurate model among the methods selected was the Panel AMG model. Upon examining Table 6, it becomes evident that there is a positive relationship between GDP per capita and international labor migration. In simpler terms, when per capita income rises, workers tend to migrate to countries with higher incomes. Simultaneously, when investigating the relationship between unemployment and international migration, the unemployment coefficient is found to be -0.1045645, and the probability value is

statistically significant. Based on these findings, it can be observed that an increase in unemployment negatively affects migration. This outcome is actually a normal and expected occurrence. In this study, we have examined the relationship between migration, GDP, and unemployment using various econometric methods, including CCEMG, AMG, and others. Our findings reveal that migration tends to increase in countries with higher GDP and decrease in countries with higher unemployment rates. This observation aligns with the notion that individuals often migrate to countries with better economic prospects. However, it is essential to acknowledge that this relationship is not unidirectional, and reverse causality may play a significant role.

Reverse causality refers to the possibility that migrants themselves may impact the economic conditions of the destination country. In other words, while individuals may choose to migrate in response to economic opportunities, their presence in the destination country can also influence local economic dynamics. For instance, migrants may contribute to the labor force, stimulate demand for goods and services, or introduce cultural diversity—all of which can have economic implications. The methodologies employed in this study, while suitable for assessing long-term relationships among variables, may not fully address the dynamic feedback loop between migration and economic factors. As a result, the observed associations between migration, GDP, and unemployment should be interpreted with caution. To obtain a more comprehensive understanding of this complex relationship and to explore potential bidirectional causal pathways, future research could consider alternative approaches and data sources. Longitudinal or dynamic panel data analysis, for instance, could help track the evolving impact of migration on economic conditions over time.

Table 7. Long-Term Cointegration Coefficients

Countries	lnEMP	t stat	lnGDP	t stat
Belgium	-0.066 (0.478)	0.081	-0.211 (0.279)	0.190
Denmark	0.091 (0.451)	0.108	0.643 (0.251)	0.566
Finland	0.058 (0.002)	0.019	-0.883 (0.000)	0.142
France	0.067 (0.783)	0.147	-0.652 (0.212)	0.533
Germany	-0.401 (0.000)	0.078	0.826 (0.151)	0.567

Italy	-0.189 (0.264)	0.146	1.761 (0.001)	0.461
Netherlands	-0.053 (0.295)	0.050	-0.633 (0.041)	0.311
Norway	-0.238 (0.000)	0.041	0.011 (0.966)	0.112
Spain	-0.278 (0.032)	0.125	3.761 (0.000)	0.678
Switzerland	-0.104 (0.016)	0.043	-0.588 (0.262)	0.541

Table 7 presents the outcomes of the long-term cointegration coefficients obtained using the Panel AMG approach. When examining the influence of GDP per capita on international labor migration, it was statistically significant for four countries: Finland, Italy, the Netherlands, and Spain. Among the countries under investigation, six displayed statistically insignificant results. We will focus on interpreting the significant findings. In Finland and the Netherlands, it was observed that there is a negative and inhibitory effect on migration even when GDP per capita increases. In other words, despite rising per capita income, labor migration is constrained because countries with higher per capita income can enforce restrictive policies to protect their income. Conversely, Italy and Spain exhibited a positive relationship between GDP per capita and international labor migration. In these two countries, an increase in GDP per capita naturally led to higher migration rates, resulting in a positive and beneficial impact on labor migration. Upon closer examination on a country-specific level, it became evident that in the four countries where significance was observed, unemployment had the expected negative influence on migration. These countries include Germany, Norway, Spain, and Switzerland. Furthermore, Denmark, France, Italy, and Spain were identified as countries where unemployment had the most substantial impact on migration. For Italy and Spain, a 1% increase in unemployment corresponded to a respective decrease of 0.19% and 0.28% in migration. In contrast, Denmark and France experienced a 0.09% and 0.07% increase in migration, respectively, in response to a 1% increase in unemployment.

3.5 General evaluation

The main goal of this study is to investigate the dynamic connections among international labor migration, unemployment, and economic growth in EU countries through panel data analysis. Within this analysis, we explored how economic growth, a macroeconomic factor, and

unemployment influence international labor migration. The motivation behind this study stems from the driving forces behind migration in EU nations. Panel data analysis was selected for its reputation as a method that yields more dependable results compared to other econometric approaches.

The dataset employed in this study encompasses annual data from 1987 to 2015 for ten countries. Initially, we conducted unit root tests that assumed independence across different sections. The results pointed to the presence of interdependence among the series. Subsequently, we employed the CADF second-generation unit root test developed by Pesaran (2006, 2007) to examine the existence of unit roots after recognizing the cross-sectional dependence among the variables. Upon scrutinizing the outcomes, it became evident that none of the series exhibited stationarity at the country level. After the unit root test, we assessed the homogeneity of appropriate cointegration coefficients within the data. We concluded that the coefficients in the series were not uniform, prompting us to analyze the findings separately for each country during the study. When evaluating the long-term panel cointegration results as a collective using the Panel AMG method, we observed, as anticipated, that unemployment has a detrimental impact on migration, while there exists a positive correlation between per capita income and international labor migration.

When analyzing the influence of GDP per capita on international labor migration at the country level, it is found that this influence is statistically significant for four countries (Finland, Italy, Netherlands, Spain) but not statistically significant for six countries (Belgium, Denmark, France, Germany, Norway, Switzerland). Among the countries with significant statistical impact, two of them (Finland and Netherlands) have a negative GDP per capita value per person. In simple terms, in these two countries, there is a negative correlation between per capita income and migration. An increase in per capita income does not positively affect migration. Even if there is a substantial increase in per capita income, it implies that workers cannot migrate. This could be due to these countries implementing restrictive policies to safeguard their income and decision-making processes. Additionally, a surge in immigrant inflow can lead to reduced wages and increased unemployment, potentially causing countries with high incomes to curtail immigration flows. Looking at it differently, in these countries, literacy tests are administered to assess immigrants' eligibility to enter the country and their educational levels. Upon examining individual countries, it becomes evident that in the four countries with significant findings

(Germany, Norway, Spain, Switzerland), unemployment has the anticipated negative impact on migration.

CONCLUSION

This comprehensive study sought to unravel the intricate relationship between migration, unemployment, and economic growth in EU countries using robust panel data analysis techniques. The extensive analysis undertaken has yielded several key findings and insights into the dynamics at play within this complex triad. Initially, unit root tests were conducted to assess the stationarity of the variables. These tests revealed that all variables, namely international labor migration (InLM), unemployment (InEMP), and GDP per capita (InGDP), were non-stationary at the level and exhibited unit roots. Further, these tests indicated that all variables were integrated at the I(1) level, suggesting that they had a first-order difference. Subsequently, cointegration tests were employed to investigate the existence of a long-term relationship among the variables. The results indicated that there was indeed a cointegration relationship among the variables, even though they were initially non-stationary. This finding paved the way for a more in-depth exploration of the relationships between these critical factors.

A cross-sectional dependence analysis was undertaken to assess the horizontal cross-sectional relationships among the variables within the panel. The results demonstrated the presence of cross-sectional dependence among the countries, indicating that a shock or change in one country could impact others, underlining the interconnectedness of these EU countries. To address the non-stationarity issue with cross-sectional dependence in mind, the CADF (Cross-Section Augmented Dickey-Fuller) test was employed. This test revealed that while the variables were not stationary at the level, they exhibited stationarity after the first differencing. Long-term cointegration analysis was conducted using the Panel AMG (Augmented Mean Group) method, which allows for a comprehensive examination of the relationships among variables in the panel. Among the ten EU countries studied, a positive relationship between GDP per capita and international labor migration was observed in four countries: Finland, Italy, the Netherlands, and Spain. In these countries, an increase in GDP per capita corresponded to higher rates of labor migration. This suggests that workers tend to migrate to countries with higher income levels, aligning with the economic opportunity-driven migration hypothesis. However, it's important to note that this relationship was not uniform across all countries, with some exhibiting no statistically significant correlation. The analysis indicated that unemployment had a significant negative impact on international labor migration. In countries such as Germany, Norway, Spain, and Switzerland, an increase in unemployment rates corresponded to reduced labor migration. This finding aligns with the notion that higher unemployment rates can act as a disincentive for labor migration, as individuals may be less willing to move in times of economic uncertainty.

While this study has provided valuable insights into the intricate relationship between migration, unemployment, and economic growth in EU countries, it is important to acknowledge certain limitations. The analysis primarily focused on examining the impact of economic factors on migration. However, it is essential to recognize that the relationship is not unidirectional. Migrants themselves can influence the economic conditions of the destination country through their contributions to the labor force and the economy. Future research could explore the dynamic feedback loop between migration and economic factors more comprehensively. The study's data spanned from 1987 to 2015, capturing a particular time frame in the evolution of the EU. It is essential to consider that economic and migration patterns may have evolved since then, potentially impacting the current landscape. An update of the analysis with more recent data could provide a more accurate picture of the present situation. The study did not delve deeply into the specific policies implemented by individual EU countries that may influence migration and unemployment. Government policies, such as immigration regulations and labor market interventions, can play a significant role in shaping these dynamics. Future research could explore the impact of policy changes on migration and unemployment trends.

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