

ROLE OF ATTRACTIVENESS FACTORS OF THE OECD COUNTRIES IN IMMIGRATIONS

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Abstract

An influx of immigrants to developed countries, is an ongoing process that lasts for centuries. Numerous researches have been written encouraged by this topic. Today's free labor market enables immigrants to become a very influential aspect of every economy. With general stagnation and aging of world population, especially European, a question about level of immigration impact on active labor market appears. This paper is testing the stated, what are the factors that attract immigrants in OECD countries. Considering the main factors that encourage immigrants to migrate in specific country, this paper is testing how total GDP per country, as an indicator of level of economic growth, and social spending, as an indicator of support to those who need it, influence on their decision. The determined variable is asylum seeker as it is much precise in stating the thesis. The cross-section model which is used with 2015 data shows significant results.

Keywords: active labor market, asylum seekers, social spending, cross-section.

Jel Classification: J23; J61; G01

INTRODUCTION

Size of immigration that are ubiquitous in the world, especially the last few years, mainly in Europe, lead to the question of the impact of the immigrants on the economy receptive states. If you take into account that 3% of the world's population lives outside the domicile country, immigration is a prominent item in the world economy (Kerr and Kerr 2011). The motives for immigrants are different; from accomplishing the well-known 'American dream' to temporary immigration in purpose of being employed (Constant and Massey 2002). The purpose of this research is to discover the factors that reflect on to the decision process of migrating, in order to prove that, with the proper allocation of immigrants in the long term, it may have a positive impact on the economy of a country.

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However, opinions about immigrants who are constantly arriving are divided; especially if the reason of immigration is unknown, whether the immigrants are from war-affected areas or are they economic immigrants (Ruiz and Vargas-Silva 2013). Fear of the unknown, leads to discrimination against immigrants, not just on ethnic grounds but also by education and the degree of adaptation to the new environment (Dustmann, Glitz, and Vogel 2010). Whether or not the social and economic integration should be carried out, is the question that drives many debates, not only inside economic circles but also with those who create immigration laws (Sinning, 2011; Fertig and Schmidt 2002; Lang 2005).

The best example of a state that has recognized the opportunity in immigrations is Germany, which has become a socially opened state welcoming all who want to come (Humpert 2013; Jandova 2012). The opportunity for immigrants in Western developed countries is that they are fast-growing economies, with Germany on top. The constant growth of demand requires faster production. Local population cannot fill in the jobs so it is needed to seek for the new workforce. The ad-hoc immigration policies are applied, which assist in rapid influx of temporary employees (Bauer et al. 2007).

The fact that the demographic situation in the world, especially in Europe, is quite unfavorable must also be taken into account. Indeed, Germany is among the leading countries whose population is rapidly aging (Fertig and Schurer 2006). This paper will explore what are the attractiveness factors for immigrants. Many authors have addressed the issue of immigrants in Europe, but only) focused on the different ethnic groups and immigrants with roots in a receptive state in which they return to, example of Germany. Future research should build on the research of Lang and extend it to other countries mentioned in this article.

Due to the sudden influx of immigrants, the question of integration is applied. Discrimination against immigrants encourages them to close themselves into a community where they will avoid the unwelcoming feeling (Balogun 2012). Immigrants, mostly from predominantly Muslim countries, when it comes to European countries, come for two main reasons: the push factors that motivate them to leave the country, and pull factors that attract them to a specific country (Jandova 2012; Mayda 2010). The integration of immigrants among local population is necessary in order to position them on the labor market successfully because it encourages net economic value and fiscal yield to the home country (Algan et al. 2010). The biggest obstacle to the immigrants is their nationality or ethnicity, language barriers and adoption of the advantages of social networks (Brabcova, Vackova, and Dvorackova 2014). Consequently, immigrants are faced with lower wages compared with the local population, as pointed out by Dustmann, Glitz, and Vogel (2010). The case of lower wages has been studied in Canada, after which, the above situation, was named 'employment for survival' (Creese and Wiebe 2009). Immigration integration must be solved by the government. In the last few years, immigration policies are changing frequently due to the increased influx of immigrants for which the best examples are Australia, Canada and New Zealand (Akbari, and MacDonald 2014), while the United States is still struggling with the new policies. In practice, the policies are applied in the field of providing expertise of the human resources, the program for temporary foreign workers, training systematized to solve the problem of refugees and immigrants regionalization.

However, the reason for not employing immigrants is not necessarily low knowledge of the language, because the supply and demand of workers. Sometimes the knowledge

and skills of qualified immigrants are neglected (Humpert 2013). The phenomenon of 'over qualification', occurs throughout Europe as well as among immigrants who had settled. Griesshaber, and Seibel (2015) present data that 33% of immigrants within the European Union, apropos 40% of non-EU migrants, are over qualified, or more educated than they needed for their field, as opposed to 21% of the local population. The same allegations were made by Nielsen (2011) before. Regarding data from Griesshaber, Seibel and earlier Nielsen, the question that Voicu and Vlase (2014) emphasize is: should the low-skilled immigrants and even more non- immigrants, be worried supposed to the high-skilled immigrants and what impacts could that bring. Over qualification of potential workers has its negative consequence. Negative consequences are reflected in the recruitment of immigrants to jobs with the need for low-skilled qualifications, leading to lower productivity (Verhaest and Omey 2009; Peiro, Agut, and Grau 2010), which can result in health problems (Chen, Smith and Mustard 2010) and, finally, a lower salary (Bauer 2002). However, there are positive measures for successful integration of immigrants in society, such as language courses, assigning assistants to find a job faster, running programs and subsidizing public and private sectors in hiring immigrants. Although, evidence of individual activities of such measures exists, a systematic empirical research was never carried out on the extent of not finding the measurements that can quantify the best effects of immigrants' progress in society (Butschek and Walter 2014). Otherwise, if they overcome the negative aspects of integration, there would be, as pointed out by Masso (2009) riots would be held, as a result of negative integration. Negative integrations meaning that the immigrants do not feel welcome but discriminated against, as was the case in France and Denmark in 2005.

Best way of measuring strength of an economy is by its labor market and how much does it contribute. Economic growth or decline is reflected in the gross domestic product, the total number of residents, employees and productivity. The inflow of new labor force will certainly affect the GDP, as the two variables are supplementary, as proven by previous studies like the one conducted by Hoffmann and Lemieux (2014). This paper will explore the 34 countries of Europe and the world, listed on the Organization for Economic Cooperation and Development (OECD), similar to the research of Gallardo-Sejas, et al. (2006). Immigrants can take an important role in balancing connections between themselves and the local population. Therefore, one of the factors of attraction can be and their status in society and what kind of society it is in general (Cooke and O'Sullivan 2015) which can be taken for further research. It is assumed that immigrants take into account the GDP and the situation in the society, like social spending, as attractiveness factor for each country.

Other problems occur when talking about attractiveness factors. Recent demand for high- skilled immigrants grows the question of their allocation and challenges such as decreasing economy, declining productivity, ageing population and furthermore (Cerna 2016). With its open policies, Japan is not successful in attracting high-skilled immigrants, thus remaining a considerably small magnet for high-skilled immigrants (Oishi 2012). As Japan, many countries have regulated policies regarding immigrants (Ortega and Peri 2013). Reason that some countries are more attractive than others may be cultural barriers (Belot and Ederveen 2012). Research provided by Neumayer (2004) explains the attractiveness factors of Western Europe showing two more problems: financial support for asylum seekers as social spending, and physical reallocation. The

problem which is addressed here is multidimensional and should be tested through multiple theoretical approaches (Hooghe et al. 2008).

1. METHODS

For proving the hypotheses, this paper uses cross-section method in order to show the impact of immigrants on active labor market of determined countries. The cross-section method is taken on observed variables in 2015. The 35 OECD countries are analyzed, due to high level of development, low unemployment, and other benefits, and thus attracting immigrants for decades. However, because of the low birth rate and high market demand, the need for the economically active population is constant.

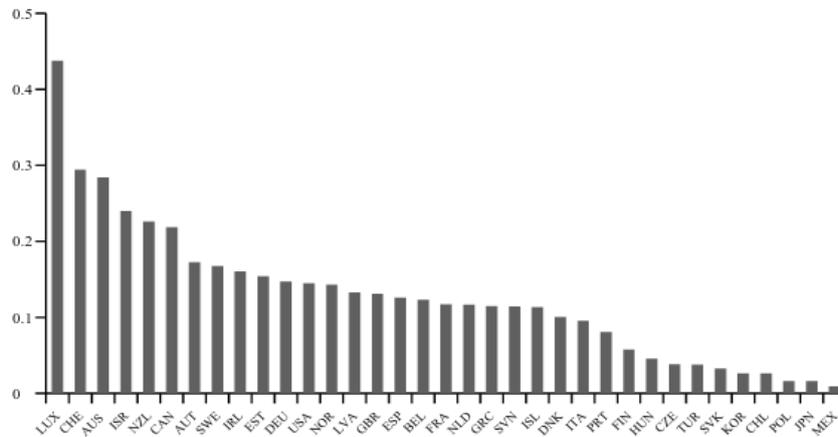


Figure 1. Share of immigrants in total population in 2015

Figure 1 shows the percentage of immigrants in the total population. Luxemburg takes the first place followed by Switzerland, while the leading world country is Australia and New Zealand. Germany, as centuries ago, holds a place in the top ten countries in the world for the number of incoming immigrants. These are followed by the United States, Great Britain, Spain, Belgium and France, and the others like shown on the figure 1. These countries are known as the immigration centers. For some countries of Europe, it can be said they are a variant of the ‘American Dream’, or the so called ‘promised land’. The strength of one economy can be seen through the recession period when the immigrants, though not as intense, were still present in the observed states. In the pre-recession period, the number of migrants grew until 2008 when that number drops. In the period 2008–2010, the number of immigrants had an oscillating trend. At the end of the recession period of 2010, the number of immigrants grows rapidly ever since. In Norway, a steady growth of immigrants turned to stagnation because of the newly introduced policy on immigrants.

In order to determine the profile of asylum-seekers, first it is necessary to determine the labor market activities shown in the comparison below.

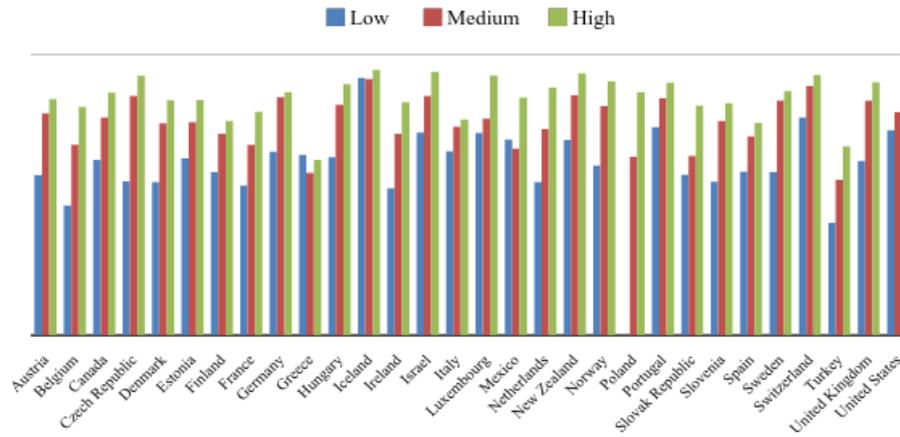


Figure 2. Level of education among immigrants in 2015

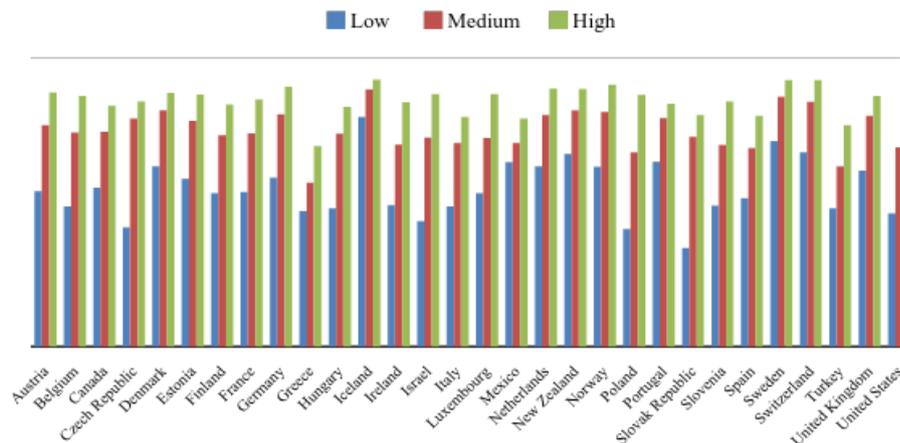


Figure 3. Level of education among local population in 2015

Comparing the level of education of immigrants and the local population, as seen on figures 2 and 3, it can be concluded that the level of education, in both observed groups is almost of equal level. Highly educated employees dominate then the middle, assuming that they are professionally trained workers. Low-skilled employees are ranked last. Because both groups are equally educated, the question is whether immigrants are replacing retired employees, or perhaps there is some other reason. Or else, regardless of education, immigrants are employed as cheap labor which leads to the aforementioned case of 'overqualified' workers. To investigate this issue in more detail, demographics of employees and unemployed immigrants and indigenous peoples will be shown.

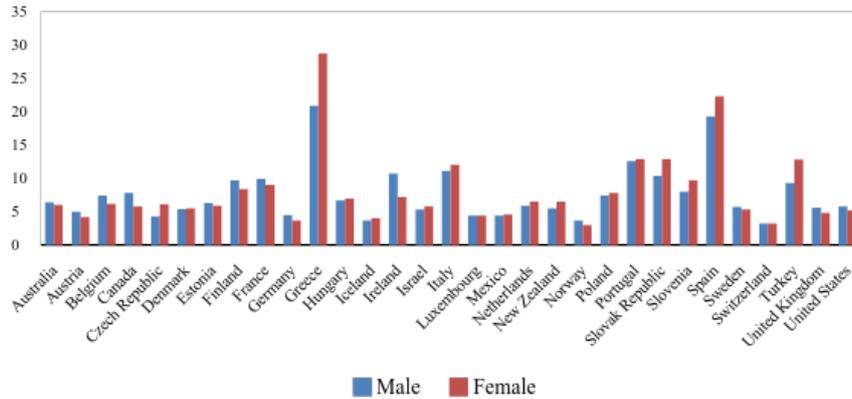


Figure 4. Demographics of unemployed local population on an active labor market in 2015

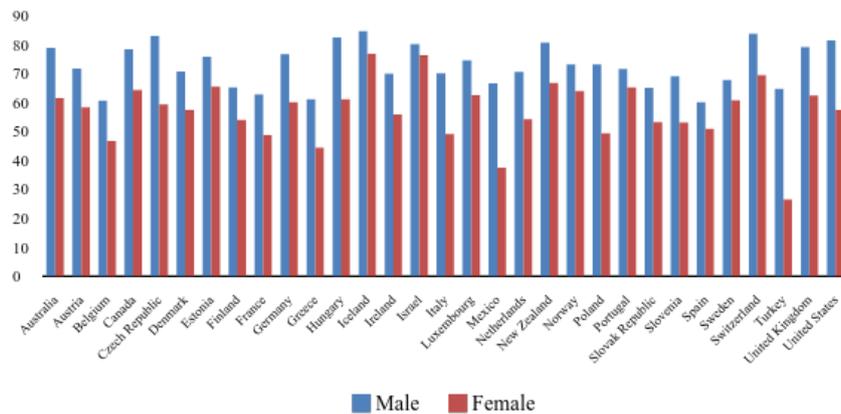


Figure 5. Demographics of employed immigrants on an active labor market in 2015

The representation in figure 4 and 5 leads to the conclusion that more males of local population are unemployed in behalf of general demographic situation of population that is stagnating and, most of them are retired and young immigrants are filling their places as shown in the figures. While on a participation rate, which shows the ratio of economically active markets and the overall potential of the labor market; both observed groups have approximately the same percentages. Participation is interesting to the economists because it doesn't view people who are not interested in working, but explains that the level of unemployment is growing at a time when new jobs are created. Testing of the model starts with the premise that the percentage of asylum seekers depends on the GDP, indicator of economic development, and the social spending as an indicator of support to those who need it.

Table 1. Comparison of the attractiveness factors

<i>Asylum-seekers</i>	<i>GDP</i>	<i>Social spending</i>
DEU	USA	FRA
USA	JPN	FIN
TUR	DEU	BEL
SWE	GBR	ITA
AUT	FRA	DNK
FRA	ITA	AUT
ITA	CAN	SWE
HUN	KOR	GRC
BEL	AUS	ESP
GBR	ESP	DEU
CHE	MEX	PRT
NLD	NLD	NOR
GRC	TUR	JPN
NOR	CHE	SVN
FIN	SWE	NLD
AUS	POL	LUX
CAN	BEL	GBR
DNK	NOR	HUN
JPN	AUT	NZL
ISR	ISR	CHE
ESP	DNK	CZE
KOR	IRL	POL
IRL	CHL	SVK
POL	FIN	USA
LUX	PRT	AUS
MEX	GRC	CAN
CHL	CZE	IRL
CZE	NZL	EST
PRT	HUN	ISR
NZL	SVK	ISL

Note: Data for social spending refer to 2012 for Mexico, 2013 for Japan, and 2014 for Turkey as the last available data

The first column of table 1 shows states, from highest to lowest number of asylum-seekers per state. Simultaneously to the first column, GDP and social spending are put to show the impact of two variables in the decision-making process of the individual asylum-seeker about the receptive country.

The model is significant on level of 62.80%. Once the tests for heteroscedasticity, autocorrelation, normality deviations and multicollinearity are conducted, positive results confirmed the model. Cross-section method will elaborate the basic hypothesis, set as follows:

$H_0 = \text{asylum-seekers are driven with attractiveness factors of GDP and social spending or,}$

$H_1 = \text{asylum-seekers are not driven with attractiveness factors of GDP and social spending.}$

The model obtained by the cross- section method gave positive results, confirming the null hypothesis:

$$AS = -7.564755 + 1.067389 GDP + 0.129199 SS + \varepsilon \quad (1)$$

Where the:

AS= *Asylum-seekers*
 GDP= *Gross Domestic Product*
 SS= *Social spending*

Positive correlation between regression coefficients shows that by increasing the attractiveness factors, the number of asylum-seekers will increase to.

2. RESULTS

The statistical test for analyzing the variance, has determined the significance of parameters and regression, which proved that the model is acceptable and that it can be tested using the cross-section method.

Table 2. The tested model (dependent variable AS)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-7.564755	2.172409	-3.482196	0.0015
GDP	1.067389	0.161830	6.595760	0.0000
SS	0.129199	0.042732	3.023485	0.0049
R-squared	0.649971	Mean dependent var		8.954654
Adjusted R-squared	0.628095	S.D. dependent var		2.403413
S.E. of regression	1.465698	Akaike info criterion		3.684357
Sum squared resid	68.74470	Schwarz criterion		3.817673
Log likelihood	-61.47625	Hannan-Quinn criter.		3.730378
F-statistic	29.71056	Durbin-Watson stat		1.558347
Prob(F-statistic)	0.000000			

Analyzed model is presented in table 2. The coefficient of determination is 62.81%, and the parameters are significant at a significance level of 5%.

$$\text{GDP} = 1.02 \quad (2)$$

$$\text{SS} = 1.02 \quad (3)$$

Inflation variance factor is shown in expressions (2) and (3). VIF shows that there is no serious problem of multicollinearity since the inflation variance factor is satisfactory in the amount of 1.02 for both tested variables.

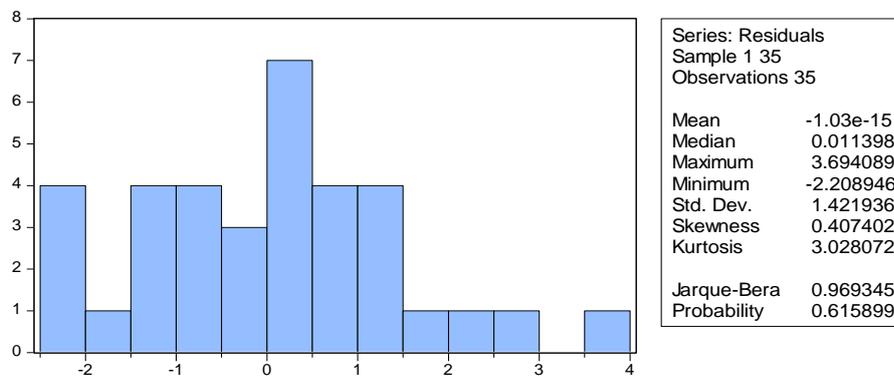


Figure 6. Normality deviation of residuals

Normality of distributed residuals is confirmed with Jarque-Bera test and graphically shown in figure 6 which by is confirmed that the residuals are normally distributed in the amount of 0.96.

Table 3. Testing for correlation

F-statistic	1.578738	Prob. F(2,30)	0.2229
Obs*R-squared	3.332933	Prob. Chi-Square(2)	0.1889

Breusch-Godfrey test for correlation has confirmed that there is no presence of autocorrelation, thus confirming the null hypothesis.

Table 4. Testing for heteroskedasticity

F-statistic	0.509504	Prob. F(5,29)	0.7667
Obs*R-squared	2.826314	Prob. Chi-Square(5)	0.7267
Scaled explained SS	2.394816	Prob. Chi-Square(5)	0.7922

White test for heteroskedasticity has confirmed that the data is homoscedastic, thus confirming the null hypothesis. The hypothesis set in this paper about attractiveness factors for asylum-seekers to the OECD countries was confirmed by the cross-section model. This proved that asylum-seekers are attracted by GDP and social spending within the country.

CONCLUSION

The model showed a significant impact of attractiveness factors such as GDP and social spending on asylum-seekers. That means that asylum-seekers aim the social aware countries with possibilities of a better life. In the future, the gap in earnings should be tested due to confirming this allegation. Above all, the demand that observed OECD countries generate, is in constant need for employees. Every action has its reaction; more employees mean more investment, which deepens the economic growth. Asylum-seekers, most of them become immigrants, that move into a receptive state with the purpose of employment need a place of residence, which contributes to the construction sector. From an economic point of view, the benefits of immigrants are multiple. In addition, short-term government expenditures, that the government carries for newly arrived immigrants, in the form of social benefits, last as long as a person is not recruited and the refund is guaranteed. If with all this, the demographic aspect of immigrants is added, given the stagnation and aging population, working population is absolutely necessary. For further research it is needed to test health spending and average salary, so the model can be confirmed through other aspects.

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