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Abstract: Unauthorized immigration is on the rise again in the EU. Although precise estimates are hard to come by, proximity to nations in turmoil and the promise of a better life have drawn hundreds of thousands of irregular migrants to the EU in 2014-2015. Further complicating the ongoing challenge is the confounding flow of humanitarian migrants, who are fleeing not for a job but for their lives. Those who flee for better economic conditions are irregular migrants, not humanitarian migrants, but the lines between the two are often blurred. This policy brief surveys the state of irregular immigration to the EU and draws on lessons from the U.S. experience. It focuses on economic aspects of unauthorized immigration. There are economic benefits to receiving countries as well as to unauthorized migrants themselves, but those benefits require that migrants are able to access the labor market and that prices and wages are flexible. Meanwhile, mitigating fiscal costs requires limiting access to public assistance programs for newcomers. Successfully addressing irregular migration is likely to require considerable coordination and cost-sharing among EU member states.

JEL Classification: J15; J31; J61

Key words: irregular migration; European Union; migration policy; refugees; asylum seekers

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Irregular Immigration in the European Union

1 Introduction

Unauthorized immigration to EU member states, much of it by people fleeing desperate circumstances, has dominated the headlines in recent years. Although unprecedented refugee streams stole the spotlight in 2015, unauthorized economic migrants continue to make up a sizable share of inflows. By some counts, over a million migrants from Africa, Asia, and the Middle East entered Europe in 2015, braving the waves of the Mediterranean Sea in attempts to reach the shores of Greece, Italy, or Spain. While some EU nations have been welcoming, others, along with their neighbors, are panicking. In late summer, shortly after Angela Merkel's commitment to take in 800,000 migrants, Germany abandoned the Dublin Regulation and began processing Syrian refugees. But as the numbers grew more intense, Austria, Hungary, and the Netherlands closed their borders and Macedonia, Serbia, Croatia, and Slovenia limited entry to migrants who could prove they were from Syria, Iraq, or Afghanistan. Sweden also tightened its borders, limiting the inflow to the few migrants with identity papers and issuing only temporary residence permits to new arrivals.¹ The EU also began calling on transit nations like Turkey to do more to stem the flow.

Meanwhile, the signs of burgeoning migrant populations are everywhere. Thousands of migrants are camped out near Calais in hopes of crossing the English Channel. In Germany, an estimated 42,000 asylum seekers have been living in tents since they arrived in late summer. Swedish authorities also briefly resorted to housing newcomers in refugee tent camps, the first such extreme measures since the 1990s Bosnian war.² Meanwhile, the shores of Lesbos are littered with discarded rubber dinghies and the life vests of migrants who made it to Greece. Only some of these migrants will ultimately qualify for asylum. Some are economic migrants who, without a visa, are defined as unauthorized immigrants.

An unauthorized immigrant is usually someone who crosses an international border illegally—either clandestinely or with falsified documents—or who violates the terms of a visa, such as not leaving when a visa expires or an asylum claim is rejected. Unauthorized immigrants are also called irregular, illegal, or undocumented immigrants. This report uses those terms synonymously.

In the EU, the same person can have a different legal status for entry, residence, and work in a given country. This is particularly true when limits on citizens of accession countries are in place. Whether they would be considered unauthorized immigrants depends on how unauthorized immigrants are defined.³

¹ See <http://www.theguardian.com/world/2015/nov/24/sweden-asylum-seekers-refugees-policy-reversal> (24 November 2015).

² See <http://www.thelocal.se/20151211/refugees-spend-night-at-swedens-tent-camp> (24 December 2015) and <http://reliefweb.int/report/sweden/sweden-opens-first-tent-camp-refugees> (11 December 2015).

³ For example, citizens of countries that recently joined the EU may have the right to reside in another member state but not the right to work there—they might be unauthorized workers but not unauthorized residents. Another factor to consider is that birthplace does not determine citizenship for some EU countries. In *jus sanguinis* countries, where citizenship is based on ancestry, not birthplace, children born in the country to unauthorized immigrants are unauthorized immigrants as well. This is generally the case in the EU, including in Sweden, although there is an exception for children born in Sweden who would be stateless absent Swedish citizenship.

For many migrants, the distinction between being an unauthorized immigrant and being a refugee or asylum seeker is not clear-cut. Many economic migrants—particularly those from developing countries—and refugees leave their home country because of severe hardships there. The 1951 Refugee Convention defines the grounds for receiving refugee status or asylum as a well-founded fear of persecution in the home country based on race, religion, nationality, political opinion, or membership in a particular social group.⁴ People who have fled their home country because of armed conflict often qualify for refugee status, although this condition is not specified as grounds for asylum in the Refugee Convention.

People who migrate for primarily economic reasons usually do not qualify for refugee status. However, economic migrants may have a strong incentive to pretend to be refugees if doing so enables them to receive legal status (albeit temporarily) and to participate in social assistance programs. This incentive increases as the likelihood of receiving asylum and the generosity of public assistance rise.

The blurred distinction between unauthorized immigrants and refugees has become important in the EU as the number of people seeking asylum there has increased dramatically in recent years. The vast majority of asylum seekers entered illegally along the region's southern external border. Under the Dublin Regulation, most asylum seekers who cross the border into an EU member state are supposed to apply for asylum in that member state and remain there while their claim is being evaluated. Those who move to another member state before their claim is evaluated can thus technically become unauthorized migrants even if they have a legitimate claim to asylum. Those who do not leave if their claim is denied also become unauthorized migrants. It bears noting, however, that the Dublin Regulation has largely been abandoned. Germany effectively stopped enforcing this rule for Syrian asylum seekers in late August 2015. In 2011, EU member states stopped enforcing the Dublin Regulation for asylum seekers who entered in Greece and, later, in Italy.

The United States used to receive the lion's share of unauthorized immigrants, but this began to change during the economic downturn of the late 2000s and is even less the case today. Geographic proximity to regions experiencing major upheavals and to chronically underdeveloped regions, alongside improving economic conditions in parts of Europe, have led to the recent surge in unauthorized immigrant inflows to the EU. Although the exact numbers of unauthorized immigrants living in the EU or trying to enter it are hard to track, unauthorized immigration in the EU is clearly on the rise, both in levels and as a share of global flows.

The EU is unique with respect to unauthorized immigration because of a combination of several factors. Its location creates the potential for large inflows. Its commitment to free mobility within most of the EU means there is no enforcement at most internal borders. This gives migrants who can enter one country easy access to other countries. Rigid labor markets, strict regulations, and high taxes have led to large, thriving shadow economies in some countries, creating demand for

⁴ A refugee is someone who has been determined to meet the criteria for being a refugee, whereas an asylum seeker is someone whose claim to be a refugee has not yet been evaluated. Both are people who have left their home country; people who have moved within their own country are "internally displaced." EU nations regularly accept refugees placed there by the United Nations in addition to processing asylum seekers.

unauthorized workers. Aging populations and growth in export-oriented economies, such as Germany, mean rising demand for foreign workers, including unauthorized ones. Meanwhile, frequent regularization programs and uneven enforcement of EU policies in some countries may have fostered beliefs that unauthorized immigrants can easily acquire legal status.

Unauthorized immigration presents both benefits and costs to the EU. Unauthorized immigrants who can access the labor market are often a flexible and relatively cheap source of labor, which benefits employers and consumers but may pose some challenges. They may create low-wage competition for some workers, and they are fuel for the expansion of the shadow economy, which increases tax evasion. Unauthorized immigrants are also likely to impose net fiscal costs, costing more in publicly provided services than they contribute in taxes. How to address unauthorized immigration—how strict enforcement should be, whether to grant access to social welfare programs, and whether to grant legal status to them or their children—are conundrums for policymakers, who must balance competing interests and deal with unintended consequences, which may include encouraging future irregular migration.

This policy brief explores the extent, causes, and consequences of unauthorized immigration in the EU. It draws on research about unauthorized immigration to the U.S. as well. It first presents in section 2 estimates of the size and characteristics of the unauthorized immigrant population and its distribution across member states. Section 3 then discusses the factors that drive unauthorized immigration. Section 4 focuses on the role of immigration policies in the EU. Section 5 summarizes research on economic effects on receiving countries. Section 6 explores policies aimed at deterring or accommodating unauthorized immigrants, including lessons from the U.S. experience with vast numbers of undocumented migrants. The brief concludes with a discussion of policy considerations regarding unauthorized immigration.

2 Estimates of unauthorized immigration

It is difficult to estimate the extent of unauthorized immigration. By definition, unauthorized immigrants are not supposed to be living or working in a country. Fear of being deported may make them unwilling to participate in surveys or to be included in official records. Lack of papers may mean they remain under the government radar. Their small numbers in some countries may make them difficult to detect. Governments may have an incentive to over- or underestimate numbers, depending on the political climate.

One measure of the extent of unauthorized immigration is the stock of unauthorized immigrants, or the number living in an area at a given point in time. Demographers usually estimate the stock of unauthorized immigrants by estimating the total number of immigrants based on a population survey and then subtracting the estimated number of legal immigrants based on visa issuances. In some EU countries, population registries should, in theory, lead to reasonably accurate estimates, especially when combined with policies that encourage unauthorized immigrants to register with local authorities. However, there are few comprehensive, comparable estimates of the extent of unauthorized immigration across EU countries, or globally for that matter. In particular, there are no recent estimates.

Estimates suggest there were some 50 million unauthorized immigrants globally as of 2009 (United Nations Development Programme, 2009). That year, the U.S. had about 11.3 million

unauthorized immigrants, a number that has changed little since (Passel and Cohn, 2015). Estimates from the EU-funded Clandestino research project indicate that the EU had about 1.9 million to 3.8 million unauthorized immigrants in 2008 (Clandestino, 2009).

Although nontrivial, these numbers correspond to only about 7 to 13 percent of all immigrants in the EU and less than 1 percent of the region's total population in 2008. In the U.S., in contrast, unauthorized immigrants account for about 25 to 30 percent of all immigrants and 3.5 to 4 percent of the total population.

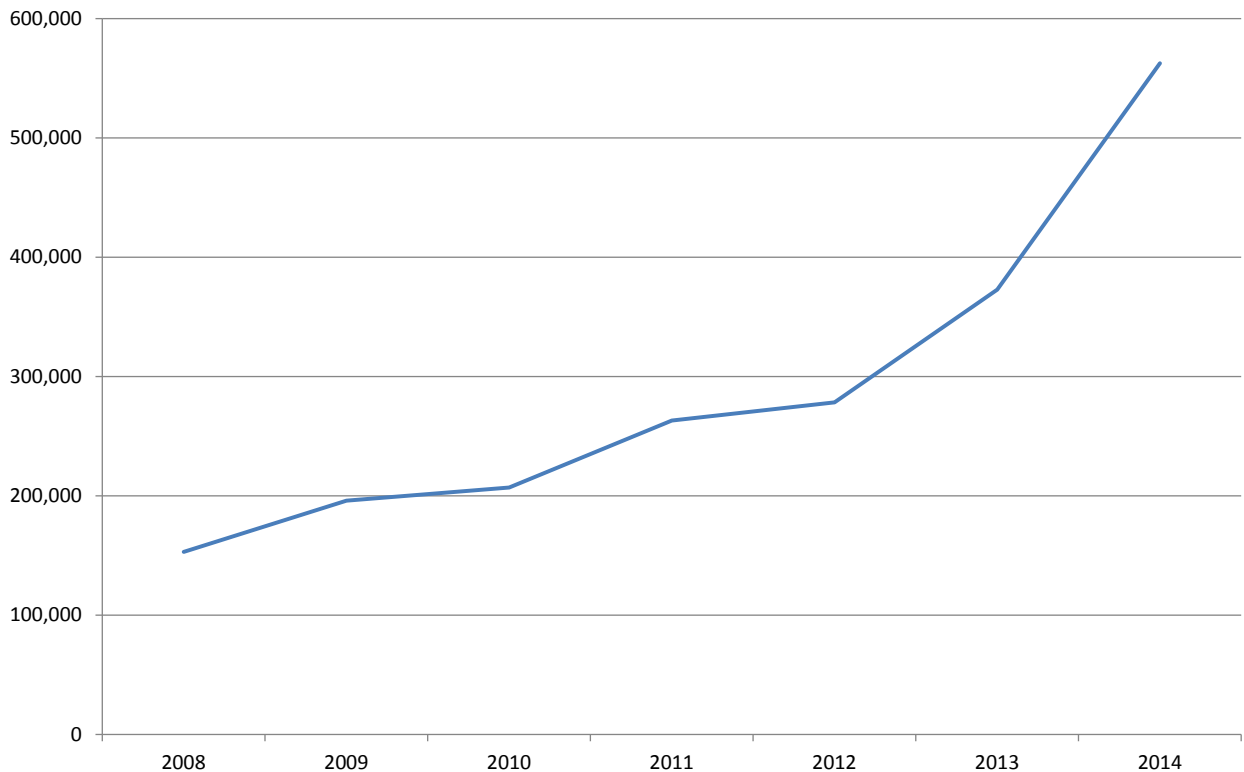
The stock of unauthorized immigrants trended down in much of the EU during the 2000s. There were an estimated 3.1 million to 5.3 million unauthorized immigrants in the EU-15 in 2002, compared with 1.8 million to 3.3 million in 2008 (Clandestino, 2009). The decline was due to several factors: EU enlargement, which automatically adjusted the status of citizens of accession countries living or working in EU-15 countries; regularization programs in some countries that granted legal status to qualifying unauthorized immigrants; and increased efforts at reducing unauthorized immigration in the EU and in sending countries (Morehouse and Blomfield, 2011). In the late 2000s, the global economic downturn led to a further reduction in the number of unauthorized immigrants (Frontex, 2009; Morehouse and Blomfield, 2011).

2.1 Measures of the inflow of unauthorized immigrants to the EU

In the absence of high-quality, high-frequency estimates of the stock of unauthorized immigrants, estimates of the inflow of unauthorized immigrants can be an important indicator of changes in the population's size. Greater inflows result in a larger stock, although they may be partly offset by migrant outflows. A number of proxies for the inflow of unauthorized immigrants are available for the EU. Most of them suggest that the number of unauthorized immigrants has risen since the late 2000s.

The number of asylum seekers has increased considerably in recent years. The number of applicants more than tripled from 2008 to 2014 (Figure 1).

Figure 1. Asylum applications in the EU have risen dramatically



Source: Eurostat (migr_asyappctza). Data are for first-time applicants.

Most—although not all—asylum seekers enter without authorization. As noted earlier, they are legally present once they have asked for asylum, but they revert to unauthorized status if their claim for asylum is denied and they do not leave the EU or if they move without permission to another country while their claim is being processed. In 2014, about 45 percent of first instance asylum decisions were positive, or allowed the migrant to stay; the approval rate of final appeals of negative decisions—claims that were initially rejected and were then appealed—was 18 percent.⁵ Thus, a large share of applicants are turned down and expected to leave. Since not all leave, the rise in the number of asylum seekers likely presages a rise in the number of unauthorized immigrants.

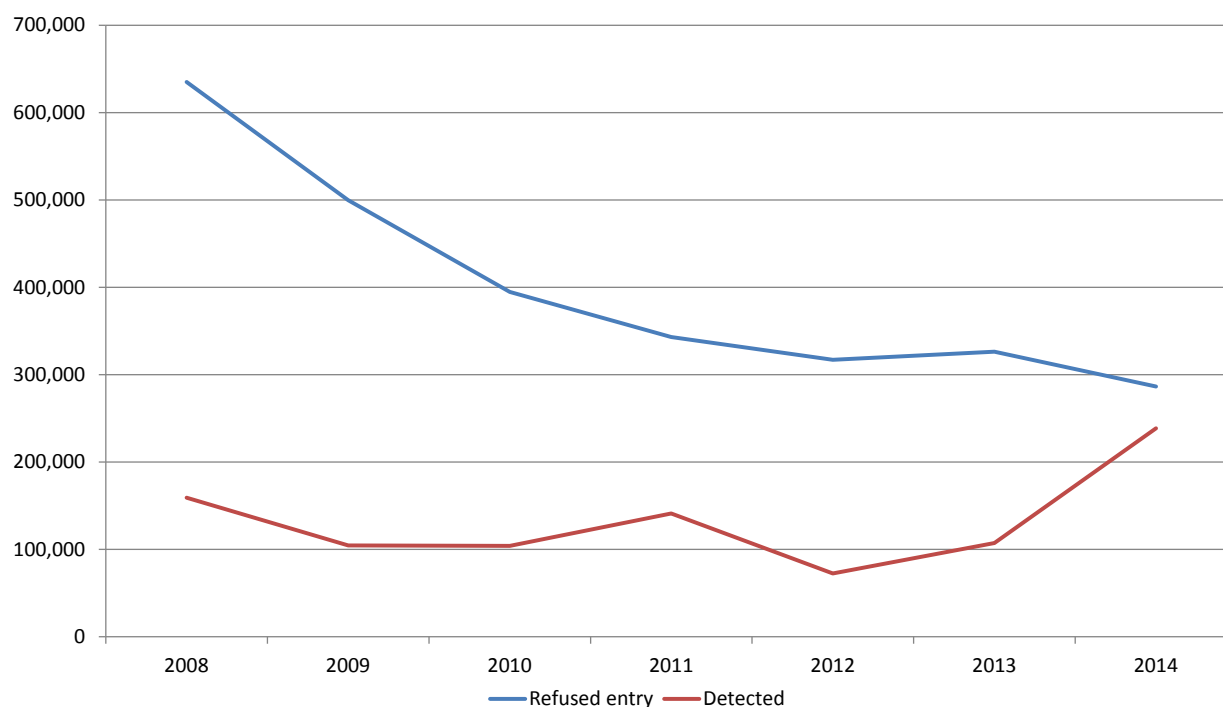
Apprehensions along external borders are a common proxy for inflows of unauthorized immigrants. An increase in apprehensions signals that more people are trying to enter illegally. Like an upswing in asylum seekers, an increase in apprehensions likely presages an increase in the number of unauthorized immigrants.

Two measures related to border apprehensions are available for the EU: the number of people refused entry at external borders, and the number of detections of illegal border-crossings between official border-crossing points. The data indicate mixed trends in recent years. The

⁵ See http://ec.europa.eu/eurostat/statistics-explained/index.php/Asylum_statistics (7 August 2015).

number of refusals fell from 2008 to 2014, while the number of detections was fairly flat until it rose sharply in 2014 (Figure 2).⁶

Figure 2. Border enforcement measures give a mixed picture of trends in the EU



Source: Number of non-EU citizens refused entry from Eurostat (migr_eirfs); number of illegal border-crossings detected from Frontex Annual Risk Analysis reports (various years)

Although public attention and the media tend to focus on asylum seekers and illegal entries, officials believe that legal entrants who overstay their visas have traditionally accounted for the majority of unauthorized immigrants in the EU.⁷ Of course, this pattern may be changing given the huge wave of asylum seekers and other irregular migrants arriving at the EU's land and sea borders in recent years—it may no longer be the case that the majority of irregular immigrants in the EU are visa overstayers.

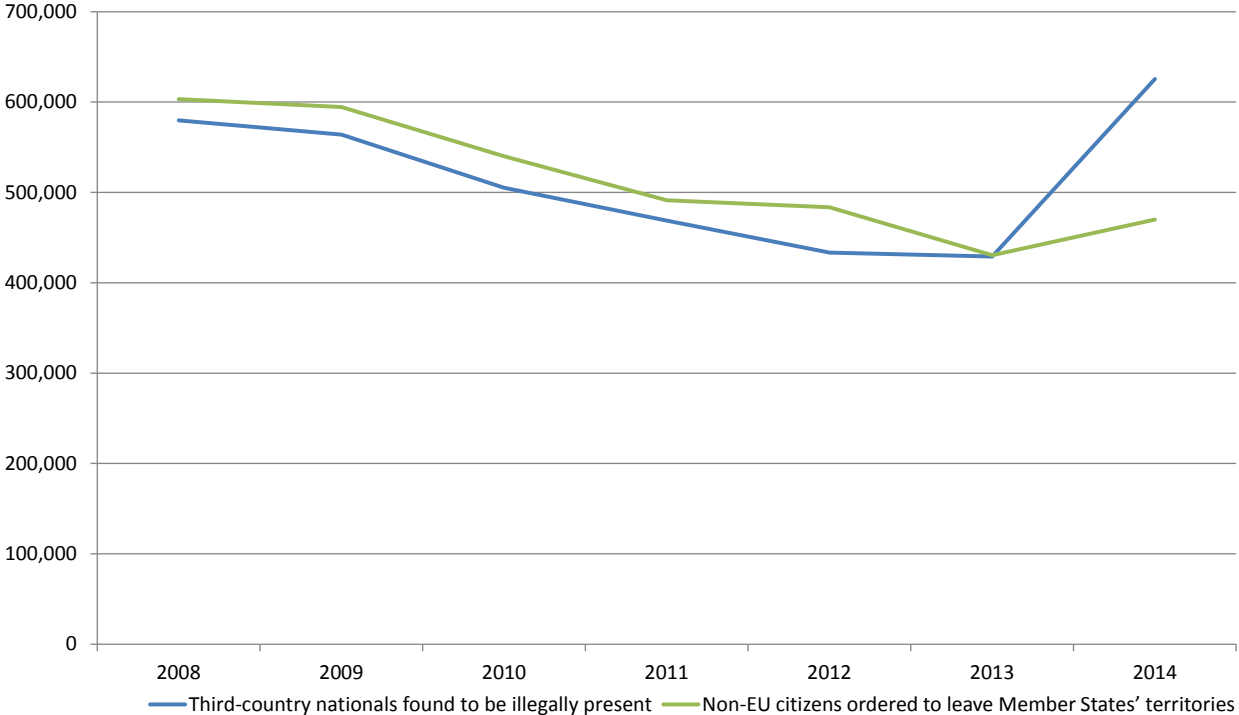
Measures derived from enforcement within countries complement measures derived from border enforcement and can help suggest trends in stocks and flows. For the EU, data are available on the number of non-EU citizens found to be illegally present in the EU (i.e., the number apprehended) and on the number ordered to leave the EU. Both measures suggest that unauthorized immigration fell from 2008 to 2013 (Figure 3). In 2014, however, the trend may

⁶ It may be somewhat surprising that these measures paint such a different picture than the number of asylum applicants does. The measures are capturing different groups. New migrants who are seeking asylum are not refused entry, and they may have an incentive to cross at official points and be apprehended there since they need to start the application process.

⁷ See <http://frontex.europa.eu/trends-and-routes/migratory-routes-map/> (4 August 2015).

have begun to reverse. The uptick in both measures in 2014 together with the increase in detections of illegal border-crossings that year and the continued increase in asylum applicants suggest that unauthorized immigration is on the rise in the EU.

Figure 3. Interior enforcement measures suggest a rebound in unauthorized immigrants after years of declines in the EU



Source: Eurostat (migr_eipre and migr_eiord).

2.2 Characteristics of unauthorized immigrants

Most unauthorized immigrants are adult men. Women and children only account for about 11 and 15 percent, respectively, of unauthorized immigrants in the EU (Frontex, 2015). Recent trends among asylum seekers, however, suggest the shares of women and children may be rising. For example, children made up 43 percent of asylum seekers in Sweden in 2015, and one-half of them were unaccompanied minors.⁸

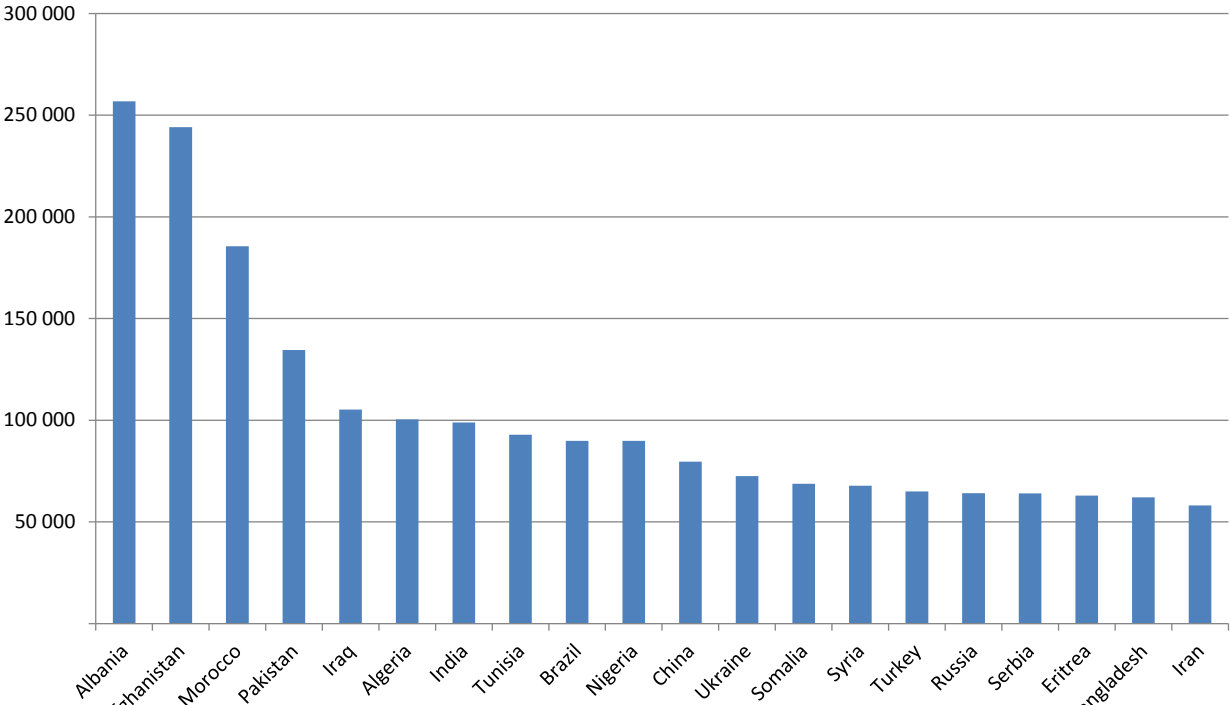
Unauthorized immigrants typically have relatively low education levels. There are two reasons for this. First, they tend to be from countries with low average levels of education. Second, they tend to be limited to less-skilled jobs in the informal sector. Relatively well-educated people are generally unwilling to move for such jobs.

Where immigrants are from tends to reflect the distance between the origin and destination and economic, political, and social conditions in origin countries. Shorter distances mean more

⁸ Data from <http://www.migrationsverket.se/English/About-the-Migration-Agency/Facts-and-statistics-/Statistics.html> (15 January 2016).

migrants, all else equal, while worse conditions in the origin usually lead to more out-migration. With the exception of Albania, most people found to be illegally present in the EU during 2008 to 2013 were from countries in the Middle East, Asia, and northern Africa that were experiencing considerable turmoil. The top three countries of citizenship were Albania, Afghanistan, and Morocco (Figure 4).⁹ Syria was the top country in 2013 and surely also in 2014 and 2015. The numbers of Syrians and Eritreans apprehended have risen considerably in recent years, while the numbers of Albanians and Afghanis have fallen.

Figure 4. Many apprehended unauthorized immigrants in the EU are from nearby countries experiencing turbulence



Source: http://ec.europa.eu/eurostat/statistics-explained/index.php/Statistics_on_enforcement_of_immigration_legislation. Data are totals over 2008-2013.

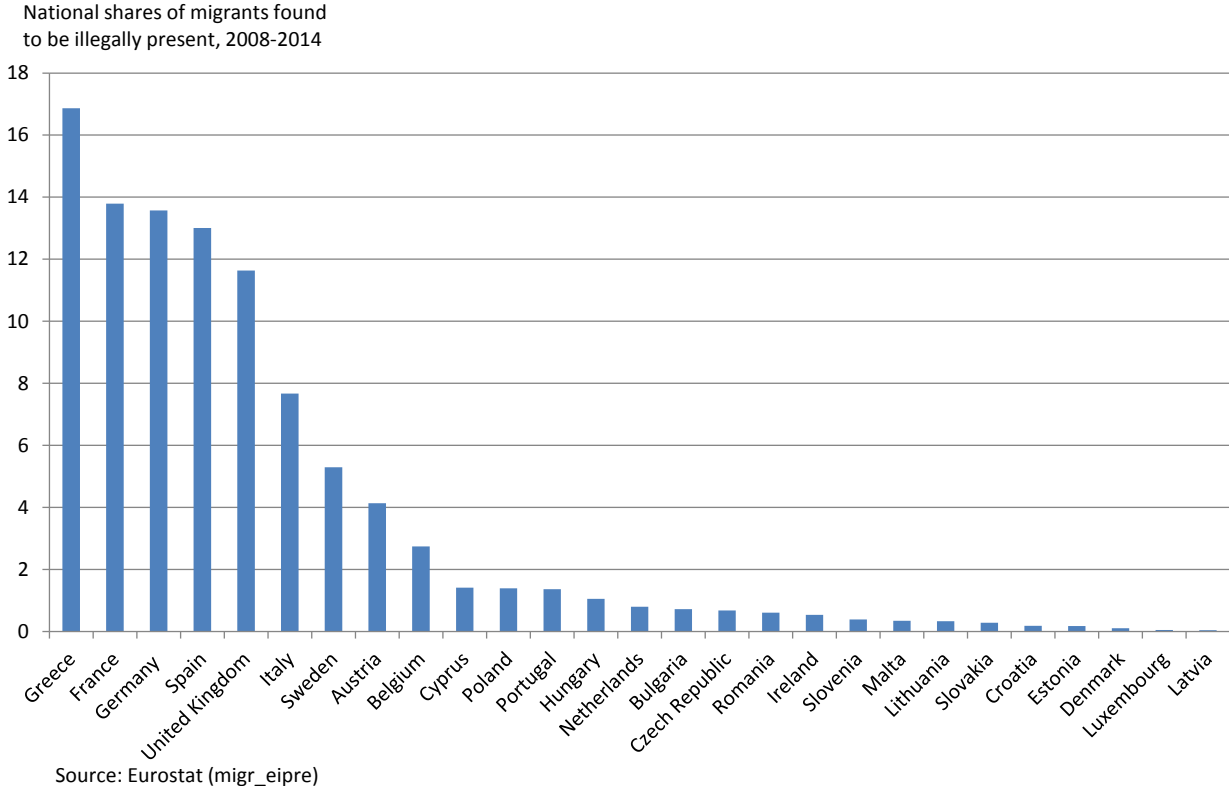
2.3 Destinations of unauthorized immigrants

All European nations experience some unauthorized immigration, but the extent of it differs considerably across countries. Estimates from 2008 indicate that the UK had the largest number of unauthorized immigrants, at 417,000 to 863,000 (Clandestino, 2009). Other countries with large numbers of unauthorized immigrants are France, estimated at 178,000 to 400,000; Germany, 196,000 to 457,000; Italy, 279,000 to 461,000; and Spain, 280,000 to 354,000. The estimated number of unauthorized immigrants was particularly low in Scandinavian countries and in Eastern European countries in 2008, with the exception of Poland (estimated at 50,000 to 300,000).

⁹ See http://ec.europa.eu/eurostat/statistics-explained/index.php/Statistics_on_enforcement_of_immigration_legislation (7 August 2015).

The geographic distribution of migrants who were apprehended during the period 2008-2014 provides further evidence that Southern Europe and the larger western European countries have the most unauthorized immigrants (Figure 5). Greece comes in first at almost 17 percent, followed by France, Germany, and Spain. Sweden at 5 percent comes in seventh after the UK and Italy. Of course, apprehensions reflect not only the number of unauthorized immigrants in a country but also enforcement intensity. Countries that are more concerned about unauthorized immigration may have higher apprehension rates, resulting in more apprehensions for a given population of unauthorized immigrants.

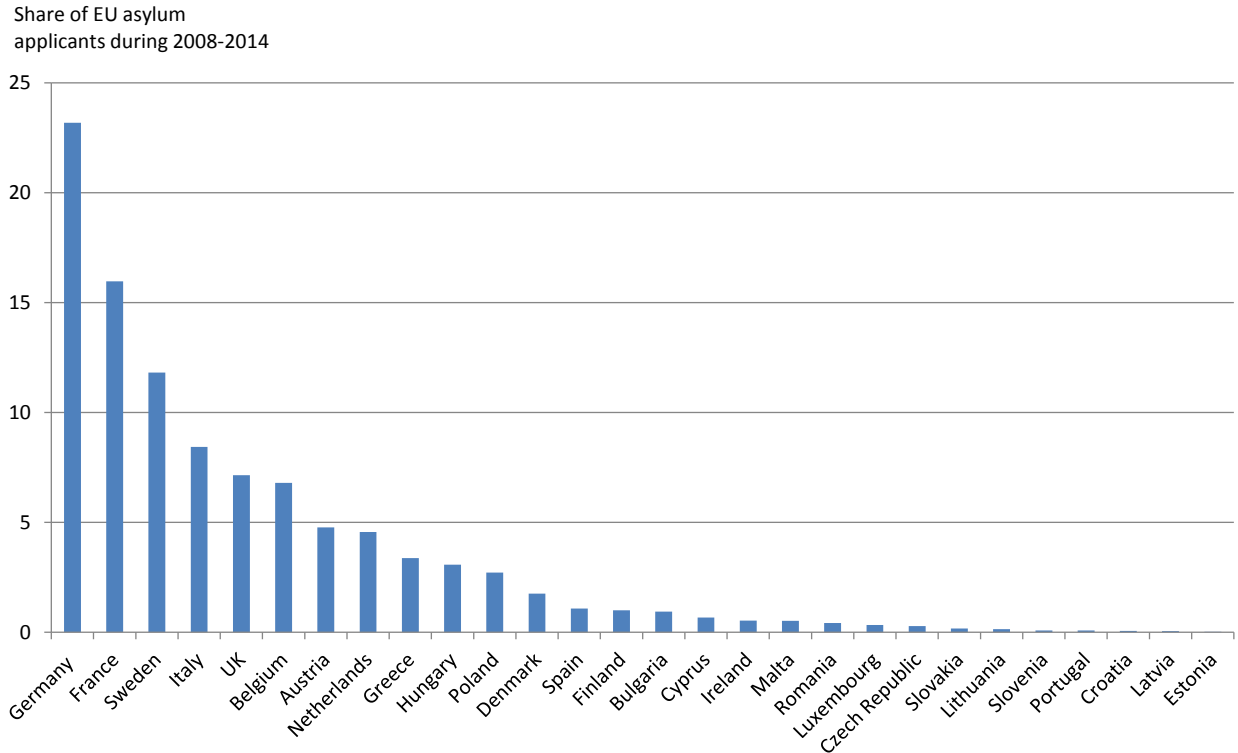
Figure 5. Apprehensions data indicate unauthorized immigrants in the EU are concentrated in the large economies and southern member states



The geographic distribution of asylum applicants differs somewhat from the distribution of people found to be illegally present. During 2008 to 2014, almost one-quarter of EU-wide asylum applicants were in Germany (Figure 6). Substantial shares were also in France, Sweden, and Italy. The concentration of asylum applicants in countries with relatively strong economies suggests that some applicants are economic migrants. Research shows that asylum applications tend to rise as a country’s unemployment rate falls, although the effect (on the number of applications) is modest (Hatton and Moloney, 2015). The generosity of asylum and welfare policies also matter, as discussed in the next section.¹⁰

¹⁰ This policy brief focuses on general patterns and trends. For case studies of irregular immigration in specific countries, see, for example, the chapters in Düvell (2006), Kupiszewski and Mattila (2008), and Triandafyllidou (2010).

Figure 6. Over one-half of EU asylum applicants are found in Germany, France and Sweden



Source: Eurostat (migr_asyappctza)

3 Causes of unauthorized immigration

Around the world, unauthorized immigration is a consequence of several main factors: poor economic and social conditions in the home country with few prospects for relief, which pushes people to leave; better conditions elsewhere, often combined with family and friendship networks that pull people to a particular destination; and restrictive immigration policies.

Several determinants of unauthorized immigration are unique to the EU. One is the region’s geographic proximity to areas that have experienced economic and political turmoil in recent years. The Arab Spring kicked off an increase in unauthorized immigration, particularly by asylum seekers, from the Middle East. Syria has been the major source of migrants from that region. Inflows from Africa have long occurred, but chaotic conditions in Libya appear to have led to a surge in the number of Middle Eastern and African migrants passing through there and on into Europe (Hammond, 2015).

Paradoxically, improving economic conditions in parts of sub-Saharan Africa may also be contributing to unauthorized immigration to Europe. The relationship between out-migration and average national income tends to be inverse U-shaped, first rising as higher incomes enable people to bear the costs of migrating and then falling as economic prospects at home continue to improve. Rising expectations in the face of limited opportunities at home also motivate some

young people to leave. Industrial restructuring and social change often accompany economic growth and can contribute to rising emigration rates as well.

Across the globe, large income differentials motivate people to move from poor to rich countries. The EU is no exception. However, unauthorized immigrants tend to be concentrated in lower-income countries within the EU. Geography is one reason—Greece, Italy, and Spain are closer to most sending countries. In addition, southern European countries have more opportunities for unauthorized workers because they tend to have large informal economies. Formal-sector labor markets are highly regulated in most EU member states, with collective bargaining agreements governing compensation and rules that make it difficult to fire permanent workers. However, given relatively lax enforcement in southern European countries, there is strong demand for off-the-books and informal-sector workers. Irregular migrants fill much of that demand (Maroukis, Iglicka, and Gmaj, 2011).

Other economic factors that may influence unauthorized immigration to the EU include the aging of the population and social welfare programs. In many EU countries, aging populations and low birth rates have resulted in slow labor force growth among the native born. Some employers turn to foreign workers to fill jobs. With limited legal channels to migrate or to work, foreigners may resort to migrating or working illegally, as discussed more below.

Although unauthorized immigrants are typically ineligible for social welfare programs, asylum seekers and unaccompanied children are eligible for benefits in some northern and western European countries. Germany, for example, provides housing, food, and a monthly cash allowance to registered asylum applicants. In Sweden, there are particularly generous benefits available to unaccompanied children, who are later often able to sponsor their families. This gives asylum seekers an incentive to try to reach relatively generous countries. Nonetheless, empirical evidence on whether generous social welfare programs attract immigrants in Europe indicates at most a small effect when looking at all immigrants, not just unauthorized ones or asylum seekers (Giulietti and Wahba, 2013). More generous welfare policies appear to slightly increase the number of asylum applicants in developed countries in general (Hatton and Moloney, 2015).

Networks play an important role in legal and illegal migration. Family and friends who have already migrated ease the way for others to follow—networks help new migrants find jobs and housing, and they send remittances that help cover migration costs.

Historical ties between countries play a role as well. Colonial relationships from decades ago influence migration patterns, in part because of cultural and linguistic familiarity (Grogger and Hanson, 2011). As a result, Malians are particularly likely to migrate to France, Ecuadorians to Spain, Indians to Britain, and so on. In some case cases, residents of former colonies can easily receive a tourist visa from the former colonial power or, in some cases, even be admitted without a visa; they then become irregular migrants if they overstay the visa or enter the labor market without permission.

4 Immigration policy and the EU

Unauthorized immigration depends in many ways on the structures that exist around legal immigration. Complicating matters in Europe is the fact that individual nations set their own immigration policies within broad parameters determined by the EU, but the Schengen Agreement has resulted in the removal of most internal border controls. While a comprehensive review of EU immigration policy is beyond the scope of this policy brief, this section explores how unauthorized immigration is linked to policies regarding legal immigration.

The key common components of EU migration policy concern intra-EU migration, not immigration from outside the EU. A centerpiece of the EU is the removal of internal barriers, including barriers to migration. EU nationals have freedom of movement across all member states. This includes the right to work, although some countries have opted to limit this right for members of accession countries for the first few years after accession. The Schengen Agreement greatly facilitates this free movement by removing border controls between most EU member states.¹¹

With respect to immigration from outside the EU, the EU largely sets out broad principles within which members then design their own policies. There are several notable areas of EU-wide policy or practice regarding immigration from outside the EU:

- The Dublin Regulation requires people to apply for asylum in the first EU country they reach, as discussed above. Eurodac, a shared database of asylum seekers' fingerprints created in 2003, facilitates this and ensures that people cannot file claims in multiple countries.
- The so-called Return Directive, adopted in 2008, sets out common rules for removal and return of unauthorized immigrants, although the extent of compliance with it by individual countries is uncertain.
- There are efforts to collect data and coordinate border enforcement, primarily via the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the EU, or Frontex, which was created in 2004.
- The Blue Card is the EU's first significant attempt at an EU-wide visa program for so-called third-country nationals. Adopted in 2009, the program allows skilled workers from most non-EU countries who have a qualifying job offer to live and work in the EU. It is not yet clear whether the Blue Card will be a success—Denmark, Ireland, and the UK have opted out, and relatively few visas have been issued.
- EU members must require employers to check that third-country nationals are legal residents and must sanction employers who exploit irregular immigrants.¹² However, the extent of compliance and enforcement is unclear for many member states (Collett, 2015).

All EU members restrict migration by third-country nationals, but to varying degrees. Most EU members' immigration policies prioritize family reunification. Policies are particularly strict for less-skilled economic migrants who lack family members there. The UK, for example, essentially has not admitted such immigrants since eliminating its Seasonal Agricultural Workers

¹¹ All EU members except Bulgaria, Croatia, Cyprus, Ireland, Romania, and the UK participate in the Schengen area. Some non-EU members, including Iceland, Liechtenstein, Norway, and Switzerland also participate in the Schengen area.

¹² Directive 2009/52/EC. Denmark, Ireland, and the UK are not bound by the directive.

Scheme in 2014. Germany likewise lacks an admissions scheme for less-skilled economic migrants. Sweden is currently among the most permissive member states with regard to less-skilled economic migrants following a 2008 reform that allowed third-country labor migration for the first time in decades.¹³

EU-wide unlimited freedom of movement is a major reason why immigration policies are so restrictive for third-country nationals. Disparities in economic conditions have resulted in sizable East-West and South-North flows of workers, especially less-skilled workers, within the EU both before and after restrictions on mobility were removed (de la Rica, Glitz, and Ortega, 2015). Since intra-EU migration provides a ready supply of workers, many EU member states see little reason to admit large numbers of third-country nationals, particularly less-skilled ones.

Together with push and pull factors, the lack of legal migration channels for most third-country nationals results in illegal migration. After all, if everyone who wanted to migrate could enter, live, and work legally, there would be no unauthorized migration. The lack of legal channels also results in more asylum claims since that is one of the few channels by which third-country nationals can readily and legally enter many EU countries as well as receive public assistance.

While freedom of movement has led to few legal means for third-country workers to enter the EU, the Schengen Agreement has boosted the incentive to enter the EU. The ability to move easily across countries increases the rewards to entering the Schengen area. If immigrants were largely limited to remaining in the country they entered, fewer would try to enter the EU, particularly since the main ports of entry—Southern and Eastern European countries—are poorer than their northern and western counterparts that are many asylum seekers and economic migrants' desired final destinations.

5 Economic effects on receiving countries

There is a large literature on the economic effects of immigration on receiving countries, but relatively little research focuses on unauthorized immigration because of the lack of data.¹⁴ In general, studies conclude that immigration has an overall beneficial effect on the receiving country's economy. However, immigration creates winners and losers within countries. The largest winners are immigrants themselves, who typically boost their incomes and quality of life by migrating. Employers, consumers, and workers who are "complements" to immigrants—people who work with immigrants but do not compete with them for jobs—all benefit economically from immigration. Competing workers and, in some cases, taxpayers can be harmed economically by immigration.

¹³ As of 2015, Sweden requires that third-country nationals who apply for a work permit must have a job offer that is on par with any collective agreements within the occupation and is at least SEK 13,000 per month. The employer must advertise the position in Sweden and within EU/EES and Switzerland for at least ten days. The employer must provide insurance coverage in order to obtain a work permit. Employers in cleaning, hotels, restaurants, construction, and other less-skilled industries must also provide financial documents to prove that they can pay a salary for at least three months.

¹⁴ De la Rica, Glitz, and Ortega (2015) review the general literature on the economic effects of immigration in Europe, with a focus on large countries.

5.1 Macroeconomic effects

Immigration increases the labor force and, hence, economic output, or GDP. Although immigrants reap most of the benefit in the form of their wages, some of the higher income accrues to natives.¹⁵ Borjas (2013) estimates that immigrant workers—the stock of regular and irregular migrants—add 11 percent to the U.S. economy each year. Irregular migrants alone likely represent between 15 and 20 percent of the total immigrant contribution there.

There are no similar estimates for the EU as a whole, although some studies have estimated the effect on individual countries. Sarris and Zografakis (1999) consider the Greek case and estimate that irregular immigrants, who make up 3.2 percent of the labor force, boost annual real GDP by 1.5 percent, total private investment by 0.9 percent, and total private consumption by 0.13 percent. Past estimates of the effect of overall immigration—legal and irregular—on GDP vary from 6 percent in Germany in 1992 to 10 percent in the UK in the early 2000s (Düvell, 2006). Simulations for the Netherlands suggested a 5 percent increase in the labor force due to immigration would increase GDP by 2.4 to 3.4 percent in the case of low-skilled immigration (Roodenburg, Euwals, and Rele, 2003). The European case is complicated by the concentration of irregular migrants in the informal economy and to what extent output in the informal economy is captured in official estimates of economic activity.

Immigrants not only enlarge the economy but can also affect the economy's rate of growth, especially if they are innovative or entrepreneurial. Irregular migrants are unlikely to be involved in innovative activity, which is a benefit typically associated with high-skilled immigration in STEM (science, technology, engineering, and math) fields. Irregular migrants may be more likely to be entrepreneurs, but their businesses are often small, lack capital, and are limited to the informal sector. Self-employment rates vary greatly among EU nations: Immigrants in Greece and Italy have much higher self-employment than natives, while the gap is much smaller in the Iberian peninsula (Baldwin-Edwards, 2002).

The positive impact of irregular migrants on the host economy is somewhat reduced by their remittances, which are not saved or spent in Europe. Remittances have positive welfare impacts globally, although they reduce the benefits of migration locally (Münz et al., 2006). Estimates suggest that migrants—legal and irregular—living in Europe sent about \$73 billion in remittances to non-European countries in 2014.¹⁶

One important economic benefit of irregular migration is its role in integrating regional labor markets. Evidence suggests irregular migrants relocate more readily to growing areas where relative wages are rising and unemployment is low, at least in the U.S. case (Borjas, 2001; Cadena and Kovak, 2016). The spatial reallocation of workers makes the economy more efficient by reducing slack (lowering unemployment) and resolving growth bottlenecks, which in turn allows economic activity to grow faster. The equilibrating role of immigrant workers can be even

¹⁵ Immigration increases the supply of labor relative to capital, pushing up the return to capital. Natives typically own the capital stock and, hence, reap the bulk of the gains from immigration. Under standard assumptions, the immigration surplus is about 0.24 percent of GDP for the U.S. (Borjas, 2014). Brücker et al. (2002) estimated it was 0.15 percent of EU GNP when migrant workers made up 10 percent of the workforce. The World Bank estimates immigration that increases labor force by 3 percent in high-income countries would raise native households' income by 0.4 percent (World Bank, 2005).

¹⁶ http://www.ifad.org/remittances/pub/money_europe.pdf (13 December 2015).

more important in Europe, where mobility among the native population is relatively low, especially across international borders (Akkoyunlu, 2001; OECD, 2012).^{17,18} Language differences, rigid labor markets, and welfare programs reduce the incentives to relocate from depressed to growing areas.

Access to a flexible, low-cost source of labor may enable some sectors to survive or thrive that would otherwise shrink or even disappear. Jobs avoided by natives include dirty, difficult, or dangerous jobs, seasonal jobs, and low-paid household service jobs (Münz et al., 2006). Agriculture, construction, leisure and hospitality, and household services are the main sectors that employ large shares of unauthorized workers (Maroukis, Iglicka, and Gmaj, 2011).

5.2 Labor market effects

Immigration can affect the labor market in the receiving country in several ways: It can affect the number of natives who are employed, it can affect wages, and it can affect the types of jobs that workers hold.

Basic economic theory predicts that an increase in the number of workers due to immigration will reduce wages. In addition, new immigrants will replace some workers, who may be native-born or earlier immigrants. The magnitude of the employment and earnings effects depends on how substitutable new immigrants are for existing workers—the more substitutable they are, the larger the adverse effects. However, some groups of existing workers will benefit from immigration. Some of these beneficiaries are complements to immigrant workers, such as a native-born supervisor who works with foreign-born laborers. Other beneficiaries sell goods and services purchased by immigrants.

The large literature on the effects of immigration on natives' employment and earnings has reached mixed conclusions regarding the wage effects on natives overall, but economists tend to agree on two points. First, any adverse effects will be concentrated on workers who are substitutes for immigrants, such as low-skill natives or prior immigrants. Second, any adverse effects will dissipate over time as the economy adjusts. Some studies report sizable adverse effects (e.g., Borjas, 2003; Borjas, Grogger, and Hanson, 2010). Other studies report small or even no adverse effects (e.g., Card, 2001; Manacorda, Manning, and Wadsworth, 2012; Ottaviano and Peri, 2012). Several studies indicate that effects are more adverse for less-educated or less-skilled natives than for more-educated or more-skilled natives (e.g., Borjas, 2003; Orrenius and Zavodny, 2007). The most adverse effects occur among earlier immigrants, not among natives (e.g., Ottaviano and Peri, 2012).

Government regulations and labor market institutions influence how immigration affects employment and earnings. If wages are set by collective bargaining, for example, immigration may have little effect on wages but instead affect natives' employment. In Europe, immigration

¹⁷ In a study of Polish workers in Germany, Akkoyunlu (2001) finds that immigration made labor markets more flexible and led to decelerating wage growth and higher employment. She concludes that intra-European migration reduces divergence between sending and receiving countries, improves productivity, and speeds up convergence.

¹⁸ According to the OECD (2012), despite the free movement of labor, only 3 percent of EU citizens live in a different EU country. Third-country migration is much larger, with non-EU nationals accounting for 5 percent of the working-age population. Cross-border mobility between the EU-27 is only 0.35 percent, compared with 2.4 percent in the United States.

has a more adverse effect on employment in countries with more restrictive institutions, especially in countries with more product market regulations (Angrist and Kugler, 2003).

Some natives respond to immigration by moving into different types of jobs. Many natives have different skills than immigrants. In particular, natives are already fluent in the language used in the immigrant-receiving country. In economic terms, communications skills are many natives' comparative advantage, while less-educated immigrants' comparative advantage is often manual skills and more-educated immigrants, quantitative skills. Some natives therefore move into communications-intensive jobs in response to immigration (Foged and Peri, 2015; Peri and Sparber, 2009, 2011). This movement reduces any adverse effect of immigration on natives in the labor market, and it is larger in countries with fewer labor market regulations (D'Amuri and Peri, 2014).

The effect of irregular migrants is likely to depend on the structure of the labor market. In a single labor market, unauthorized immigrants may have a more adverse impact than legal immigrants on competing workers if they are willing to work for lower wages or in worse conditions. In segmented labor markets, however, this need not be the case. Irregular immigrants may not compete with many natives for jobs, or with many legal immigrants, for that matter. In Europe, the informal sector is large and there is evidence of segmented labor markets, particularly in Spain, Italy, and Greece.

Few studies of the labor market effects of immigration look specifically at unauthorized immigrants because of the difficulty of determining immigrants' legal status. Evidence suggests that unauthorized immigrants typically earn less than natives or legal immigrants. In Italy, for example, irregular immigrants earn about 8 percent less than comparable legal immigrants; in Spain, 12 percent less (Baldacci, Inglese, and Strozza, 1999; Connor and Massey, 2010). Research shows that immigrants working illegally in the shadow economy in Italy reduce employment of legal labor there (Venturini, 1999). However, natives working illegally (off the books) have a more adverse effect on legal employment there than immigrants working illegally.

In theory, unauthorized immigration may lead to improvements in earnings or employment, even among competing workers. A theoretical model can predict that unauthorized immigration reduces natives' unemployment because it reduces employers' costs; this reduction in costs spurs hiring of natives (Chassamboulli and Peri, 2014). However, there is little empirical support to date for the validity of this prediction. In the U.S., interior enforcement policies that reduce the number of unauthorized immigrants appear to lead to, if anything, better labor market outcomes among competing groups of natives and legal immigrants (Orrenius and Zavodny, 2015b).

5.3 Fiscal impact: Welfare/transfer programs and taxes

Apart from immigration's direct impacts on the economy and labor markets, it has a fiscal impact—the difference between what immigrants pay in taxes and consume in government-provided benefits.¹⁹ With regard to unauthorized immigrants in the U.S., most attempts to calculate their net fiscal impact conclude that (over time) they pay less in taxes than they receive

¹⁹ More complex methods of calculating the fiscal impact include dynamic estimates, which take into account the effects of immigration on economic growth and on natives' fiscal impact, and intergenerational impacts that include the fiscal effects of immigrants' descendants.

in services, on average (Congressional Budget Office, 2007). However, since they are not eligible for most welfare programs, undocumented immigrants have a smaller adverse fiscal impact than low-wage legal immigrants or low-wage natives. However, the fiscal burden is particularly heavy for state and local governments, which in the United States bear a large share of costs for schools and health care.

Europeans face a different situation, depending on the country. Irregular migrants in Europe are much more likely to work in the informal sector where their labor is not taxed, which reduces their contributions.²⁰ Moreover, irregular migrants who reach the UK or Northern Europe may deliberately seek asylum (or do so if apprehended in order to avoid deportation) and collect welfare payments while they await a decision that they know will be denied (Düvell and Jordan, 2006). However, barring an asylum application, countries with strict internal controls like Sweden and Germany actually give very little aid to adult irregular migrants, who remain completely outside the welfare and public services system (Düvell, 2006).

There are no studies specific to the fiscal impact of irregular immigrants in the EU, and other fiscal impact studies of EU immigration find mixed results.²¹ In nations where immigrants are more dependent on the welfare system than natives, such as Austria, Belgium, Denmark, France, the Netherlands, and Sweden, the net impact is likely negative. In other nations, such as in Southern Europe and the UK, the net impact may very well be positive. Taken as a whole, the evidence suggests that skilled immigrants who work tend to make net positive contributions, while those who are older, have few skills, and arrive as refugees tend to make net negative contributions (Münz et al., 2006).

A survey of immigration's fiscal impact across OECD countries noted, "Employment is the single most important determinant of migrants' net fiscal contribution, particularly in countries with generous welfare states" (OECD, 2013: 3). According to that study, raising immigrants' employment rate to that of natives would have a positive budget impact of more than 0.5 percent of GDP in Belgium, France, and Sweden.

6 Policy responses

There are two main policy dimensions regarding irregular immigration: how to try to reduce the number of irregular migrants who enter, and how to respond once they have entered. The two dimensions overlap since tougher policies once migrants have entered may reduce future flows as well as reduce current stocks. Given the presence of irregular migrants, countries must decide whether to adopt policies that encourage or even force them to leave, or alternatively, policies that accommodate them. Such policies include border and interior enforcement and regularization programs, among others. The U.S. offers several potential lessons in these areas.

²⁰ They still pay indirect taxes, however, including value added taxes on consumption and excise taxes.

²¹ Results vary in part due to different target populations and methodologies of measuring fiscal impact. Some studies focus just on the foreign born, leaving out the education and health costs of their native-born children. With regard to methodology, some studies take a cross-sectional view, adding up costs and contributions at a point in time, while others look at immigrants over their lifetimes. Studies also differ in how they assign the costs of public goods, such as defense.

6.1 Border and interior enforcement

Tougher enforcement at external borders is the most obvious way to try to reduce the number of unauthorized immigrants who enter a country. There is little research on the extent to which border enforcement deters unauthorized immigration in the EU. One key reason for this is the lack of data on border enforcement and the magnitude of unauthorized immigration.

Recent studies of Mexicans find that tougher U.S. border enforcement deters some unauthorized immigration (e.g., Borger, Hanson, and Roberts, 2012; Carrion-Flores and Sorensen, 2009). However, economic factors appear to play at least as big a role as enforcement in determining unauthorized immigration. Indeed, for the U.S. case, unauthorized migration is considerably more responsive than legal migration to changes in economic conditions (Roberts, Alden, and Whitley, 2013).

Evidence from the U.S.-Mexico border indicates that tougher border enforcement can have several unintended consequences. Tougher border enforcement increases unauthorized migrants' use of smugglers, which can increase the involvement of violent criminal gangs in unauthorized immigration. The increase in demand also boosts smugglers' fees (Roberts et al., 2010). Increased enforcement caused migrants to shift to more remote, riskier entryways. As a result, migrants' deaths increased (Orrenius, 2004). The same may well be true along the EU's southern borders.

Another consequence of tougher border enforcement in the U.S. has been longer lengths of stay among unauthorized immigrants (Angelucci, 2012; Reyes, 2004). Unauthorized migrants stay longer in order to recoup higher migration costs and because of the difficulty of reentering the U.S. if they return home. Increased length of stay, in turn, leads to more family reunification or formation in the U.S., which then further boosts migrants' length of stay there.

Increased border enforcement can affect not only how many people come, but also who comes. Tougher U.S. border enforcement results in higher average education levels among Mexican migrants, possibly because better-educated migrants can more easily pay a smuggler or find it more worthwhile to hire one (Orrenius and Zavodny, 2005).

Like border enforcement, interior enforcement may deter unauthorized immigration. Interior, or internal, enforcement can take several forms. Examples include verifying the legal status of workers, students, and applicants for social assistance programs. At the extreme, a country can have its police check people's legal status during routine interactions, including random checks in public places. In the EU context, interior enforcement could also encompass checks when crossing borders between member states.

By making it more difficult to live and work in a country, interior enforcement discourages people from becoming unauthorized immigrants and may cause some unauthorized immigrants already present in a country to leave voluntarily. Interior enforcement that leads to deportations also reduces the number of unauthorized immigrants. All these policies are controversial because, in order to achieve their objective, they make unauthorized immigrants worse off, and perhaps legal immigrants and some natives as well.

As with external border enforcement, there is little evidence on how interior enforcement in the EU affects unauthorized immigration. In the U.S., interior enforcement to date has consisted primarily of state-level requirements that some or all employers check the employment eligibility of newly hired workers. Areas that adopted such requirements saw sizable decreases in the number of unauthorized immigrants living there (Bohn, Lofstrom, and Raphael, 2014; Orrenius and Zavodny, 2015a). However, at least some of those unauthorized immigrants may have just moved to other states, not left the country entirely. Employment eligibility verification requirements have also led to worse labor market outcomes for unauthorized immigrants, especially for men (e.g., Amuedo-Dorantes and Bansak, 2014; Bohn and Lofstrom, 2013; Orrenius and Zavodny, 2015b).

Interior enforcement can have unintended consequences as well, particularly if policies are not well designed. For example, the 1986 U.S. Immigration Reform and Control Act made it illegal for employers to hire workers who were not eligible to work in the country, among other provisions. However, the law included few punishments for employers who violated the law, and it failed to create a way for employers to easily and accurately verify whether workers were actually eligible to work in the U.S. The result was continued inflows of unauthorized immigrants.

The situation where employers cannot verify foreign workers' employment eligibility is not likely to arise in the EU. Central to this issue in the U.S. has been the lack of information sharing between government agencies, such as the federal tax agency, the Social Security Administration, and the immigration authority. These agencies are prohibited by law from sharing information on individuals, which has allowed millions of unauthorized workers to remain employed, have taxes withheld from their paychecks, and even file tax returns.²² As a result and in contrast to Europe, most irregular migrants in the United States work in the formal economy.

The fact that irregular migrants in the EU tend to work in the informal sector complicates enforcement and reduces the benefits of immigration. One way countries can reduce the size of the shadow economy is reducing employment taxes (Camacho, Mariani, and Pensieroso, 2015). Reducing regulatory burdens is another way to encourage the formation of formal businesses and the declaration of workers "on the books." Having a smaller informal sector might reduce demand for irregular workers and thereby reduce irregular immigration.

6.2 Regularization programs

Many EU countries have adopted policies that accommodate unauthorized immigrants. The most notable policies allow qualifying unauthorized immigrants to regularize, or normalize, their legal status. Since 1996, over 5 million migrants have been regularized in the EU (Brick, 2011). Some regularization policies grant temporary legal residency or work status, while others grant permanent legal status. In addition to one-time regularization programs, a few countries have ongoing regularization mechanisms, including the UK (Brick, 2011).

²² The Social Security Administration's Earnings Suspense File contains over \$1.2 trillion in payroll taxes that have accrued to 333 million invalid Social Security accounts where the names do not match the account numbers (Social Security Administration, 2015). The great majority of these uncredited payments likely represent the wages of unauthorized immigrants.

A major concern about regularization schemes is whether they boost the unauthorized immigrant population. The schemes initially reduce the number of unauthorized immigrants since they allow people to regularize their status. However, they may lead to larger unauthorized immigrant inflows—people may migrate illegally in hopes of qualifying for a regularization program or mechanism. The schemes also may lead to family reunification in the destination, with family members of newly regularized immigrants entering illegally. Some migrants who receive legal status via temporary regularization programs fall back into irregular status when they are unable to renew their permits.

We are not aware of any empirical evidence on whether regularization programs in the EU have increased unauthorized immigration there. In the U.S., unauthorized inflows appear to have quickly resumed after the 1986 legalization program there (Orrenius and Zavodny, 2003).

Regularization programs can lead to improvements in immigrants' labor market opportunities. Legalized immigrants may be able to access higher-paying jobs. In the U.S., legalization programs have resulted in earnings gains for beneficiaries (e.g., Rivera-Batiz, 1999). In Europe, in contrast, there is little evidence of earnings gains after regularization (e.g., Reyneri, 2001), perhaps because many such programs only grant temporary legal status. In addition, the highly regulated labor markets in some European countries appear to keep most regularized migrants out of the formal sector, making it unlikely that their wages and employment improve much after regularization (Papadopoulou, 2005). Meanwhile, regularization may also make immigrants eligible for more social assistance programs, worsening their fiscal impact but perhaps leading to improvements in other outcomes for newly legalized immigrants by increasing the incentive to learn the language and to pursue further education or job training.

6.3 Development policies

Countries concerned about unauthorized immigration from a particular country might consider funding development initiatives in that country with the goals of reducing the incentive for people to emigrate and encouraging emigrants to return.²³ Attempts to reduce migration by working with sending countries are unlikely to succeed unless they address the structural factors that spur emigration, namely civil unrest, armed conflict, and limited economic opportunities. Doing so is an expensive, long-term proposition.

Moreover, initiatives that succeed in boosting development in source countries may actually increase irregular immigration in the short run by easing income constraints that limit migration as well as by disrupting the existing economic structure. Receiving countries therefore may want to combine development programs with increased legal means of entry or with increased cooperation on enforcement.

²³ The EU spends considerable funds on development programs elsewhere, but those programs are not explicitly tied to migration objectives. There are exceptions in some member states: Spain, for example, has partnered with several West African countries in attempts to reduce illegal immigration (de la Rica, Glitz, and Ortega, 2015). The sending countries agreed to patrol main gateways and speed up repatriation in exchange for Spain providing development aid and legal work visas.

7 Discussion and conclusion

Unauthorized immigration poses a considerable challenge to the EU. After unauthorized immigration fell during the first decade of the 2000s, it is on the upswing. Improving economic conditions are a contributing factor, but worsening conditions elsewhere play a primary role in the increase. The current focus is on asylum seekers, but it is worth remembering that visa overstays are the traditional source of most unauthorized immigrants in the EU. Most irregular migrants are economic migrants.

Experience in the EU and in the U.S. points to several lessons. First, external border enforcement is not enough to stem unauthorized immigration. External border enforcement may deter some illegal entries, but it also discourages migrants from returning home. Interior enforcement is needed as well, such as at internal borders and at worksites. The Schengen Agreement gives the EU much in common with the U.S.: once you enter, you can move around freely. While there are many economic benefits to open borders, the lack of internal border controls adds to the incentive to migrate illegally to the EU.

Successful border enforcement can create a paradox: Lower levels of unauthorized immigration can lead to higher wages for low-skilled jobs in the receiving country, and lower wages in the sending country. This increases the incentive to migrate, illicitly if necessary, even though migration costs are higher. Successful interior enforcement, in contrast, can reduce wages for unauthorized immigrants by making employers less willing to hire them. This makes interior enforcement an important part of any plan to limit irregular immigration although in Europe this may involve a crackdown on a shadow economy that employs both natives and immigrants.

Removing unauthorized immigrants, including failed asylum seekers, is another necessary component of enforcement. The extent of compliance with the Return Directive that sets out common rules for deporting unauthorized immigrants is uncertain. The fact that some sending countries refuse to accept deportees further complicates matters. The EU might want to consider creating expedited removal programs at the border, like the U.S. has for some unauthorized immigrants from Mexico.

Cost sharing is important since the costs and benefits of enforcement, particularly along external borders, are not distributed evenly across the EU. One of the most important challenges for the EU is the concentration of entry points in southern and eastern member states combined with a desire of many economic migrants and asylum seekers to move further north within the EU. Coordinating on solutions to this challenge is vital.

Coordination and consistency across EU members on matters related to unauthorized immigration have increased over time. However, there is still room for considerably more coordination and consistency. There is a clear need for harmonized estimates of the stock of unauthorized immigrants that are updated regularly. There is also a need for detailed and frequent data on enforcement measures, including apprehensions, removals, and staffing. Such estimates would enable member states to identify areas of concern and to benchmark progress toward goals. Given the rapid pace of change in migrants' origins, destinations, and modes of entry, collecting and sharing data frequently is vital.

Finally, restrictions on legal immigration make some unauthorized immigration inevitable. Creating additional ways for people to enter legally, particularly less-educated workers, may help reduce the number of unauthorized immigrants in the EU.

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