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The hidden price of political imbalances and immigration policies: Europe loses tens of thousands of international graduates every year

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Europe is a major destination for international students, many of them willing to stay after graduation. International graduates, however, exhibit a high level of sensitivity with respect to political imbalances: A dominance of the right-wing political spectrum may lower the number of international graduates staying by up to 47%. This effect is particularly strong in election years when voters' political preferences become more salient. Unfavourable immigration policies, possibly implemented to satisfy the electorate, deter further potential stayers - even when these policies are targeted at entirely different groups of migrants. Eventually, this amounts to a considerable loss for European economies since international graduates have acquired destination country specific human capital and are easily integrated into host societies.

Attracting and retaining talented workers to fuel the knowledge economy is an important goal of most developed economies (Kerr *et al.*, 2016; Boubtane *et al.*, 2016). Different strategies to foster labour market participation of foreign workers have been adopted in Europe: Besides preferential treatment of workers in occupations experiencing "labour shortages", several economies introduced Green Cards to attract high-skilled professionals. At EU level, the so-called Blue Card was launched to facilitate labour mobility of non-EU citizens.

Another yet related path of entry into European high-skilled labour markets exists for international students who decide to stay in their country of study after graduation. This specific type of skilled migrant features two valuable characteristics: For one, they have been educated in the country they enter the labour market, and thus their qualifications are more transparent to potential employers. Second, these graduates acquired highly relevant country specific human capital, i.e. knowledge of cultural peculiarities and improved language proficiency (Sorrenti, 2017).

The pool of international students graduating in EU countries is substantial. Almost two thirds of the 500,000 international students, who stay for the complete degree's duration, originate from non-European countries. This highlights why international graduates are a highly relevant target group to boost the supply of skilled labour across a wide range of disciplines. Retaining this group of migrants would generate a substantial gain for European economies.

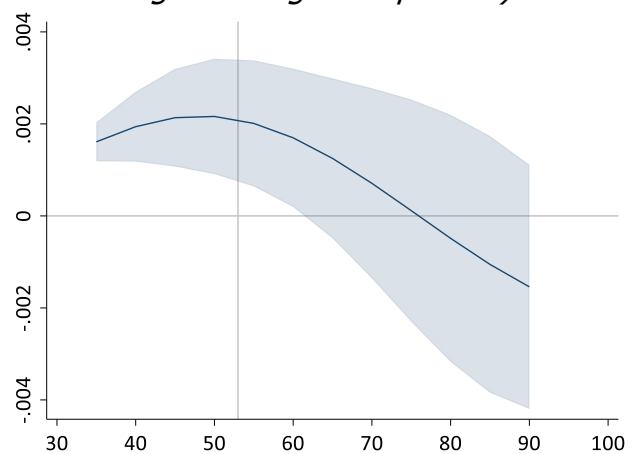
Using permit data for 28 European countries from 2009-2019, my research (Weisser, 2021) suggests that the share of international students willing (and allowed) to stay has been hovering around 13 to 15 percent. Whilst this corresponds to an increase of stayers in absolute terms (93,000 for the EU 27 in 2019), Europe seems unable to enhance its retention capability to benefit from the increased inflow of talent. This retention capability is neither evenly distributed across European countries nor set in stone.

To some extent, variations in countries' retention capability reflect their relative economic or labour market attractiveness. The latter may be largely driven by an environment supportive of migrant integration. The relevance of integration policies in this context is evaluated based on the Migrant Integration Policy Index (MIPEX, cf. Solano and Huddleston, 2020). My research documents that improvements in policies relevant to migrant integration yield relatively strong effects for those who stay for employment reasons: If a country featuring least favourable migration integration policies caught up with the average European country, the employment stay rate would increase by ca. 3.6 percentage points. In relative terms, this corresponds to a 75% increase – a notable boost of the share of international graduates willing to stay and work.

Designing immigration and integration policies which satisfy migrants' and host societies' needs can be a challenge, both in

terms of acceptance amongst the electorate and fiscal restrictions. Yet, whilst more refined integration and participation offers have a positive effect on graduates' propensity to stay, these policies come with decreasing returns (cf. Figure 1). Improving migrant integration policies beyond a certain point does no longer translate into higher stay rates.

Figure 1: Percentage point changes in the employment stay rate (related to improved migrant integration policies)



Note: Horizontal axis depicts Migrant Integration Policy Index (MIPEX) scores. Vertical line represents the European average. A one-point improvement in the MIPEX score from 53 to 54 implies an increase in the employment stay rate of 0.2 percentage points.

Another finding is that openness to other groups of migrants makes a country more appealing to potential graduate stayers. Overall stay rates are significantly higher in destination countries, which are more open to vulnerable migrants, such as refugees. Recent policy changes resulting in more leniency towards irregular migrants and refugees are appreciated in a similar manner as are policies targeted directly at skilled migrants. Apparently, international graduates not only pay attention to their own prospects but factor in a host country's broader attitude towards migrants.

Ultimately, immigration and integration policies are outcomes of political processes,

reflecting voters' preferences. A more extreme or polarised political landscape could deter potential stayers directly, and thus be another important determinant of their willingness to stay. I investigate the influence of voters' political preferences based on data from the Eurobarometer (cf. European Commission, 2020), a representative survey run several times a year in all countries.

My research suggests there is a steep price to pay for increasing levels of political imbalance in European countries.

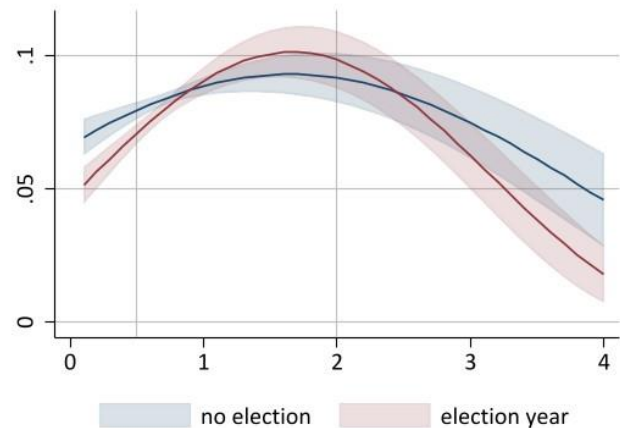
If the median voter is on the right half of the political spectrum the overall stay rate is reduced by at least 1.5 percentage points. In relative terms this corresponds to a loss of almost one fifth of international graduates staying (ca. 18,000 in 2019 for the EU27). In election years, when political preferences become more salient and potentially heated political debates take place, this effect becomes stronger: The stayer cohort is reduced by one quarter.

For employment stayers this effect amounts to 1.1 percentage points. Every sixth potential stayer with a job offer would rather leave instead of entering the labour market in their country of study.

In a broader sense, potential stayers display a preference for a balanced political environment, potentially representing stability. Increasing support for the more extreme ends of the political spectrum, implying rising levels of political imbalance or a weakening of the political centre, is associated with diminishing stay rates (cf. Figure 2). Interestingly, potential stayers are still willing to hold out in countries where the political right is somewhat dominant. Up to the point where supporters of the right end of the political spectrum outnumber their counterparts 2:1, stay rates remain largely stable. Beyond this point, stay rates decrease by 3.8 percentage points, implying a collapse of 47% in terms of the overall number of stayers. Whilst overly dominant support for

the left end of the political spectrum is also deterring students from staying, the effect is less pronounced.

Figure 2: Percentage of international graduates staying (for various levels of dominance)



Note: Dominance is measured as support for the right-wing political spectrum over the support for the left-wing. A dominance level of one implies a balanced political spectrum; two indicates there are twice as many supporters of the right than the left.

These findings imply an interesting demographic conundrum: On the one hand, well-educated potential stayers react adversely to both dominance of more extreme political positions and right shifts of the political spectrum, in general. Older voters, on the other hand, tend to be more likely to vote (economically) conservative (Tilley and Evans, 2014; Chrisp and Pearce, 2019). At the same time, political parties offering conservative economic policies may also vocalise a tougher stance on immigration. How, then, can Europe succeed in retaining larger shares of international graduates in the presence of ageing populations?

Eventually, these findings may even have further reaching implications. Assuming international graduate stayers are representative for skilled migrants considering migration in the first place, political imbalances could be rather costly for European countries.

Implications

Political imbalances are harming countries' ability to retain international graduates. This effect is amplified in election years when voters' preferences are more salient in the political discourse.

Improving integration policies to a level comparable to the European average strengthens retention capability. Trying to catch up with integration policy champions may not yield further benefits.

Restrictive immigration policies targeting low-skilled or vulnerable migrants may have negative externalities, i.e. deterring sought-after or high-skilled immigrants as well.

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