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KING

Knowledge for INtegration Governance

Economics of Migration in EU Labor Markets

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The KING project's objective is to elaborate a report on the **state of play** of migrant integration in Europe through an interdisciplinary approach and to provide decision- and policy-makers with **evidence-based recommendations** on the design of migrant integration-related policies and on the way they should be articulated between different policy-making levels of governance.

Migrant integration is a truly multi-faceted process. The contribution of the insights offered by different disciplines is thus essential in order better to grasp the various aspects of the presence of migrants in European societies. This is why **multidisciplinarity** is at the core of the KING research project, whose Advisory Board comprises experts of seven different disciplines:

EU Policy – Yves Pascouau

Political Science - Alberto Martinelli

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Social Science – Rinus Penninx

Applied Social Studies – Jenny Phillimore

Economics – Martin Kahanec & Alessandra Venturini

Demography – Gian Carlo Blangiardo

The project consists in the conduct of preliminary desk research followed by an empirical in-depth analysis of specific key topics identified within the desk research. To carry out these two tasks, each Advisory Board member chose and coordinated a team of two to five researchers, who have been assigned a range of topics to cover.

The present paper belongs to the series of contributions produced by the researchers of the “Economics” team directed by Professors Martin Kahanec and Alessandra Venturini :

EU Policy	ADVISORY BOARD MEMBER	DESK RESEARCH PAPERS
Political Science	MARTIN KAHANEC	<ul style="list-style-type: none"> “The impact of migration and integration policies on the native-migrant labour market gaps” by Martin Guzi, Martin Kahanec, Lucia Mýtna Kureková, Liliya Levandovska “The impact of demand and supply structural factors on native-migrant labour market gaps” by Martin Guzi, Martin Kahanec, Lucia Mýtna Kureková “Does immigration grease the wheels of European labour markets?” by Martin Guzi, Martin Kahanec, Lucia Mýtna Kureková
Public Administration		
Social Science		
Applied Social Studies		
Economics		
Demography		

The project is coordinated by the **ISMU Foundation**, based in Milan (Italy).

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Economics of Migration in EU Labor Markets¹

INTRODUCTION

This report presents a summary of the findings stemming from the research conducted within the KING project funded by the European Commission and coordinated by Fondazione ISMU on the economic aspect of the interaction between migrants and natives in European labor markets. The underlying studies were conducted by a research team comprising Martin Guzi, Lucia Mýtna Kureková and Liliya Levandovska, led by Martin Kahanec.

In this Synthesis Report we summarize the main findings from three Reports produced by the " Economics " research team:

Report 1: The impact of migration and integration policies on native-migrant labor market gaps

Report 2: The impact of demand and supply structural factors on native-migrant labor market gaps

Report 3: Do immigrants grease the wheels of European economies?

REPORT 1: THE IMPACT OF MIGRATION AND INTEGRATION POLICIES ON NATIVE – MIGRANT LABOR MARKET GAPS

Whereas significant resources have been invested in various policy initiatives aiming at integration of immigrants into host labor markets, it remains unclear how these policies relate to observed immigrant-native labor market gaps observed across Europe. The interaction with immigration policies is similarly under-informed. This paper reviews integration and immigration policies across Europe with the objective of measuring in what way they are related to the immigrant-native labor market gaps.

The study finds that positive effects of immigration tend to be a function of economic potential of migrants, mainly their human capital, and the efficiency of how this potential is utilized. On the macro-level, a number of studies find positive effects of migration on GDP growth and employment growth as well as neutral-to-positive effects on aggregate wages of national labor force. Some negative effects might occur at the local level in areas with high concentration of immigrants and tend to concern low-skilled domestic workers or other immigrants. In addition to labor market effects, evidence from a number of countries shows that immigration contributes positively to other economic and social variables, such as trade creation, foreign direct investment or innovation.

As concerns labor market outcomes, participation rates of immigrants vary across different immigrant groups, depending on the mode of entry, country of origin as well as country of destination. In general, intra-EU migrants from new member states tend to have very high participation rates, while third-country immigrants often face greater barriers to labor market integration. Employment and unemployment rates of immigrants in EU's host countries vary considerably. Generally, however, foreigners have lower

¹ I am grateful to Martin Guzi, Lucia Mýtna Kureková and Liliya Levandovska for their contribution to the underlying reports, as well as Alessandra Venturini and Guia Gilardoni for the very useful comments that helped to improve those reports significantly.

employment rates and higher unemployment rates than the natives. Worse labor market outcomes might disappear or decline with time since migration or when controlling for individual characteristics. Post-accession intra-EU migrants generally have high (waged) employment rates, but face a problem of down-skilling and typically work in less-skilled occupations than natives.

Immigrants typically earn less than natives upon arrival as well as with years since migration. Wage gaps are different across receiving countries and countries of origin; and tend to decrease but not completely converge with time since arrival in host country. Possible explanations for the income gap identified in the literature include: imperfect transferability of human capital, differences in educational system, different cultural background but also more general factors such as poor recognition of qualification, discrimination or structural conditions drawing migrants to low-skilled and low-paid sectors.

Some studies point out that migrants with strong ethnic identity are less likely to integrate into host country's labor market, which might reflect individual preferences. Other studies point to structural (rather than individual-level) barriers in assimilation, namely job segregation and prevalence of employment in sectors and jobs which do not offer possibilities for occupational growth.

The evidence on the impact of migration policies on the scale and composition of immigration, and labor market outcomes of immigrants, has been contradictory. Many studies argue that immigration policy has an influence on the scale of migration, composition of immigrant inflows and patterns of assimilation of migrants. Other scholars argue that in some contexts policy restrictions have limited effects on migrant inflows as migration is driven by a complex set of factors, including economic, demographic and political developments as well as by structural conditions in the sending and receiving countries. Importantly, migration policy effects especially on the scale and composition of migrants in one country can be significantly shaped by migration policies in other countries.

REPORT 2: THE IMPACT OF DEMAND AND SUPPLY STRUCTURAL FACTORS ON NATIVE – MIGRANT LABOR MARKET GAPS

The role of the demand side for immigrant integration remains underexplored in spite of its essential significance. This paper identifies key variables on the demand side related to industrial structure and corporate governance, inter-firm relations, industrial relations and human resource management, and prevalent industrial tradition/culture referring to the varieties-of-capitalism literature.

On the supply side, there are two key variables that determine immigrant integration in host labor markets: the social, economic, cultural, and ethnic background and endowment of immigrants upon arrival and contextual variables, such as system of education and vocational training, affecting human resource development of immigrant populations in host labor markets.

Comparative capitalism literature has identified systematic differences across advanced economies in their socio-economic regimes covering institutional areas of industrial relations, education and training, employment and welfare systems. The categorization of countries into different types of economies characterized by institutional complementarities can help us to proxy non-migration policies, institutions and supply and demand conditions, and to test their role in explaining immigrant-native gaps in the host countries' labor markets.

Differences in systems of political economy – the nexus of production strategies of corporations, the sectoral composition of the economy, labor market regulation and institutional design – shape migration

policy. The relative size and importance of component sectors of the economy (primary-secondary-tertiary) can affect desired profiles of economic migrants. Coordinated market economies are in general associated with lower levels of immigration than liberal market economies and the Mediterranean-statist model of economy. The stakeholders in different systems of political economy seek to influence governments to adopt labor migration policies which attract migrants deemed complementary to national production strategies. Due to expectation of higher complementarities and greater benefits of high-skilled migrants, countries irrespective of institutional configuration and economic structure tend to grant more extensive rights to high-skilled rather than to low-skilled migrants.

Immigrants' supply of human capital is a function of their endowment upon arrival and a function of human capital acquired in receiving countries. Education and skill formation regimes in host countries as part of broader institutional framework can effect migration by shaping preferences and needs for certain types of skills (general or specific, high or low), but also through additional possibilities for education and training and openness of skill recognition systems.

Difference in product market strategies and sectoral composition will induce employers in coordinated market economies (CMEs) to be interested in migrants with specific skills and in liberal market economies (LMEs) to prefer migrants with general and transferable skills, better able to respond to flexible corporate strategies. Employers in mixed and the emerging market economies (MMEs and EMEs) will resemble more varied preferences and strategies.

Skill specificity of production regime is sustained by different education and training systems: general skills are easily transferable across firms and even different industries, and are predominantly produced in public education systems. Industry-specific skills are produced in a system that combines on-the-job training with education in a public institution ('dual systems'). Firm-specific skills are mainly provided within companies and are the least transferable. Social partners, especially employers, are most intensively involved in dual skill formation systems; this affects their knowledge and trust of the system and importance given to formal qualifications and certification processes. From the perspective of migration, access and integration to labor market of migrants appears to be the least difficult in general skill regimes where less emphasis is given to formal education and skill certifications, while the access to adequate employment is the most complicated in dual skill formation regimes, where formal education and skill licensing is highly formalized.

Access to education and training policies and other types of focused integration measures for migrants vary across countries and degree of accessibility is related to welfare regime type and overall social spending levels. In general, labor market policies and other integration measures are more extensively offered to migrants in Nordic countries and in liberal economies than in other regime types. Treatment of migrants in active labor market measures has been shown to have significant positive impact on their labor market inclusion prospects (which is seldom found to be the case for general population).

Knowledge of national language is the key factor to success in the labor market as well as to meaningful participation in other types of trainings in host countries.

Poor recognition of qualifications belongs to one of the key institutional factors explaining downskilling of migrants. In several countries, positive impact of recognition of foreign qualifications for migrant employability and career development has been statistically established.

Scholars argue that there are institutional complementarities between minimalist welfare arrangements, liberal immigrant admission policies and underdeveloped integration policies. Although historically the access of immigrants to welfare has improved, advanced countries continue to limit their social rights. Governments are more likely to grant social rights to high-skilled than to low-skilled immigrants. In spite of existing barriers of immigrants to social rights, large body of literature analyzes to what extent welfare regimes in host countries affect immigrants' choice of destination and labor market integration patterns.

The evidence on welfare usage of migrants versus that of natives and on fiscal effects of immigration is inconclusive and varies across countries and over time, but several studies point at migrants' lack of access to (rather than overuse of) welfare provisions and their positive contribution to public finances. Institutional structure of host countries and the character of welfare regime in particular is an important factor in explaining net fiscal impact of migration.

Strong trade unions have the potential to influence migration outcomes either directly through their action targeting migrant population, or through institutional arrangements. These include: bargaining for an extended coverage of collective agreements, monitoring compliance with relevant legal regulation, negotiating particular collective agreement provisions for migrant workers, or protecting the interests of migrants and raising their awareness on entitlements related to work and welfare system provisions in the receiving countries. Several studies document a positive relationship between higher collective agreement coverage rates and labor market integration of migrants. More encompassing bargaining systems however preclude mass immigration. Fragmented bargaining systems are associated with higher migration rates accompanied by precarious work but also more flexible incorporation and adjustment to shocks of migrants as well as national labor force. A dualised bargaining system, with a clear institutional separation between insiders and outsiders seems to be the least effective both from the perspective of migrants and trade unions, and is to a large extent coupled with informality of outsiders.

Nordic countries are characterized by relatively homogenous and highly regulated labor markets, although some of these countries combine efficiently elements of flexibility and security. Labor markets in conservative-continental and southern-statist regimes are dualized, and especially in the latter group demonstrate strong features of irregularity and illegal employment. Liberal regimes have lightly regulated labor markets. Empirical evidence is rather inconclusive on the implications of labor market regulation practices on migrant labor market outcomes. The link between migration outcomes (levels, skill composition, integration) and institutional design, non-migration policies and supply-demand conditions is summarized in Table 1.

REPORT 3: DO IMMIGRANTS GREASE THE WHEELS OF EUROPEAN ECONOMIES?

In Report 3 we study whether immigrants help to reduce labor shortages in European labor market. In particular we look at the relationship between residual wage differentials in jobs in different industry-skill groups and the decision of migrants and natives to work in, or move to, these jobs.

Among the key factors of international mobility are (i) actual and expected economic differentials between countries (GDP differentials, employment and unemployment rates, or job vacancy ratio), (ii) individual and populational socio-economic characteristics (human capital endowments, skills, age, marital status, gender, occupation, and labor market status), (iii) presence of diasporas/networks, (iv) geographical distance and other migration barriers.

Labor shortages signal imperfections and sluggish adjustment in the labor market, resulting in economic costs of non-trivial magnitude. Measurement of labor shortages is a complex task. Measures proposed in the literature include (i) unemployment-to-vacancies ratio, (ii) wage premium increase, (iii) labor supply elasticity, (iv) difficulties to fill vacancies reported by employers and (v) normative, statistical and self-declared skill mismatches.

The literature proposes migration as a vehicle of labor market adjustment; and suggests that migrants bring in useful skills and fill in labor shortage. Migration may however also decrease incentives to acquire skills

and lead to path-dependency and reliance on migrants. Overreliance on the measurement of skill shortages as a criterion for migration policy may be misleading. A number of studies argue that immigrants bring in valuable skills, but warn that this potential is often not fully realized due to mismatches between immigrant skills and the jobs they actually take, typically below their (formal) skill level.

Empirical evidence on the responsiveness of migrants to labor or skill shortages is scant. A study on the US as well as a recent study on the European Union provide evidence that immigrants are equally or more responsive to shortages across sectors, occupations and regions than the natives.

QUANTITATIVE IN – DEPTH ANALYSIS

We further looked at how quantitative methodologies can help us understand the core research questions. In reports 1 and 2 the underlying question was whether and how different institutions and migration policies affect integration of migrants in host labor markets. We distinguished two types of migrant-native labor market gaps: the part attributable to differences in group characteristics (educational attainment, gender or age composition, geographic distribution), interpreted as the explained component, and the part attributable to unobservable characteristics, such as group differences in ethnic or social capital, behavioral variables, unequal treatment, or discrimination. In this sense, the explained gap reflects immigrant-native group differences that arise outside of the labor market, whereas unexplained gaps imply unequal treatment or behavior of immigrants and natives in the labor market. This is an important distinction from the policy perspective.

The primary source of data for Reports 1 and 2 was the EU Labor Force Survey (EU LFS), which served for calculations of migrant-native gaps as the dependent variable. Explanatory institutional and policy variables, as well as control variables, were taken from the ICTWSS, OECD, MIPEX and other databases.

In Report 3, we looked at the responsiveness of migrants and natives to labor market shortages across sectors, occupation and countries. The EU LFS and EU Survey of Income and Living Conditions (EU SILC) were used to gauge labor market shortages, measured as the change of wages in a given sector, skill group and country, beyond what could be explained by the changing characteristics of workers in any given sector, skill group and country. The analysis then evaluated the responsiveness of immigrants towards jobs with higher wage premiums, i.e. sectors with more severe skill shortages. The World Development Indicators database was used to provide control variables, and migration policies were measured using the MIPEX data as well as a classification of countries by their openness to migration available in the literature.

RESULTS

Report 1: The impact of migration and integration policies on native – migrant labor market gaps

The empirical model elaborated in Report 1 studies explained and unexplained native-migrant labor market gaps as functions of the quality of immigration and integration legislation. Immigration and integration policies are measured using country ranking by their openness to immigration and immigrant integration as measured by the MIPEX index. As the MIPEX index was calculated only for 2004, 2007, and 2010, MIPEX ranking for the missing years was interpolated using the available data. The quality of legislation in immigrant integration is hence measured relative to the situation in other countries.

The results show that improvements in the legislation leading to higher labor market mobility of migrants lead to a relatively higher labor market participation of migrants, vis-à-vis the natives. Improvement in antidiscrimination legislation was shown to have the same effect on participation. Moreover, our results show that these effects come from changes in the characteristics of native and migrant populations, rather than changes in the treatment of natives and immigrants or their behavior. This may signal that improved legislation leads to a more positive selection of immigrants, but also that immigrants invest in their human capital more in more welcoming countries.

Improvements in the legislation supporting labor mobility of migrants and family reunion reduce the relative probability of migrants to work in low skilled occupations, compared to natives. As the effect of improved mobility of immigrants works through their treatment and behaviour in the labor market, it appears that more mobile migrants can better avoid being mistreated or discriminated in the labor market. On the other hand, the effect of family reunion operates through the composition of migrant and native populations. Contrary to common beliefs, hence, easier family reunion improves the composition of immigrant labor force with respect to the risk of being in low-skilled job. Similarly, improvements in antidiscrimination legislation and family reunion decrease the relative prevalence of temporary contracts among migrants.

Upgrading country's family reunification legislation however leads to a larger unemployment gap between migrants and natives, indicating that tied migrants may have difficulties finding a job. On the other hand, antidiscrimination legislation seems to help migrants to close the unemployment gap significantly, both through a more favorable composition of immigrant labor force and a better treatment of immigrants in hiring and firing. Legislation governing migrants' long-term residence and access to nationality do not appear to have measurable effects on native-migrant labor market gaps.

Report 2: The impact of demand and supply structural factors on native – migrant labor market gaps

A panel empirical model described in Report 2 shows that collective bargaining coverage decreases migrants' labor market participation vis-à-vis the natives by worsening the relative characteristics of immigrant population. This result may reflect a negative effect of collective bargaining coverage on (self)selection of migrants who decide to come to the respective country, or a decreased motivation to invest in their human capital. Union density has similar effects, increasing the share of migrants in low-skilled jobs by worsening the characteristics of immigrant population vis-à-vis the natives.

On the other hand, employment protection of workers with temporary contracts results in an improved

relative composition of immigrant working population and so decreases their risk of low-skilled employment vis-a-vis their native colleagues. On the other hand there is some indication that this effect may be reversed by a less favorable treatment (in terms of low-skilled employment) of migrants in countries with higher employment protection of temporary workers compared to their native colleagues.

Union density has a detrimental effect on the composition of migrants in terms of prevalence of temporary contracts among them; there is some evidence of similar effects on the unemployment gap. On the other hand, collective bargaining coverage has the opposite effect on the prevalence of temporary contracts as well as unemployment among migrants, giving them some advantage vis-à-vis the natives. Increased employment protection of temporary workers worsens the characteristics of immigrant workers relative to their native colleagues both in terms of the prevalence of temporary contracts and unemployment; however, it also improves the treatment of migrants and hence alleviates and perhaps even overturns the former effect, especially for temporary employment.

The demand and supply factors reflected in the business cycle matter for native-migrant labor market gaps. In particular, it appears that during economic upturns the composition of immigrants deteriorates, worsening their relative position vis-à-vis the natives in terms of low-skilled employment. However, during economic upturns migrants appear to be significantly better treated in the labor market and hence their relative position in terms of low-skilled employment vis-à-vis the natives improves. Interestingly, there is some evidence that a higher unemployment rate in a country is associated with a higher prevalence of temporary employment among natives than among immigrants. On the other hand, GDP growth disproportionately benefits natives over immigrants in terms of the composition of native and immigrant labor force.

Referring to the seminal work of Hall and Soskice (2001), we also investigated how various varieties of capitalism are associated with immigrant-native labor market gaps. Our results show that vis-à-vis coordinated market economies (CMEs), mixed as well as Eastern European market economies appear to be more supportive to labor market participation of immigrants relative to natives, both in terms of the composition of immigrant populations and their treatment and behavior. As concerns low-skilled employment, liberal market economies seem to provide for a more favorable composition as well as treatment of immigrants than coordinated market economies. In mixed market economies immigrants appear to be treated worse than in CMEs, and Eastern European market economies tend to host immigrant populations with less favorable characteristics compared to the natives in terms of low-skilled employment. There is some evidence that in Eastern European market economies this effect may be compensated by favorable treatment of migrants.

Liberal and Eastern European market economies host immigrant populations with characteristics that favor them in terms of lower prevalence of temporary contracts, compared to CMEs. The opposite is true in mixed market economies. Immigrant populations in liberal market economies have characteristic that make them better equipped to cope with unemployment than in CMEs. Again the opposite is true in mixed market economies. However, mixed market economies as well as Eastern European market economies treat immigrants more favorably than liberal or coordinated market economies in terms of their access to employment.

Report 3: Do immigrants grease the wheels of European economies?

In Report 3 we test whether immigrants help to reduce labor shortages in European labor markets. In particular we look at the relationship between residual wage differentials of jobs in different countries and industry-skill groups and the decision of migrants and natives with respect to their location across

countries, industries and occupations. Our results show that migrants especially from outside of the EU15 respond to labor shortages more than natives and thus provide for a more efficient allocation of labor in the EU15. We also find that the Great Recession did not have any significant impact on this finding, as the responsiveness of migrants remained stable before and during the crisis. This result is also stable across countries with different levels of GDP, unemployment rates, and smaller and larger shares of immigrants. Remarkably, this result is also stable across skill groups, and if anything, low-skilled workers and those with intermediate specific skills may be somewhat more responsive.

We find a rather weak link between immigration and integration policies as measured by the MIPEX index and migrants' responsiveness to skill shortages. One exception appears to be countries that offer easy access to citizenship, where migrants appear to be equally, and not more, responsive than natives. However, we do find a higher responsiveness of immigrants to labor market shortages in countries that over time improved their labor mobility and family reunification policies towards migrants. Moreover, using an index of openness to migrants developed by Ruhs (2011) we find that migrants are more responsive in more open economies.

Whereas welfare state type (Esping Andersen, 1990) does not seem to matter for the responsiveness of immigrants to labor shortages, we also find that immigrants' responsiveness is lower in countries with above-average welfare spending, possibly signaling that welfare provisions reduce the incentives to reallocate when opportunities arise.

CONCLUSIONS

The three Reports summarized in this Synthesis Report review the available empirical evidence on the role of labor market institutions and policies, migration and integration policies, supply and demand factors, and varieties of capitalisms on immigrant-native labor market gaps. A number of robust substantive relationships are documented. These should serve for the design and implementation of future policies, with the objective of providing for a more prosperous, equitable and cohesive Europe fully integrating native as well as immigrant populations.

Table 1- Institutional design and migration trends and outcomes

Country examples approximating ideal type	Nordic countries	Germany, Austria, Denmark, Netherlands, Belgium	UK, Ireland	Spain, France, Italy, Greece, Portugal	Central Europe
<i>Institutional regimes features</i>					
(VoC) regime type	<i>coordinated market economies (CMEs)</i>		<i>liberal market economy (LMEs)</i>	<i>Southern-statist economy (MMEs)</i>	<i>Emerging market economy (EMEs)</i>
Welfare regime type	<i>Nordic or social democratic</i>	<i>Continental or Christian democratic</i>	<i>Anglophone or liberal/residual</i>	<i>Continental or Christian democratic</i>	<i>Post-communist or Patchwork welfare regime</i>
Collective bargaining system	<i>encompassing</i>	<i>dualized</i>	<i>fragmented</i>	<i>informal-statist</i>	<i>fragmented</i>
Education system and skill regimes	<i>School-based education, mix of general and skill specific</i>	<i>Dual education system Specific skills regime Occupational labor markets are strong</i>	<i>Universalistic school based education General skills regime</i>	<i>School-based education General skills regime</i>	<i>A mix of dual and school-based education systems Mixed skills regimes</i>
Labor market regulation	<i>Highly regulated; homogenous labor markets</i>	<i>Regulated; dualized labor markets</i>	<i>Weakly regulated</i>	<i>Regulated; dualized with strong features of informality</i>	<i>Regulated; dualized</i>
<i>Migration outcomes: levels, skill composition, labor market inclusion</i>					
Overall migration levels	<i>low levels of economic immigration in the 2000s</i>		<i>high levels of immigration in the 2000s</i>		<i>Low but rising levels of immigration</i>

					<i>High rates of emigration in some countries</i>
Typical sector/ employment type for migrants	<i>equally distributed across sectors</i>	<i>atypical employment in services</i>	<i>services</i>	<i>construction, agriculture, personal services</i>	<i>high-skilled mobility to FDI-led sectors, low-skilled employment in services and agriculture</i>
Integration efforts	<i>High</i>	<i>Improving</i>	<i>High</i>	<i>Improving</i>	<i>Low</i>
Benefits for migrants	<i>possibilities for upward mobility, more equal wages, easier welfare inclusion</i>	<i>entry to the labor market of formerly excluded (youth, female) groups of migrants, limited welfare access</i>	<i>easy entry to the labor market in good times, low levels of labor market segregation,</i>	<i>easy entry to the labor market in good times</i>	<i>strict conditions on legal entry, exclusion from welfare</i>
Benefits for the economy as a whole	<i>maintenance of solidarity and the fiscal base of the welfare state</i>	<i>increasing employment (without disrupting the productivity coalition of core sectors)</i>	<i>flexibility</i>	<i>flexibility</i>	<i>filled labor and skill shortages</i>
Costs for migrants	<i>difficult for immigrants to find entry points</i>	<i>segregation, no upward mobility</i>	<i>social dislocation in hard times</i>	<i>insecurity in good times, dislocation in hard times</i>	<i>dislocation in hard times</i>
Costs for the economy as a whole	<i>possible atrophy of the system through loopholes (posted workers)</i>	<i>redistributive struggles between insiders and outsiders, wage dumping in certain sectors</i>	<i>pressure to lower wages in the low-skilled sector</i>	<i>loss of tax revenue in good times social upheaval in hard times</i>	<i>possible costs in future due to weak integration policies</i>