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POLICY BRIEF

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Entrance fees for migrants: A fair and efficient proposal for immigration policy reform

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Integrating economic and migration theory

A fee-based entrance system to control migration

Current migration policies are unfair and inefficient

A fee-based system satisfies labour market demands and state requirements

Summary This policy brief is based on the IMISCOE publication Migrants and Markets: Perspectives from Economics and the Other Social Sciences (Amsterdam University Press 2008). In this edited volume, Holger Kolb and Henrik Egbert present eleven case studies that challenge what some regard as the artificially imposed barrier between economics and migration research. By applying economic methods to migratory phenomena, Kolb and Egbert argue that the structure and development of markets is integral to the shaping of stocks and flows of migrants.

This policy brief proposes a fee-based entrance system to control migration flows. By integrating economic and migration theory, the proposal rests on the following observations:

- Current migration policies are unfair. Low-skilled, hard-working migrants are kept out of countries despite their potential to have a positive impact on the economy of the receiving state.
- Current migration policies are inefficient. Most admission processes are very time-consuming and bureaucratic, which means that country demands are inadequately met, if at all.
- However, a fee-based entrance system could control migration flows while satisfying labour market demands, satisfying state requirements and respecting human rights.
- Particularly when it comes to illegal immigration one of the most urgent problems Europe as an immigration continent faces today – the entrance fee system can improve the status quo.
- Hard-working and ambitious people wanting to improve their life circumstances need not be forced into taking a dangerous, often fatal trip when, at the same junction in time, labour shortages cannot be filled in many rich countries.

Immigration as a cause of rivalry between natives and immigrants for state-provided services

'Free immigration makes everybody better off' There's no industrial country today that still has an open-borders policy. Forming the core of the current immigration discussion are three main

Free immigration as beneficial to all is a myth

questions: What kind of migration should be allowed? Who should become a new member of a society? And how should the admission process be organised? Some people, particularly those who are advocates of immigration, wonder why immigration is such a hotly debated issue. They reason that labour mobility and, for that matter, free immigration benefits everyone in the long run. This assumption is based on an economic theory that suggests that migration is a function of mobility costs and welfare differentials, and is thus a mere matter of arbitrage contributing to the correction of market imperfections. From this perspective, states should not restrict migration because migration optimises economic efficiency. This rationale, however, only holds true under unrealistic model assumptions that are rarely met in reality – this becomes clear upon taking a closer look at the modern nation state, which is primarily a welfare state.

Scarce services provided by nation states Western nation states typically provide for their inhabitants in the face of life's basic risks – poverty, unemployment, disability, sickness, old age, the need for

caretaking. They do this by implementing schemes that compensate

the consequent losses in income that such risks often entail. Such

safeguarding applies to all state members, irrespective of their prior earnings or present economic capacities. States also ensure the physical integrity of their members by setting up a 'security infrastructure' in the form of a police force, law enforcement agencies, etc. Being a member of a state thus automatically entails a number of social provisions and protection through its physical security schemes. It is easy to conclude that the nation state is a precious resource, for

membership in it allows access to a bundle of scarce goods and state-

provided services. The provision of these services is characterised by a

low degree of excludability, meaning that it is very difficult (and expensive) to exclude state members from using them. Moreover, social security benefits are particularly susceptible to rivalry: the utilisation of a service by one member may influence another

States provide social provisions and protection

Being a state member gives access to scarce state services

Controlling immigration to protect the provision of state services

member's opportunity to take advantage of the same service.

Immigration leads to more demand for state services

States do not accept free immigration

Concretely speaking, immigration produces an increase in the number of beneficiaries of state-provided services. More recipients could mean a lessening in service quality and/or limited accessibility for the state's original members. This seems to be the logic behind common fears of the social welfare system's 'magnetic effect' and discourse on 'immigration into the social systems'. In response, states cannot accept free immigration. Instead, they install comprehensive screening mechanisms to identify new members who will potentially rival for scarce social services.

Immigration countries have set up a huge, expensive infrastructure for dealing with immigration. To try to anticipate those migrants who will States have installed rivalry assessment schemes

Current schemes are unfair and inefficient

Immigration policies must be reformed

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The right to immigrate should be sold

have a propensity for rivalling, a state-wide system is established for allocating points to individual applicants, conducting hearings, checking local labour markets, etc. These rivalry assessment schemes are overly bureaucratic in most cases, unfair and inefficient. On the one hand, current immigration systems have an implicit upper-class bias: they mainly admit only those who can prove high educational attainments or specific skills. On the other hand, migrants who are most needed to fill certain labour market vacancies are not allowed to enter. It is no surprise, then, that there is a general dissatisfaction with current migration policies (see also IMISCOE Policy Brief No. 1 'Innovative concepts for alternative migration policies' by Michael

In sum, established immigration policies must be reformed and replaced by a system that is less bureaucratic and more even-handed.

The right to immigrate should be sold' Given the relation between state membership numbers and the quality of state-provided services, it would seem logical for governments to control the granting of membership to new applicants. So far this has largely occurred through unfair means, as described above. As such, this policy brief suggests an alternative mechanism: membership fees.

The right to immigrate should be sold. In this case, every applicant could be accepted as a state member upon fulfilling the following prerequisites:

- a) being willing and able to pay the country's entrance fee;
- b) being cleared of a terrorist background and/or a criminal record; and
- c) being free of contagious diseases.

This entrance fee system would only apply to labour migrants and illegal migrants. (Both migrants partaking in family reunification and refugees manage to evade attempts at control by nation-states quite effectively and thus cannot be subjected to this policy proposal.)

The state decides on an appropriate fee

The state as provider and – in the case of new entries – as purveyor of services would have the task of deciding on an appropriate fee. All applicants who are willing and able to pay this fee and fulfil criteria b) and c) would then immediately be granted access.

The benefits of an entrance fee system

Less bureaucratic

Why sell immigration? The benefits of an entrance fee system are as follows:

- It is much less bureaucratic: the organisational infrastructure would only require a relatively small public authority. Its main purpose would be to follow up on payment of the fee, screen immigrants for a terrorist background and/or a criminal record and control health certificates.
- It is much more efficient: as any market-based system, the

More efficient

Implicit selection of highly motivated migrants

No differentiation between high- and low-skilled

The only demand is to work hard

Entrance fee system as potential end to smuggling

Smuggling is more expensive overall

entrance fee system capitalises on an individual's self-knowledge. It stresses the superiority of an individual's personal commitment over generic planning by or for a collectivity. Concretely speaking, only those migrants who believe the investment will prove rewarding will seek entry and consequently pay the fee.

- It would privilege young adults who would gain more from migrating than older migrants might. Furthermore, so as to be able to afford the entrance fee, which as any other membership fee (e.g. a sports club's) must be paid before entering the country, they would necessarily be rather skilled, motivated, hard-working and high-earning. Immigrants who are able to pay the requisite fee would thus automatically have various characteristics that destination countries seek in their entrants.
- It is fairer than the status quo currently used in immigration policies. Most immigration control systems in industrialised countries differentiate between high- and low-skilled migrants. In doing so, they discriminate against those who are unable to show high educational attainments. The entrance fee system refrains from promoting such arrogance. It proposes a much fairer mode of differentiation by encouraging those who are economically active, ambitious and have a good work ethic. Although no one is excluded, those who decide to come must pay a price for the right to the state-provided bundle services. Those who cannot afford to pay the entrance fee immediately can take out a loan. The only demand the system makes is to work hard, a precondition everyone is, in principle, able to fulfil.

Legal migration through entrance fees vs. illegal migration through smuggling fees The problem of illegal migration makes clear that there is at least one major prospect attached to an entrance fee system: a potential end to smuggling. A number of indices suggests that the introduction of a strictly legal economy-based market system would significantly reduce attempts at illegal entrance. The underlying assumption is that migrants generally prefer legal and thus safe ways to enter a country.

Reliable studies estimate that the price tag on human smuggling — which usually results in dangerous, time-consuming, often fatal trips — can reach up to US\$ 5,000 for smuggling into Europe or US\$ 45,000 for smuggling into the United States. One can assume that an illegal migrant mandating a human smuggler to organise a trip would face similar financing predicaments as a legal migrant endeavouring to meet the conditions of an entrance fee system. But besides drawing a comparison between the proposed standard entrance fee and a smuggling fee, what must also be taken into account is the devaluation of human capital that comes with smuggling. Illegal immigrants begin their journeys at a deficit, necessarily losing from the long, often physically and emotionally taxing smuggling process, as well as all the societal constraints related to illegality. Furthermore, loan payment

prospects are much more favourable for legal immigrants. Whereas legal immigrants can fall back on banks, employers or relatives already living in the destination country, illegal immigrants are often exposed to criminal and violent gangs who serve as smugglers' debt-collecting agencies. Legal migration through an entrance fee system thus seems to offer more reasonable alternatives for the current dilemma of illegal migration and may even put human smugglers out of business.

Objections:

Objections to an entrance fee system The introduction of an entrance fee system is a radical proposal to which many objections could be made. Below are the most common objections, each followed by counterarguments.

Negative impact on the mobility of in-demand migrants • **Objection 1**) An entrance fee system negatively influences the mobility of in-demand migrants (e.g. ICT specialists, engineers and brain surgeons), who may not be willing or able to pay the entrance fee. Countries that do not impose such a fee would thus have an advantage in the global struggle for the best and the brightest.

Organisations can however pay the entrance fee This concern is based on a misconception: it is not the country as a whole that seeks workers with select skills, but rather the organisations of respective societal realms such as companies, universities and hospitals. An organisation that foresees the gains of hiring a specialist as being higher than the cost of entrance will most likely reimburse him or her anyway. Moreover, an entrance fee system would not dictate who is responsible for payment. Companies needing rare specialists might even set aside financial reserves to reimburse them immediately. This could prove financially burdensome, yet the organisation would enjoy the guarantee that once the fee is paid the employee can begin work right away.

The fee is too low compared to state services

• **Objection 2)** Wouldn't the fee prove too low when compared with the state-provided services that are to be obtained? And wouldn't this relative affordability lead to migrants flooding popular immigration countries like Canada and Switzerland?

States can however adjust the fee

It is difficult to calculate the precise value that a bundle of stateprovided services holds and, consequentially, what would constitute a commensurate fee. But this challenge would only be encountered upon initial setting of the fee. A proposal thus is to first fix a rather high fee and then assess along the way how many and what kind of immigrants enter. Should there be very few applicants, fees can be easily reduced; should there be too many applicants, fees can be raised.

An unfair selection of the richest

Objection 3) Wouldn't overly high fees still result in an unfair selection of the richest and most skilled immigrants? And anyway, how would the entrance fee system deal with the need many countries have for low-income workers, particularly in the service

and agricultural sectors?

The fee can however be redeemed

As in many situations, the rich encounter fewer obstacles when it comes to achieving what they want. A moneyed applicant can easily buy his or her entrance, though it will be much harder for an individual lacking financial resources. But imposing a relatively high fee does not mean that the richest immigrants exclusively can enter. Take the hypothetical scenario of a € 25,000 entrance fee: if a migrant working as a caregiver in Vancouver, Zurich or Los Angeles earns US\$ 2 per hour more than he or she would in the country of origin (which is not an unrealistic assumption), then the fee, based on a 40-hour work week, would be redeemed within six-and-a-half years. What's more, the migrant would presumably be reaping from the host country's services and infrastructure.

Legal migrants can take out loans

Should there be financing problems, an aspiring legal migrant can take out a loan from a bank or an employer, or seek support from relatives already living in the destination country. Because this fee system differentiates more between the economically active and inactive than between the rich and the poor, medium- and low-skilled migrants thus have the incentive – and ability – to enter.

Continued use of smugglers who charge less

Objection 4) If an entrance fee is very high, wouldn't immigrants continue to use human smugglers who would strategically be charging less than the amount the government instates?

however bares risks the entrance fee

It is well known that smuggling services are expensive. A migrant often has choices: first, to even opt for the smuggler and then to agree on payment. Even in a scenario in which US\$ 10,000 is the smuggler's charge, the migrant has no guarantee that he or she will survive the teacup ride over the sea. Provided the migrant arrives alive, he or she will then likely be forced to live covertly and become vulnerable to exploitation. The alternative, thus, would be to pay a higher fee – the standard entrance fee - for example, US\$ 25,000. Although 150 per cent higher than the smuggler's fee, in this scenario, the migrant could be assured a safe migration, a legal permit and a higher quality of life with the same rights as a country's native population. The government's asking price might be much higher, but the product on offer is much better than what a smuggler could only hope - or pretend – to deliver. In this case, the very assurance of the product's delivery more than compensates for the difference in price.

Conclusions:

Smuggling

does not

Right now the entrance fee system seems unlikely

Conclusion Implementation of an entrance fee system to organise immigration seems highly unlikely. Nevertheless, it is only a matter of time that economic ideas come to effect political areas that seem to go largely unaffected by theories about the world's markets. Nobel Prize winner Thomas Schelling points out that it took twenty years for economic proposals to enter into environmental policy. So why shouldn't a similar pattern follow in the field of immigration policy?

In time economic ideas will effect political areas unaffected so far Given the dramatic inefficiencies of immigration policies in many OECD countries and the tragedies current illegal immigration regimes are responsible for, a radical change is desperately needed. The entrance fee system is a proposal – radical yet grounded in reality – that manages to steer migration in such a way that immigration countries can benefit from, while still protecting individuals who may live in poor countries yet seek to improve their lives.

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