

DG ECFIN
Annual Research Conference 2008

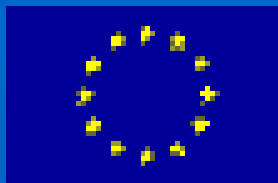


Karl Pichelmann (DG ECFIN):

A couple of comments on

**“Why Doesn’t Labor Flow from
Poor to Rich Countries?”**

by Catia Batista



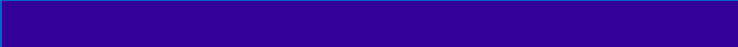
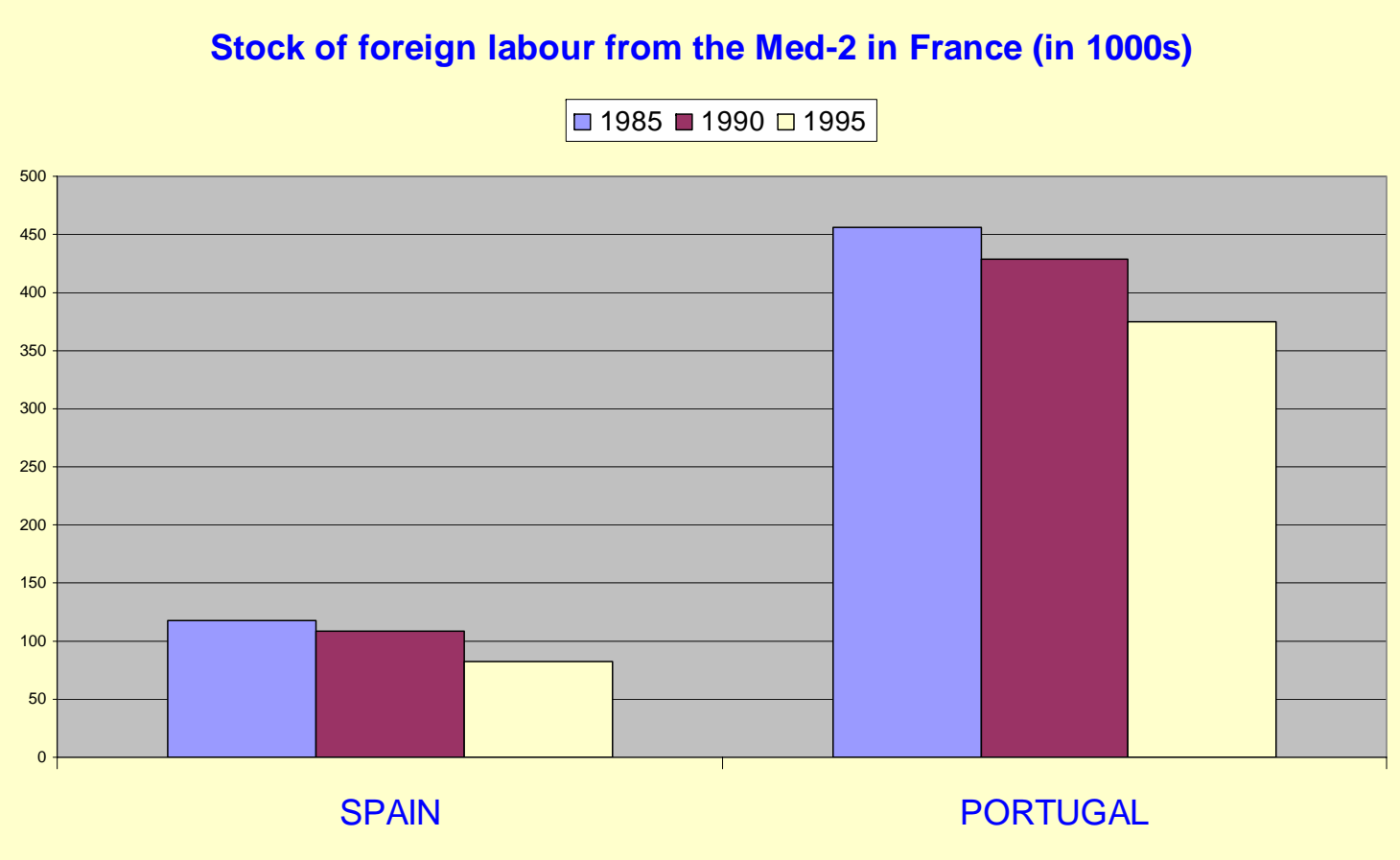
What the paper tells us



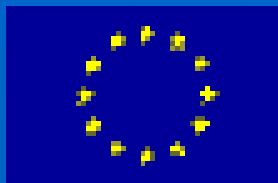
1. The French-Portuguese case after 1986 shows that even with open borders we may not see more labour migration/mobility - despite persistent real wage differentials

-
-
-

Lessons from Med-3 Enlargement?



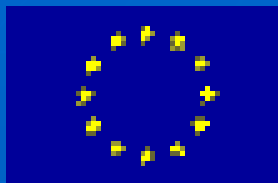
-
-
-
-
-
-
-
-



What the paper tells us



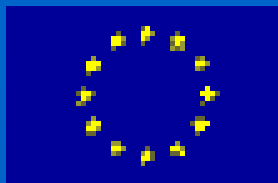
1. The French-Portuguese case after 1986 shows that even with open borders we may not see more labour migration/mobility - despite persistent real wage differentials
- 2. The reason behind this is substantial migration costs. Thus, wage differentials in the open borders/no migration state can be used as a proxy for the costs of moving.**



What the paper tells us



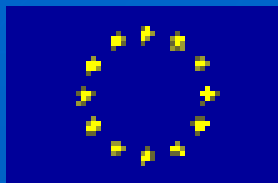
1. The French-Portuguese case after 1986 shows that even with open borders we may not see more labour migration/mobility - despite persistent real wage differentials
2. The reason behind this is substantial migration costs. Thus, wage differentials in the open borders/no migration state can be used as a proxy for the costs of moving.
- 3. Wage differentials are higher for the old and the unskilled => migration costs are lower for the young and educated**



What the paper tells us



1. The French-Portuguese case after 1986 shows that even with open borders we may not see more labour migration/mobility - despite persistent real wage differentials
2. The reason behind this is substantial migration costs. Thus, wage differentials in the open borders/no migration state can be used as a proxy for the costs of moving.
3. Wage differentials are higher for the old and the unskilled => migration costs are lower for the young and educated
- 4. There may have been a negative self-selection pattern with respect to skills**



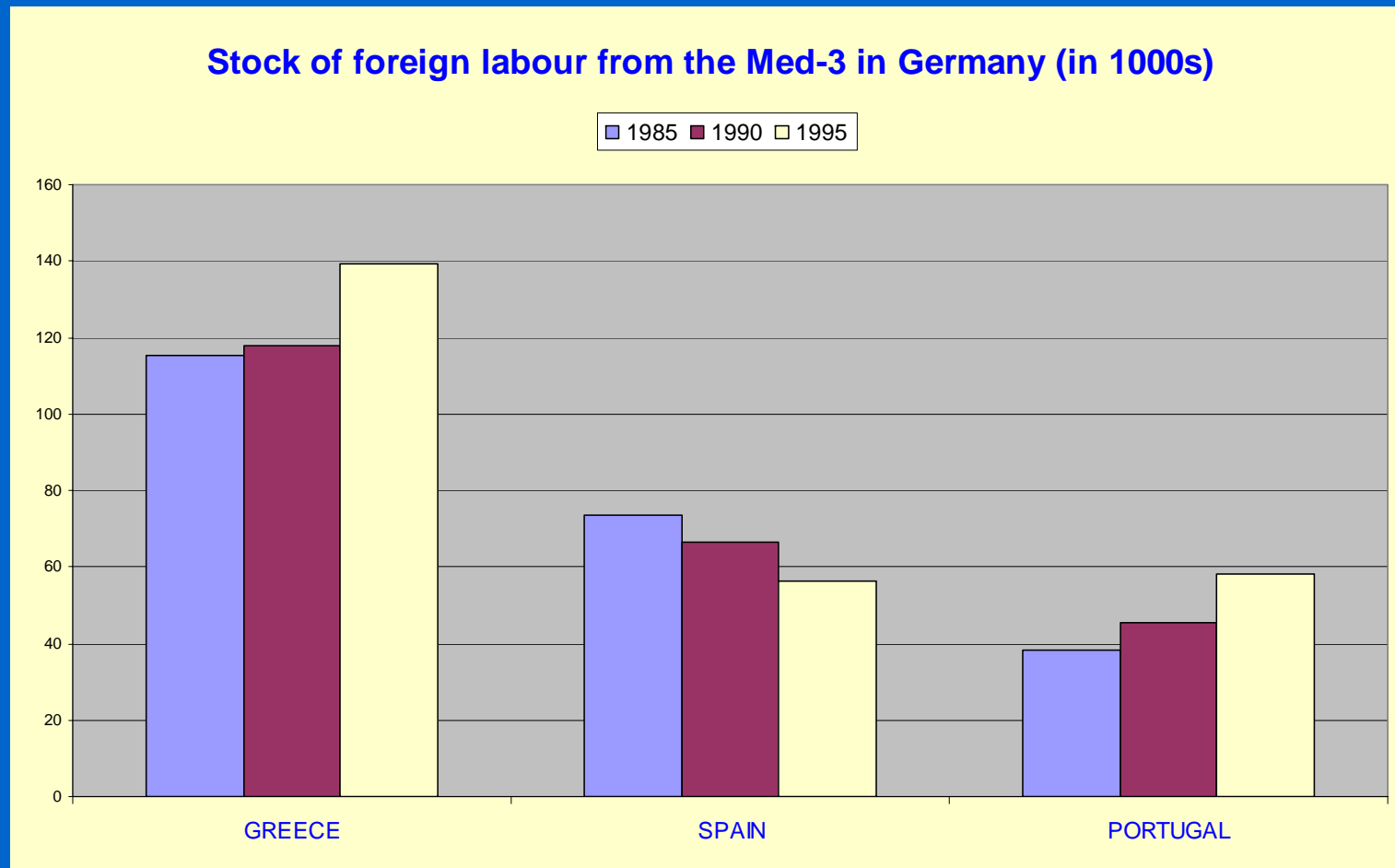
Some issues for discussion

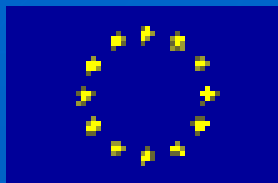


1. Portuguese emigration to France: A specific case?

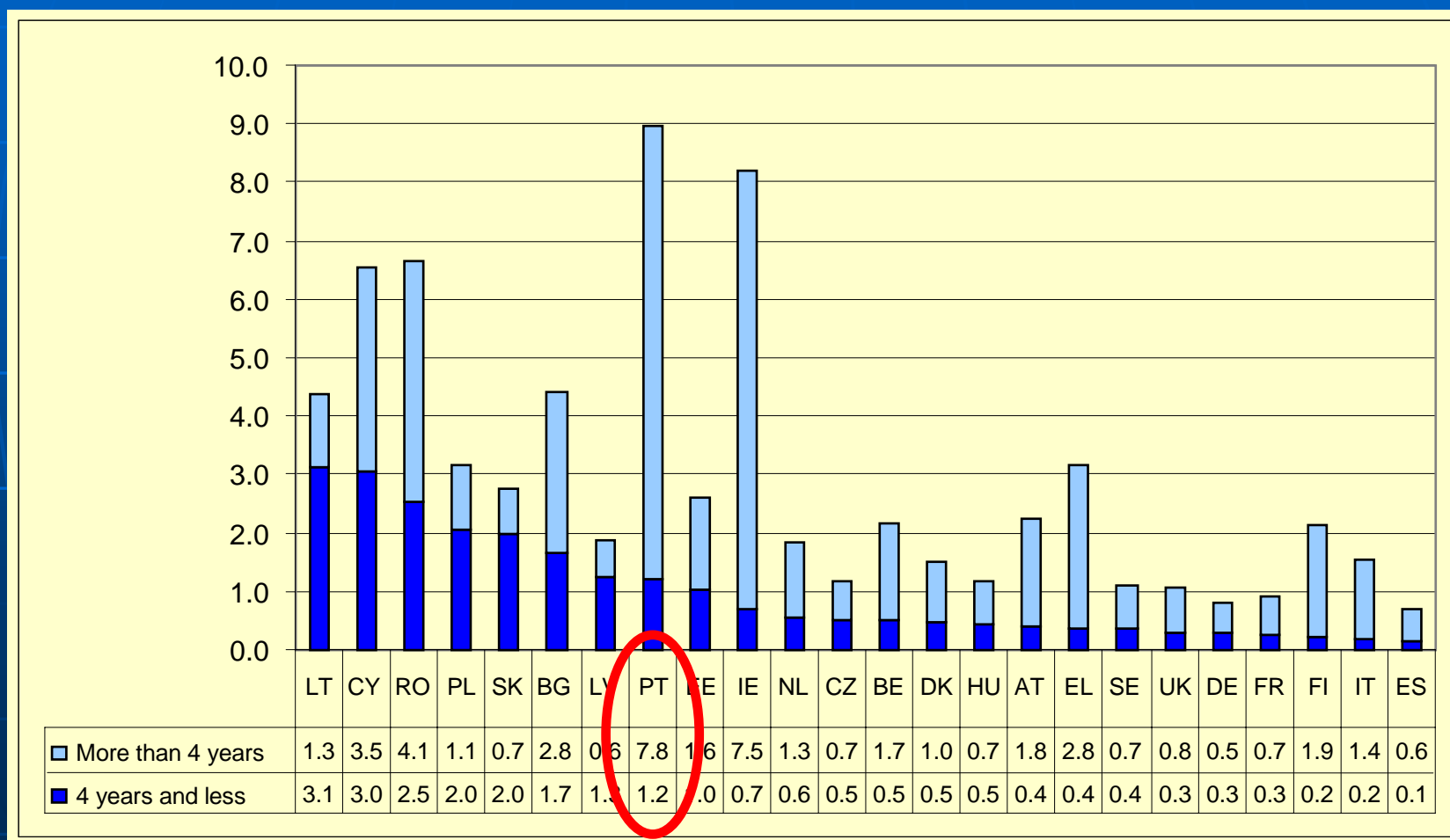
- Long history of emigration, time-dependency
- Cross-country choice of destinations
- Other traditional destination countries

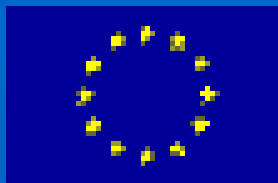
Lessons from Med-3 Enlargement?





Intra-EU mobility rates by sending countries, 2007





Some issues for discussion



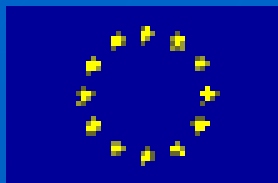
1. Portuguese emigration to France: A specific case?

2. Expected relative income dynamics matter

$$w_z(t) = w_z^*(t) - \psi_z \quad \text{if } m_z(t) > 0$$

$$w_u(t) = w_u^*(t) - \psi_u \quad \text{if } m_u(t) > 0$$

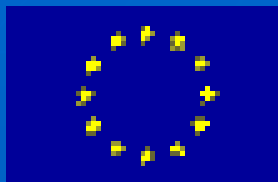
- Job finding probabilities, taxes and transfers
- Expected income dynamics at home and abroad
- Skilled migrants working in unskilled jobs?



Some issues for discussion



1. Portuguese emigration to France: A specific case?
2. Expected relative income dynamics matter
- 3. Types of migration and nature of migration costs**
 - Permanent vs. temporary/circular migration
 - Beachhead costs vs. recurrent cost
 - History dependence and networking effects



Some issues for discussion



1. Portuguese emigration to France: A specific case?

2. Expected relative income dynamics matter

3. Types of migration and nature of migration costs

4. Concluding remark

- Labour does flow from poor countries to rich countries
- Despite open borders sending countries will not end up empty

***Thank you very much
for your attention***