

Economic Integration, Work, Entrepreneurship

State of the Art Report Cluster B4

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State-of-the-Art Report

Cluster B4: Work, Entrepreneurship and Economic Integration

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1 Introduction

“It’s the economy, stupid.” Bill Clinton’s famous and successful motto in his presidential election campaigns in 1992 and 1996 has of course – at a first glance – nothing to do with migration and integration. It indicates, however, the importance and significance of economic performance for almost everybody in all phases of life. And, of course, economic issues gain more and more importance for issues linked to migration and integration in all relevant countries of immigration. Although economic issues have not always been the centrepiece of migration research in the last decades¹, a lot of scientific material, literature and empirical data from different theoretical starting points has been accumulated. So it is one major task of this report to sift the milestones of this existing literature and to structure it in a way that allows us to prestructure and formulate an outlook for possible future research in the last chapter of this report. This is why the principal aims of his report can be summarized as follows:

First, a discussion of the discriminatory power of different ideas of how to define the fundamental B4 terms ‘work’, ‘entrepreneurship’ and ‘economic integration’. Assets and challenges of the different definitions that were already brought forward during the first workshop of cluster B4 in summer 2004 will be assessed and drawn to a preliminary conclusion.

Secondly, the development of an adequate heuristic framework which on the one hand will enable us to develop a systematic, comprehensive and suitable ‘mapping of the field’ of existent research focussing on issues of ‘Work, Entrepreneurship and Economic Integration’. This means on the other hand that a clear parting line from adjacent fields of research will be necessary in order to uncover lacks of theoretical penetration and methodological onenesses in this field of research.

Thirdly, the positioning and classification of studies currently conducted by the members of the IMISCOE cluster B4 within the framework mentioned above. The classification of current studies and approaches should help us to assess the projects concerning open research

¹ This claim finds empirical evidence in the National Survey of Immigration Scholars (NASIS). This survey should analyse the social, academic and ethnic background of immigration scholars as well as their research interests. 33% of all scholars surveyed categorized themselves as sociologists, 28% as historians and 12% as anthropologists. Only 9% were grouped as economists or political scientists. See Ruben Rumbaut, Immigration Research in the United States. Social Origins and Future Orientations, in: American Behavioral Scientist, Vol. 42, No.9, 1999, pp. 1285-1301. Sociology and anthropology seem to have some kind of dominance in migration research. The reasons for this, of course, can be traced back to the long tradition of both disciplines in dealing with issues connected to phenomena of migration and integration. In sociology the Chicago school dealt with problems of assimilation and ethnic relation. See the early pathbreaking study of William I. Thomas/ Florian Znaniecki, The Polish Peasant in Europe and America, New York 1898 (first 1918/ 1921). Moreover Milton Gordon, Assimilation in American Life, New York/Oxford 1964 and Robert E. Park, Race and Culture, Glencoe 1950.

questions and shows the potential of linking B4 projects to other thematic areas and is aimed at opening up new theoretical perspectives to the members.

Fourthly, the report should function as some kind of common framework for the elaboration for further common projects. It is assumed that it can be helpful for the submitting for joint projects in the sense that the preceding considerations can define a common research focus and methodological frame. Suggestions of how and where to pool more effectively B4 members' research capacities and resources will be possible.

At this stage the B4 state-of-the-art report represents a hybrid text comprising on the one hand elements of a more general and already publishable assessment of existent terms, approaches and theories (see section 2 and 3), on the other hand a rather internal and still preliminary discussion of B4 current and future activities (see section 4). We decided to combine these two elements in order to provide a reasonable and fruitful basis for the B4 discussion at the First Annual IMISCOE Conference in Coimbra. Departing from the results of the first workshop in Osnabrück and the comments on the report we will in a next step then separate the two parts of the paper: Section 1, 2 and 3 will be elaborated for publication, section 4 will serve as an internal instrument to assess potential applications for joint projects. We further plan to include another section in the internal working paper that is not already included here. Its purpose is to elaborate more precisely consisting links between current B4 research and theoretical desiderata. It also will follow up the question of how to improve the adaption and interlinkages of B4 studies relating to current need for research.

The cluster B4 and corresponding to that has to deal with certain difficulties in the sense that it centres a topic and an academic discipline without having trained experts from this discipline on board. In short, it is a cluster on economics without any economists. This means that in this first step we first must agree on a work and reference pattern concerning the issue of economic integration. This on the other hand implies that in the following sections sections on the relevant theories we cannot provide an all-embracing and comprehensive inventory of all the existing studies and literature in the field. The aim of this paper in fact is to develop a common mode of access to the field.

2 Economic Integration, what is it all about? Definitions and Interpretations

Probably the best way to start to look for a suitable operationalisation of the title of cluster is simply to specify the three core terms listed in the cluster label. In the first instance it seems to be a main disadvantage that there is no common agreement of what this title could imply

and what kind of research could be summarised there. This is because the cluster is (and of course has to be) conceptualised in a broad, far reaching and inclusive manner. That means that a decisive precondition of a successful approach to define the state-of-the-art of a certain defined thematic area is an agreement on what we mean by talking about economic integration.

This is not an easy task, because integration itself is one of the most dazzling phrases, not only in the social sciences. A broadly accepted definition is lacking and this is why integration as a conceptual phrase is open to be reformulated in many different senses and dependent on political and normative preferences.² This is also the reason why - at least at the first glance - the term “economic integration” opens up more questions than answers: Because of the lacking common agreement on that term everybody might understand something very different.

The more specified term ‘economic integration’ by no means is clearer than ‘integration’ alone. For example it is not clear if economic integration means active involvement of migrants in economic market transactions and organisations or a rather ‘passive’ integration by state programs and social benefits. It is also unclear if ‘economic integration’ should be regarded as limited to labour markets or if it should also include research on market behaviour in consumer, financial and capital markets. Moreover integration is unclear as far as its status is concerned: Do we talk about a process or about a fixed determined status that can be measured and defined? Last but not least defining economic integration requires an answer of the scope of analysis. Economic theory therefore proposes the distinction between microeconomics and macroeconomics.³ In the following paragraph we will adopt this differentiation for our structural approach to describe the field. For our purpose, however, also the question of organisations, that can be regarded as one of the most relevant blind spots in

² The term ‘integration’ also is the focal point of a huge arsenal of other terminologies. Very popular in migration research are approaches of incorporation and of inclusion which mainly have been developed in response to the concept of assimilation. For incorporation see Stephen Castles, *Migration und Rassismus in Westeuropa*, Berlin 1987; and Yasemin Soysal, *Limits of Citizenship. Migrants and Postnational Membership in Europe*, Chicago/London 1994, for inclusion Robert Miles/Dietrich Thränhardt (eds.), *Migration and European Integration. The Dynamics of Inclusion and Exclusion*, London 1995; Thomas Faist, *Social Citizenship for Whom? Young Turks in Germany and Mexican Americans in the United States*, Aldershot 1995; Jürgen Mackert, *Kampf um Zugehörigkeit. Nationale Staatsbürgerschaft als Modus Sozialer Schließung*, Opladen 1998. The main differences between these labels are mainly the different normative basics. See Klaus J. Bade/Michael Bommers, *Einleitung*, in: Idem (eds.), *Migration – Integration – Bildung. Grundfragen und Problembereiche (IMIS-Beiträge 23)*, Osnabrück 2004, pp. 7-20.

³ This distinction is also often used in theoretical inventories in migration research. See Sonja Haug, *Migrationstheorien und Migrationsforschung*, Mannheimer Zentrum für Europäische Sozialforschung, MZES Arbeitspapier No. 30. 2000.

economic theory,⁴ and their relevance for interaction in the economic system has to be taken into consideration.

In order to answer these questions and to deal with these problems of a lacking clear definition we decided to rely on the very basics of economic theory: In this the price mechanism is regarded as one of the most decisive functional preconditions for the effective and efficient allocation of resources and the maximum provision of goods and services. Prices are important for processes of market clearing, for the information of the market participants about the relative shortnesses of certain goods and services, to coordinate supply and demand and to sanction those that are not willing to pay. This short reminder of the function economic theory assigns to the price mechanism provides us with a valuable hint of a possible first operationalisation of the rather foggy term ‘economic integration’ in migration research. So in the following we understand economic integration as the ability or willingness to pay or the effort to gain this ability by either selling services or goods. Every action in the realm of economy formally can be reduced to the question if an individual is willing or able to pay for the good or service provided.⁵ This is why we understand economic integration in this sense. ‘Ability to pay’ or the balancing of the individual budget restriction with the utility maximizing combination of goods and services as the central explanatory frame for economic integration however should not be interpreted as a fixed and strict definition. Applied to migration research also definitorial modifications of this concept that have been proposed during the workshop in Osnabrück like ‘ability to sustain oneself’ can be taken into consideration. This latter modification makes clear that functional equivalents like social transfers and welfare state arrangements that were already mentioned above and resources rather provided by social networks and not being allocated by the market mechanism can be analysed and are part of the cognitive interest of the cluster.

Though ‘economic integration’ is conceivable as being based on welfare state transfers, cluster B4 research focuses on economic integration by *active* involvement in markets, i.e. participation in the labour market (wage labour) on the one hand (regardless if it is performed in the legal or illegal segment) or markets for capital, goods and services (entrepreneurship). According to that we introduce the two other key terms of the B4 label – ‘work’ and ‘entrepreneurship’. The B4 operating definition for ‘work’ is ‘wage labour’ or ‘dependent

⁴ Michael Bommers/Veronika Tacke, Arbeit als Inklusionsmedium moderner Organisationen. Eine differenzierungstheoretische Perspektive, in: Veronika Tacke (ed.), Organisation und gesellschaftliche Differenzierung, Wiesbaden 2001, pp. 61-83.

⁵ His or her willingness, of course, is depending on the relevant marginal utilities. Formally spoken individuals chose the consumption bundle so as to maximize the utility subject to the budget constraint, taking prices and income as fixed.

employment' opposed to 'entrepreneurship' which means independent participation in markets for capital, goods and services. These two activities are perceived as the main and most relevant strategies to become economically integrated, meaning to obtain ability to pay.⁶

These definitions provide operational and manageable system of concepts.

Nevertheless it becomes quite clear that the two terms "work" and "entrepreneurship" are closely linked to this definition. If we understand economic integration as gaining the ability to pay, then it is easy to see what work and entrepreneurship as the most relevant activities have to do with these definitiorial approaches. These two activities describe the main two options of getting this ability that in a first instance enables the participation on markets. In this respect, economic integration functions as the umbrella term for work and entrepreneurship. Relying on the option of work individuals sell their manpower as production factor and obtain wages in return. The other option, self-employment, uses the self-dependent combination of production factors as a tool to gain revenues. Both strategies aim at economic integration. Sociologically spoken these strategies are used to receive membership roles in the system of economy. The succes or failure in getting into a membership role prestructures the possibilities in all kinds of other realms of life.⁷ This is the reason why economic integration can be regarded as a decisive integrational step in the long process of integration.

3 A theoretical positioning of 'Work', 'Entrepreneurship' and 'Economic Integration' in an integrative framework

The main aim of this chapter three is the provision of a summary of the most relevant research approaches and the development of a commonly agreed framework for the classification of the research conducted in the cluster. We try to develop a common research frame that on the one hand defines the field and on the other hand clarifies possible overlappings with the work of other clusters. It is also assumed that this framework helps to assesses work that has been

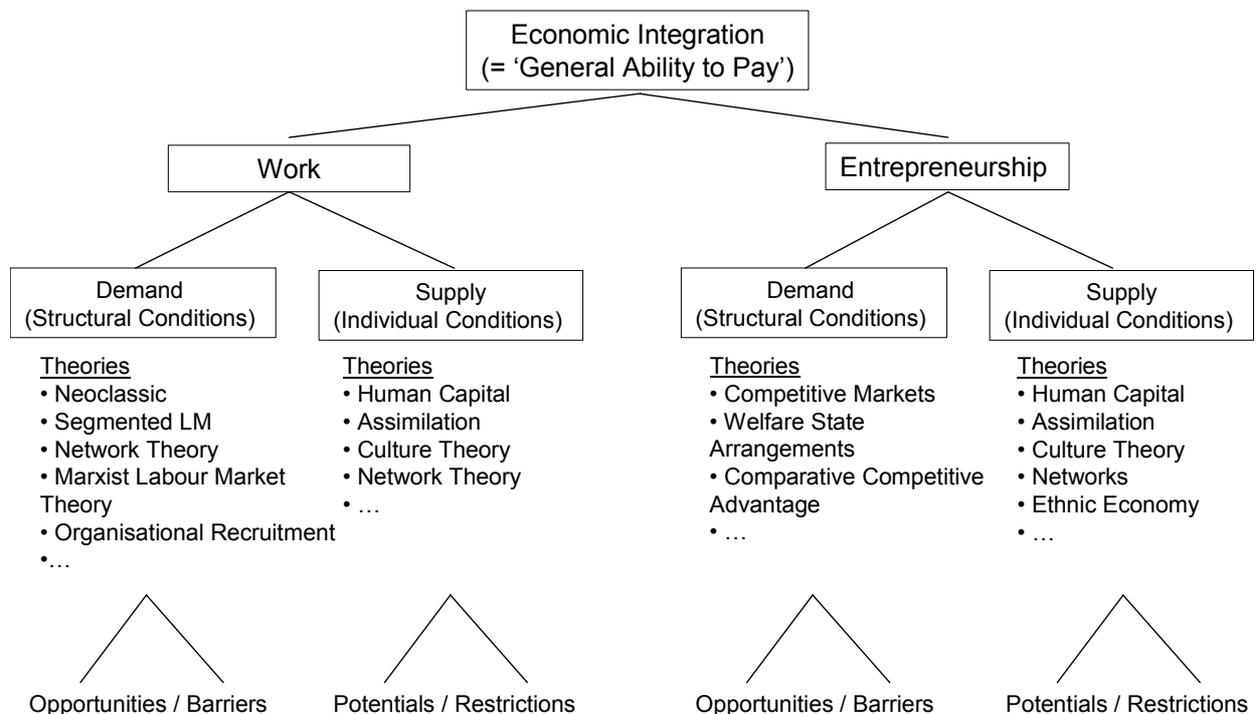
⁶ The ability-to-pay principle is already known from the 16th century from discussions about the fair principles of taxation. According to that taxation should be levied according to an individual's ability to pay (the more prosperous will meet a proportionately higher percentage of the national tax demand etc.). The ability-to-pay principle was extended by Rousseau, Say and Mill. It is based on the notion of equal sacrifice, is generally regarded as the most equitable form of taxation, and is used in most industrialized economies; but equality of sacrifice is open to interpretation as it can be measured in absolute, proportional or marginal terms.

⁷ See in this context the differentiation of Stichweh between membership roles and client roles. Cf Rudolf Stichweh, Professionen in einer funktional differenzierten Gesellschaft, in: Arno Combe/Werner Helsper (eds.), Pädagogische Professionalität. Untersuchungen zum Typus pädagogischen Handelns, Frankfurt a.M. 1996, pp. 49-69.

conducted in the past and thus will serve as a helpful instrument to detect further research fields related to the question of economic integration.

3.1 Mapping the field

As indicated above economic integration of migrants in its most general sense is based on two options, work or entrepreneurship. We will come back to this distinction later on (see 3.2, 3.3) in a more comprehensive way. This first differentiation in strategies of work and self-employment in order to obtain the ability to pay as the central precondition to integrate economically then can be further differentiated. Both options, work and entrepreneurship, can be split up in conditions either on the structural or on the individual level (see graph).



If we agree on this concept and on this definitorial approach we can further disaggregate the level of analysis in another possible next step. For both strategies (work or self-employment) several preconditions have to be taken into consideration that often appear as important starting points for research. Generally spoken these preconditions can either be based on a socio-structural or an individual level. This can be easily shown by picking up a few examples.

If an individual migrant once has decided to try to obtain the ‘ability to pay’ by *work*, this mode of ‘economic integration’ is observed from an exploratory perspective as determined

either by a specific *demand* on the labour market side or by a specific *supply* on the individual migrant's side. The demand side here is emphasised by marxist approaches, the neoclassics and by segmentation theorists. The latter are the classic human capital considerations.⁸ In this context the first can be classified as socio-structural, the latter as individual conditions. The demand for the production factor labour is determined by the structure and the characteristics of the labour market. This market provides the steering mechanisms where every individual can offer and sell his or her manpower. Depending on the choice of theory on which research is based, quite different assumptions on the interrelation between 'economic integration' by work and its actual performance, its opportunities and barriers can be made. On the *demand* branch of our synopsis structural theories such as Segmented Labour Market Theories, Neoclassic Theories, Network Theories, Marxist Labour Market Theories, etc. can be grouped. On the *supply* side we find theories that focus on the *individual* needs, abilities, restrictions and equipments that drive the selling of migrants' manpower and precondition potentials and restrictions of this strategy of 'economic integration'. Theories that can be found in this cluster are for instance human capital theory, assimilation theory, social network theory etc.⁹

The same classification can be applied to the field of 'entrepreneurship' in our scheme. In the same sense 'economic integration' by the strategy of self-employment can be perceived either from a structural or from an individual point of view. In the first case structural conditions of the market and its inherent incentives, opportunities and barriers are under analysis and assumed to be decisive for the performance and success of entrepreneurship. Theories following this structural approach are e.g. those on Competitive Markets, on Welfare State Arrangements or also the classical theory of Comparative Competitive Advantages, etc. In the second case the question of what the individual (migrant) entrepreneur is able to supply and which are his specific abilities and equipments is regarded as crucial to assess potentials and restrictions of investment and self-employment. Theories dealing with these individual endowments are for instance Human Capital Theory, Assimilation Theory, Culture Theory, Networks Theory, Ethnic Economy, etc.

It is worth to remark that the theories mentioned have not necessarily received a lot of attention in migration research. Some of these approaches still have to be related to issues of migration and integration, but in a first instance seem to be applicable.

⁸ See the detailed discussion of these approaches in the following paragraphs.

⁹ It is obviously possible to look at social networks in two ways. If social networks are conceived from the perspectives of the individuals they are usually treated as part of their social capital (individual condition). If the analysis focusses on the structure of social networks then rather questions of the social structural conditions for the emergence and stabilization of networks will be treated (structural condition).

3.2 Work

More than 90% of the active population receives income by accepting a membership role in organisations. This applies to all western industrial countries. The strategy of work thus can be regarded as the most relevant strategy in the past and also for the future work will be chosen as the first option for an individual “integration strategy” by an overwhelming majority of the migrant population.¹⁰ This is also the reason why we will put more emphasis on the summary of existing approaches in the field of work than in that of entrepreneurship. This disequilibrium further will be balanced in the chapter that describes the current research projects of the cluster B4 members. In this chapter many projects on ethnic entrepreneurship will be introduced.

3.2.1 Demand driven

The dispute between supply-side- and demand-side-macroeconomists is one of the oldest theoretical conflicts in economics.¹¹ We will follow this distinction of course not for traditional reasons, but because we think that this differentiation provides an adequate prestructure of the different theoretical approaches.

Work/Structural:

The oldest and most traditional economic theoretical approach in migration research is the *neoclassical* one. The economy is not regarded as a closed and self-contained system, but rather as some kind of method of optimisation, that can be applied to the whole society. For an assessment of the neoclassical approaches in migration theory it is useful to differentiate between macro and microanalytical perspectives.¹² Even Ravensteins “laws of migration”¹³

¹⁰ In Germany, for example, a little bit more than 3 million foreigners are active in the labour market. More than 2,73 million work as wage labourers or employees, only 300.000 as self-employed entrepreneurs. The share of entrepreneurs in most European countries has grown in the 1990s, albeit at different rates in different countries, but this growth has leveled out in recent years. We would like to thank Jan Rath for this remark.

¹¹ The demand-side theorists in this context are mainly influenced by the work of John Maynard Keynes. Supply-side economists rely on different classical studies, starting from Adam Smith’s *Wealth of Nation* and the famous theoretical approaches of David Ricardo. The label “neoclassic“ implies a certain relation to the classic economic theory. This, however, does not apply for all theoretical assumptions. So it is indeed true, that the neoclassic advanced Smith’s metaphor of the “invisible hand“ and so found a coherent formalisation for the balance of demand and supply. The main differences between classic and neoclassic assumption, however, should not be neglected. Neoclassic can – contrary to the classic approaches - be regarded as “pure economics”. The theory of the ‘labour theory of value’ as the relevant distribution theory is replaced by the the ‘theory of the marginal productivity’ and contrary to the neoclassic studies where only trade is analysed, classic studies examine trade and production.

¹² Frank Kalter, *Wohnortwechsel in Deutschland*, Opladen 1997, p. 16. See also Thomas Faist, *Social Citizenship for Whom? Young Turks in Germany and Mexican Americans in the United States*, Aldershot 1995

developed on the basis of census data at the end of the 19th century can be traced back to this approach.¹⁴ The general statement of the neoclassical approach is that migration depends on disequilibria on the labour market or generally spoken on market failure and imperfect factor allocation. Existing wage differentials between the labour markets of two different countries induce incentives to migrate.¹⁵ Migration as a special way of factor allocation will thus lead to the re-establishment of the equilibrium on the labour market, because “international immigration of income-maximizing persons is simply another way of ensuring that factor prices are equalized across countries.”¹⁶ An interesting modification of this concept has been proposed by Todaro¹⁷. He argued that the decision to migrate should not only be derived from existing, immediate wage differentials, but on the comparison of the expected and anticipated future incomes in the destination and the home country. Summarised there is one important assumption: The bigger the planning interval, in which the different possible incomes can be compared, the bigger the probability that the wages that can be obtained in urban regions exceed the income that can be earned in rural regions. This is even true in the case of a possible intermediate unemployment in the city. Migration thus can also be the rationale decision in the case of rising unemployment, because “the greater the difference in economic opportunities between urban and rural regions, the greater the flow of migrants from rural to urban areas.”¹⁸ The argument of neoclassical authors on the micro level follows the same theoretical starting points and differs only by emphasizing the individual cost-benefit calculation. Individuals seek to maximise their benefits and migrate to those places where they expect the biggest returns: “Individuals migrate because it is in their benefit [...] to do

and Ludger Pries, *Transnationale Soziale Räume. Theoretisch-empirische Skizze am Beispiel der Arbeitswanderungen Mexiko-USA*, in: *Zeitschrift für Soziologie*. Vol. 49, No. 1, 1996, pp. 135-150. Douglas Massey, et al., *Theories of International Migration: A Review and Appraisal*, in: *Population and Development Review*, Vol. 19, No. 3, 1993. pp. 431-466. See also Peixoto, differentiating between the „individualistic standpoint“ and „structural standpoint“; Joao Peixoto, *Migration, Labour Markets and Embeddedness: The Social Constraints of the International Migration of Labour*. SOCIUS Working Paper. No. 4. 2000, pp. 1, 2, 7.

¹³ Ernest Georg Ravenstein, *The Laws of Migration*, in: *Journal of the Royal Statistical Society*, 48. 1885, pp. 167-277.

¹⁴ Ravenstein definitely is not only a pioneer for economic migration research, but also for migration research in general, because he was one of the first trying to formulate general conditions and circumstances of migration. His work, however, remains rather descriptive.

¹⁵ Critical on the neoclassic theory for the discussion of ethnic entrepreneurship are Robert Kloostermann/Jan Rath, *Immigrant Entrepreneurs in Advanced Economies: Mixed Embeddedness further Explored*. In: *Journal of Ethnic and Migration Studies*. V.27. N.2. p. 189-201.

¹⁶ George J. Borjas, *Economic Theory and International Migration*, in: *International Migration Review*, Vol 23. 1989, No. 3, pp. 457-485, here pp. 459. See also Thomas Straubhaar/Peter A. Fischer, *Migration and Economic Integration in the Nordic Common Labour Market*, Copenhagen 1996. Thomas Straubhaar, *On the Economics of International Labor Migration*, Bern/ Stuttgart 1988. Critical on that for example nobel prize winner Robert Solow arguing that the labour market cannot only be analysed in economic terms, because it is also driven by motives of fairness.

¹⁷ Michael P. Todaro, *Internal Migration in Developing Countries: A Survey*, in: Richard A. Easterlin (ed.), *Population and Economic Change in Developing Countries*, Chicago 1980, pp. 361-401.

¹⁸ *Ibid.*, p. 377.

so.”¹⁹ The decisive mechanism steering the migration decision are markets. The immigration market coordinates the allocation of migrants (production factor labour) to different countries dependent on variables like economic conditions in the home and destination country, immigration policies and individual characteristics of the potential migrants like age, skills and family relations.²⁰ A more detailed discussion and description of the microlevel neoclassic approach will be provided in the chapter on human capital theory. In particular in the USA neoclassic approaches dominate economic migration theory. From an empirical perspective it is interesting to note that for a couple of years there has been taking place an intensive debate between neoclassical economists, namely George Borjas and Julian Simon, about the implications of immigrations for the USA.²¹ Borjas is arguing that increasing immigration leads to some kind of dilution of the stock of the human capital of the American society. This leads to a growing concentration of wealth and poverty and to shrinking processes of the middle-class. Simon as one of the leading „admissionists“ contrary to Borjas states an „economic advancement for the community“ induced by additional migration, because ”immigrants work harder, save more, have a higher propensity to start new business, and are more likely to innovate“.²² This debate by no means can be regarded as finished. The debate, however, indicates a possible and fruitful empirical implementation of the neoclassical migration theory.

The “New Economics of Migration”, developed by Oded Stark, proposes an important modification of the pure neoclassical work and modifies the relevant level of analysis. Not the individual actor, but his or her family is the decisive and relevant unit of decision. According to this approach labour migration is not the result of wage differentials between certain regions or countries, but rather the result of market failure, that means the result of not or only badly existing markets for capital and insurances.²³ Due to the failure of markets for certain goods families have to rely on other resources: “It is here the rural-to-urban migration by the

¹⁹ Borjas 1989, p. 457. At this point certain possible linkages to human capital theory become visible. The decision to invest in his or her own human capital is because of the expectation to enhance the returns.

²⁰ George J. Borjas, *International Differences in Labor Market Performance of Immigrants*, Kalamazoo 1988.

²¹ See George Borjas, *Friends or Strangers. The Impact of Immigrants on the U.S. Economy*, New York 1990. Julian L. Simon, *The Economic Consequences of Immigration*, Oxford 1989. Similar to Borjas also Leon F. Bouvier, *Peaceful Invasions. Immigration and Changing America*, Lanham 1992; and for the German context Hans-Werner Sinn/Gebhard Flaig/Martin Werding/Sonja Munz/Nicola Düll/Herbert Hofmann, *EU-Erweiterung und Arbeitskräftemigration: Wege zu einer schrittweisen Annäherung der Arbeitsmärkte*. Ifo-Beiträge zur Wirtschaftsforschung. München 2001. For supporting Simon’s position see Sharon Stanton Russel, *Remittances from International Migration. A Review in Perspective*. in: *World Development*. Vol.41, No.6, 1986. pp. 677-696.

²² Simon 1989, pp. 103-104. See also George Gilder, characterising immigration restrictions as „economically self-destructive“; George Gilder, *Wealth and Poverty*, New York 1981, p. 67; Idem, *Spirit of Enterprise*, New York 1984, p. 54.

²³ Oded Stark, *The Migration of Labor*, Cambridge 1991.

most suitable family member – a mature son or daughter (especially if educated) – comes into the picture. In bypassing the credit and insurance markets [...] migration facilitates the transformation; it succeeds in doing this via its dual role in the accumulation of investment capital [...], usually generating significant urban - to- rural flows of remittances, and, through diversification of income resources, controlling the level of risk.”²⁴ The “New Migration Economics” perceive migration as a collective strategy to accumulate capital for the economic progress and development of the relevant household or can be regarded as a strategy of ›portfolio diversification‹²⁵ which allows the minimisation of risk by the diversification of risk²⁶ and thus can be considered as one of the most coherent enhancements of the neoclassical approaches.

In the subfield of highly skilled migration, for example, neoclassic assumptions play an important role discussing the initial conditions of the movement of highly skilled personnel. The emerging „new world economy“²⁷ and the irresistible makeup of a growing international division of labour induce a growing degree of integration of the developing countries in global economic processes.²⁸ Processes of economic cooperation and concentration directly can be associated with the growing importance of the international division of labour. This is defined as the geographical relocation of production facilities from industrial and developed countries to less developed countries with lower labour costs.²⁹ This implies a growing importance of multinational enterprises³⁰ that set up branches in countries with lower unit labour costs maintaining the head quarter and the research and development units in the industrial country.³¹ This development is consistent with one of the most famous theoretical

²⁴ Ibid., p. 11.

²⁵ Ibid., p. 48.

²⁶ See also Massey 1993, p. 439 and Talat Mahmood/Klaus Schömann, Die Determinanten der Migrationsentscheidung von IT-Hochschulabsolventen aus Pakistan: Empirische Befunde zum Design einer deutschen „Green Card“, Discussion Paper FS IV 02-03, Wissenschaftszentrum Berlin 2002, p. 4.

²⁷ See the book of the former minister of labour under the Clinton-Administration, Robert Reich, Die neue Weltwirtschaft. Das Ende der nationalen Ökonomie, Frankfurt am Main 1993. The English title of the book is „the work of nations“.

²⁸ Folker Frobel, The New International Division of Labour, Cambridge 1980. See also Salt, John: The Future of International Labour Migration. In: International Migration Review. Vol.26. No.4. 1992b. p. 1086 and Joao Peixoto, Migration, Labour Markets and Embeddedness: The Social Constraints of the International Migration of Labour, SOCIUS Working Paper, No.4, 2001, p. 21.

²⁹ Allan M. Findlay/F.L.N. Li/A. John Jowett/Ronald Skeldon, Skilled International Migration and the Global City: a Study of Expatriates in Hong Kong, in: Transactions – Institute of British Geographers, Vol.21, No. 1, 1996, pp. 49-61, here pp. 49-50. See also Ewald Nowotny, Der Machtfaktor multinationaler Unternehmen und ihre Funktion im globalen Wettbewerb, in: Reimut Jochimsen (ed.), Globaler Wettbewerb und weltwirtschaftliche Ordnungspolitik, Bonn 2000, pp. 253-288, here p. 259 and pp. 266-267.

³⁰ This growing importance empirically can be indicated by the rising shares of international direct and portfolio investments.

³¹ Cf. Findlay/Lin/Jowett/Skeldon 1996, pp. 49-61, here pp. 49-50. Cf also John Salt, Contemporary Trends in International Migration Study. In: International Migration. V.25. 1987. p 247 and Peter Dicken, Global Shift – Industrial Change in a Turbulent World, London 1986. Cf. also Joao Peixoto, Migration, Labour Markets and Embeddedness: The Social Constraints of the International Migration of Labour, SOCIUS Working Paper, No.4,

advancements of neoclassic theory, the Heckscher-Ohlin trade theory.³² This theory aims to explain the existence and pattern of international trade based on comparative cost advantages³³ between countries producing different goods. Heckscher and Ohlin state that this advantage exists because of the relative resource endowments of the countries trading and relies on the notion that comparative advantage is based on relative natural resource endowments. A nation with large oil reserves will, for example, have a comparative advantage in oil production over another nation with fertile soil, which will have a comparative advantage in agricultural production.³⁴ These advantages induce and set incentives for further processes of the international division of labour. The consequences for the theory-building on highly skilled migration-processes are directly related to these developments. The chain of argumentation of the neoclassical migration research on the highly skilled thus departs from the assumption of a growing international division of labour which induced the segregation of production units from those of administration and research and development and a reconfiguration of patterns of internal specialisation.³⁵ The production facilities are connected with the administration units and headquarter by a permanent circulation of business elites.³⁶ These specialists are special supervisors and accompany the real capital allocated by the company head quarter.³⁷ The rising share of highly skilled

2001, p. 4. Cf. Michael Scott Morton, Introduction, in: Idem (ed.), *The Corporation of the 1990s – Information Technology and Organizational Transformation*, New York 1991, pp. 3-23, here p. 12. See also Peter Willets, *Transnational Actors and International Organizations in Global Politics*. In: John Baylis/Steve Smith (eds.): *The Globalization of World Politics. An Introduction to International Relations*. Oxford 2001. p. 362.

³² See Horst Siebert, *Außenwirtschaft*, Stuttgart 1994, p. 29 and p. 57. Rieger and Leibfried underline that the rising share of company internal trade can be regarded as an important indicator for increasing international division of labour; see Elmar Rieger/Stephan Leibfried, *Grundlagen der Globalisierung. Perspektiven des Wohlfahrtsstaates*, Frankfurt am Main 2001, p. 231.

³³ Ricardo's theory on international trade focused on comparative costs and looked at how a country could gain from trade when it had relatively lower costs (i.e. a comparative advantage). The original example focused on the trade in wine and cloth between England and Portugal. Ricardo showed that if one country produced a good at a lower opportunity cost than another country, then it should specialise in that good. The other country would therefore specialise in the other good, and the two countries could then trade. It's not too difficult to work out which good Portugal should specialise in - wine or cloth?! The same would almost certainly be true today. If all countries specialised where they had a comparative advantage, then the level of world welfare should increase.

³⁴ In this context also the groundbreaking analysis of Wassily Leontief (1906-1999) in 1954 who examined US foreign trade and found that US exports were more labor intensive and imports were more capital intensive. This is now part of every economic text book as the Leontief paradox.

³⁵ Allan M. Findlay, *New Technology, High-Level Labour Movements and the Concept of the Brain Drain*. In: OECD (Ed.): *The Changing Course of International Migration*. Paris 1993. p. 153.

³⁶ William T.S. Gould, *Skilled International Labour Migration: an Introduction*. In: *Geoforum*. V.19. N.4. 1988. p. 382.

³⁷ See Joao Peixoto, *International Firms, National Managers: The Obstacles to Migration of Highly Skilled Labour in Transnational Corporations*. SOCIUS Working Paper. No. 4. 1999. p.5.

See also Elizabeth Petras, *The Global Labour Market in the Modern World Economy*, in: Mary Kritz/Charles Keely/Silvano Tomasi (eds.), *Global Trends in Migration. Theory and Research on International Population Movements*, New York 1981, pp. 44-63. See Rolf Jungnickel, *Recent Trends in Foreign Direct Investment*, in: Paul Bailey/Aurelio Parisotto/Geoffrey Renshaw (eds.), *Multinationals and Employment – The Global Economy of the 1990s*, Geneva 1993, pp. 5-32, here p. 7. Frederique Deroure described the different assignment and

persons on the total migration volume is thus a direct consequence of processes mostly summarized and labelled as globalisation.³⁸

Neoclassical theory faced and still faces much criticism and sometimes hostility. One of the most influential theories that have been developed in order to challenge the neoclassical assumptions is the *segmentation theory* originally developed and formulated by Michael Piore. A central feature of approaches from segmentation theory is a strong emphasis on the demand side of the labour market.³⁹ In opposition to neoclassical approaches segmentation theory rejects the assumption that labour migration will lead to a general equilibrium on the labour market. Instead of this, theorists depart from the assumption of a segmentation of the labour market in a secure primary and⁴⁰ an instable, insecure, but flexible secondary labour market that functions “only as residuum for those employees that do not suit the criteria required”⁴¹. So this approach follows institutionalist approaches.⁴² The demand for labour is

expatriation practices in Europe. In his study Dutch and British enterprises rely on assignments more often than German or French enterprises. See Frederique Deroure, *Professional Mobility in Europe*. EC Directorate General for Employment, Industrial Relations and Social Affairs, Brussels 1992. See also Liisa Cormode, *Japanese Foreign Direct Investment and the Circulation of Personell from Japan to Canada*, in: William T.S. Gould/Allan F. Findlay (eds.), *Population Migration and the Changing World Order*, Chichester 1994, pp. 67-89.

³⁸ A special importance, of course, also can be attributed to the “microelectronic revolution” that decreased the costs of information procurement and information storage. Related to that these technologies enhanced the degrees of specialisation, the division of labour and the crosslinking of value creation chains. See Dicken 1986, p. 106 et seqq; Findlay 1993, p. 153. See also Hans Jürgen Rösner, *Globalisierung, Supranationalität und die Arbeitsmarktordnung in Deutschland*, in: *Hamburger Jahrbuch für Wirtschaft- und Gesellschaftspolitik*, Vol.42, 1997. pp. 75-99. See also Salt 1992b. p. 1087, John Salt/Reuben Ford, Salt, John/Ford, Reuben: *Skilled international Migration to Europe. The Shape of Things to Come*. In: Russell King (Ed.): *Mass Migration in Europe. The Legacy and the Future*. London 1993. p. 296 and Peixoto 2001 p. 21. More generally Beate Kohler-Koch, *Politische Unverträglichkeiten von Globalisierung*, in: Ulrich Steger (ed.): *Globalisierung der Wirtschaft. Konsequenzen für Arbeit, Technik und Umwelt*, Berlin/Heidelberg 1996, pp. 95-96. Malcolm Waters, *Globalization*, London/New York 1996. See also Manuel Castells, *The Rise of the Network Society*, Oxford 1996 and Salt 1992b. p. 1081, 1086. The most relevant basic innovations are the transistor (invented in 1951), the integrated circuit and the microprocessor. Microelectronics induced moreover relevant downstream industries and industrial clusters. See Rob Van Tulder/Gerd Junne, *European Multinationals in Core Technologies*, Geneva 1988, p. 8 and for the cluster-concept Michael E. Porter, *Competitive Advantage. Creating and Sustaining Superior Performance*, New York 1985.

³⁹ See for example Michael J. Piore, *Birds of Passage. Migrant Labor in Industrial Societies*. Cambridge, MA 1979, pp. 33 et seqq. Martin Biller, *Arbeitsmarktsegmentation und Ausländerbeschäftigung. Ein Beitrag zur Soziologie des Arbeitsmarktes mit einer Fallstudie aus der Automobilindustrie*. Frankfurt am Main/New York 1989. Werner Sengenberger, *Zur Dynamik der Arbeitsmarktssegmentierung*, in: Christian Brinkmann/Jürgen Kühl/ Rainer Schultz-Wild/ Werner Sengenberger (eds.), *Arbeitsmarktsegmentation – Theorie und Therapie im Lichte der empirischen Befunde*, BeitrAB 33, Nürnberg 1979, p. 15. Peter Doeringer/Michael J. Piore, *Internal labor markets and manpower analysis*, Lexington 1971. As a special approach within segmentation theory see also the approach of the radical economics. See Richard Edwards, *Herrschaft im modernen Produktionsprozess*, Frankfurt am Main/ New York 1981. See also Richard Edwards/Michael Reich/ David M. Gordon (eds.), *Labor Market Segmentation*, Lexington 1975. Michael J. Piore, *Notes for a Theory of Labor Market Stratification*, in: R. Edwards et al. (eds.), *Labor Market Segmentation*, Lexington MA 1975, pp. 125-150.

⁴⁰ In the classical work of segmentation theory the primary sector consists of a series of internal markets. See Doeringer/Piore 1971. See also the alternative interpretation of the school of the radical economists, Edwards 1981; Edwards/Reich/Gordon 1975.

⁴¹ Thomas Lärm, *Arbeitsmarkttheorie und Arbeitslosigkeit: Systematik und Kritik arbeitsmarkttheoretischer Ansätze*, Frankfurt am Main 1982, p. 175.

⁴² See Berndt Keller, *Einführung in die Arbeitspolitik: Arbeitsbeziehungen und Arbeitsmarkt in sozialwissenschaftlicher Perspektive*, München/Wien/Oldenburg 1993, p. 241. See for an introduction in

structurally determined and thus requires temporary immigration in the segments of the secondary labour market.⁴³ The demand is permanent, does not depend on the conjunctural cycle and is closely interrelated with the economic structure of advanced industrial economies. For the structural labour demand certain particularities have to be taken into consideration that further underline the differences between this approach and the neoclassical work. So wages are not the only parameter that determines the supply-demand relation. Other factors like status and prestige are also integrated in the theory building. Even in the case of labour shortages wages cannot be enhanced because this would endanger existing hierarchies and would require adjustments also in other segments.⁴⁴ Entry in specific labour market segments thus is connected with specific restrictions and induces different labour conditions and earnings.⁴⁵ The import of foreign labour can be regarded as a functional substitute for the import of other factors. This is because foreign workers are regarded to work for lower wages and thus will not become part of the existing hierarchy. They will constitute their own underclass that is separated from the other segments of the labour market.⁴⁶ Work in the lower segments of the labour market is not attractive enough for indigenous workers. This requires a special workforce for these segments. For this group the possibility to earn money is the only decisional parameter. They disregard other factors like reputation and status. Especially foreign workers are perceived as suitable candidates for these kinds of positions, because they plan to return home after having earned a certain amount of money. So the allocation of factors (in this context labour) is aggravated by social factors. To meet the demand recruitment of foreign workers gains in importance.⁴⁷ Immigrants are suitable candidates to compensate the missing factors in the secondary segment, because they depart of a temporary limited stay in the host country. They are perceived as „target earners“⁴⁸ who have a rather instrumental relationship with their job. They separate their social role and their economic

institutionalist approaches Wolfgang Brandes/Peter Weise, *Arbeitsbeziehungen zwischen Markt und Hierarchie*, in: Walther Müller-Jentsch (ed.), *Konfliktpartnerschaft. Akteure und Institutionen den industriellen Beziehungen*, München-Mering 1991, pp. 11-30.

⁴³ See Haug 2000, p.3.

⁴⁴ See Gustav Lehardt, *Internationale Migration. Hypothesen, Perspektiven und Theorien*, in: *Demographie heute. Vorträge – Aufsätze – Forschungsberichte*, No. 19, 2002, p. 13.

⁴⁵ See also Werner Sengenberger, *Struktur und Funktionsweise von Arbeitsmärkten*, Frankfurt am Main 1987, p. 52.

⁴⁶ In this context Hoffmann-Nowotny formulated one of the most used terms, substratification, in migration research, see Hans-Joachim Hoffmann-Nowotny, *Soziologie des Fremdarbeiterproblems*, Stuttgart 1973.

⁴⁷ See Christof Parnreiter, *Die Mär von den Lohndifferenzialen. Migrationstheoretische Überlegungen am Beispiel Mexikos*, in: *IMIS-Beiträge*. No. 17, 2001, p. 60.

⁴⁸ Piore 1979, p. 95. The „target earning“ described by Piore is, however, not only characteristic for foreign workers. It also applies to housewives and adolescents occupied at lower income levels. The features of these groups and their position on the labour market are – to a lesser extent – comparable to those of migrants with respect to formability and availability in the labour market as well as susceptibility to manipulation and control. See also Georg Elwert, *Unternehmerische Illegale. Ziele und Organisationen eines unterschätzten Typs illegaler Einwanderer*, in: *IMIS-Beiträge*, No. 19, 2002, p. 14.

role and thus are willing to accept work and working conditions that are not accepted from the indigenous population. Especially Piore constructs a close relation between social status and the identity of the labourer.⁴⁹ In his work migrants that remain in the host country are regarded as the “failing migrants”. The decisive element is the role of the migrant in the economic system of the destination country and this role mainly is based on the limited temporary aim to stay.⁵⁰ The structural demand for labour in advanced industrial economies that barely can be satisfied leads to a general tendency of a dual economy with a capital intensive primary segment and a labour intensive secondary segment. Labour in the primary sector is regarded as human capital and becomes more and more similar to capital as a factor. Jobs in the secondary segment are mainly low skilled and substitutive. Migrants are restricted to certain segments of the labour market, they behave like „birds of passage“. The main reasons for migration thus are recruitment efforts of governments or companies in advanced industrial economies: “Recruitment [...] explains why one region develops significant out-migration, and another, essentially comparable in terms of income, transportation costs, culture, and labor-force characteristics, never does so.”⁵¹ Empirical evidence is drawn from the state programs of foreign labour recruitment in the 60s and 70s.⁵² This demand for foreign labour, however was not because of different wages or different purchasing power parities but because of a structural demand of the economy.⁵³ Piore summarises: “it is the employers, not the workers, and the jobs, not the incomes, that are strategic.”⁵⁴ This concept has special implications for the price elasticity of the factor labour in that segment. The price mechanism is limited, wages do not react on changing relations of shortages. Wages remain low because of institutional arrangements. The concentration of the segmentation theory on an analytic macro frame makes these approaches compatible to world system approaches that gained some attention in the last years.⁵⁵

⁴⁹ See also Gianni D’Amato, *Vom Ausländer zum Bürger. Der Streit um die politische Integration von Einwanderern in Deutschland, Frankreich und der Schweiz*, Münster/Hamburg/London 1998, p. 65.

⁵⁰ Felicitas Hillmann, *This is a migrant’s world: Städtische ethnische Arbeitsmärkte am Beispiel New York City*, Discussion Paper FS I 97 – 103, Wissenschaftszentrum Berlin für Sozialforschung 1997, p. 13.

⁵¹ Piore 1979, p. 24.

⁵² Among others see Bade, Klaus J., *Ausländer - Aussiedler - Asyl: Eine Bestandaufnahme*, München 1994.

⁵³ See Massey et al 1993, p. 444.

⁵⁴ Piore 1979, p. 19.

⁵⁵ Most relevant in this context Immanuel Wallerstein, *The Modern World System, Capitalist Agriculture and the Origins of the European World Economy in the Sixteenth Century*, New York 1974; Idem, *The Capitalist World Economy: Essays*, Cambridge 1979. See also emphasising the role of the state Aristide Zolberg, /Astri Suhrke/Sergio Aguayo, *Escape from Violence: Conflict and the Refugee Crisis in the Developing World*, New York 1989. More recent Saskia Sassen, *Loosing Control. Sovereignty in an Age of Globalization*. New York 1996 and Elmar Altvater/Birgit Mahnkopf, *Grenzen der Globalisierung: Ökonomie und Ökologie und die Politik der Weltgesellschaft*. For a discussion of the relation between „world society“ and „globalisation“ see also Rudiolf Stichweh, *Zur Theorie der Weltgesellschaft*, in: *Soziale Systeme*, V.1. Jg. 1995, p. 29–45 and Niklas Luhmann, *Die Gesellschaft der Gesellschaft*. Frankfurt a.M. 1997.

Marxist labour market theory has been a very influential concept for migration research and for economic theory as well. As shown above the segmentation theory often inherits Marxist considerations although, of course, there is also a non-Marxist segmentation theory.⁵⁶ In particular labour migration in the 60ies and 70ies induced new research efforts of Marxist theorists. In this theoretical tradition labour migration was understood as a special facet of the international exploitation and inequality and was used as empirical evidence for the description of modern societies as class societies.⁵⁷ It is interesting that Marxism implies an implicit theory of “integration”. Successful integration in this context is only a societal situation where exploitation is not existent anymore. Economic integration in the Marxist sense is thus an ideological status based on nationalism or – in case of the work of Balibar/Wallerstein – racism. For Marxists exploitation is the relevant reason and producer of inequality and corresponding to that an element of the core structure of modern societies causing different social structures, classes, strata and disadvantaged groups.⁵⁸ Labour migration can be regarded as a phenomenon that visualises the relevant core structures of capitalist societies. These structures are the particularities of the labour market compared to other commodity markets. Thus migration is structured by the societal conditions. Poverty and social inequality can be explained by Marxist as phenomena being generated systematically by the structures of the differentiated capitalistic economy and the resulting dominance of one class over the other class. So the Marxist theoretical tradition mainly aims at the description and explanation of social inequality, dominance and social acknowledgement. Since the collapse of the socialism in Eastern Europe in the discipline of economics Marxists

⁵⁶ For the Marxist version see Piore 1979, for the non-Marxist see Sengenberger 1987.

⁵⁷ The most relevant studies in this context are Piore 1979; similar Manuel Castells, *Immigrant Workers and Class Struggles in Advanced Capitalism: The Western European Experience*, in: *Politics and Society*, Vol. 5, 1975, pp. 33-66. See also Stephen Castles/Godula Kosack, *Immigrant Workers and Class Structure in Western Europe*, London 1987. Stephen Castles, *Migration und Rassismus in Westeuropa*, Berlin 1987; Marios Nikolinakos, *Politische Ökonomie und Gastarbeiterfrage. Migration und Kapitalismus*, Reinbek bei Hamburg 1972; Veit Bader, *Rassismus, Ethnizität, Bürgerschaft. Soziologische und philosophische Überlegungen*, Münster 1995; similar arguing Friedrich Heckmann, *Die Bundesrepublik: Ein Einwanderungsland? Zur Soziologie der Gastarbeiterbevölkerung als Einwandererminorität*, Stuttgart 1981. Being aware of the Marxist context world system theories of Wallerstein and Balibar/Wallerstein are easier to understand. See Immanuel Wallerstein, *The Modern World System*, New York 1974-1989; Immanuel Wallerstein, *The Capitalist World Economy*. Cambridge 1979 and Etienne Balibar/Immanuel Wallerstein, *Race, Nation, Class. Ambiguous Identities*, London 1991. At least being heavily influenced by neomarxist theory-building without feeling directly linked to Marxism are authors like Saskia Sassen, *The Mobility of Labor and Capital. A Study in International Investment and Labor Flow*, Cambridge 1988. See also Lydia Potts, *Weltmarkt für Arbeitskraft. Von der Kolonisation Amerikas bis zu den Migrationen der Gegenwart*, Hamburg 1988. For a discussion of the Marxist tradition in migration research see Michael Bommes, *Migration und nationaler Wohlfahrtsstaat. Ein differenzierungstheoretischer Entwurf*. Wiesbaden 1999.

⁵⁸ It is interesting to note at this point that there is a common theoretical starting point of the Marxists as well of the assimilationists like Esser's and Hoffmann-Nowotny's system theory approach. All explanations start from the assumption that the production of inequality is central for the structure for society. See Bommes 1999, p. 24.

theorists are barely visible any more. Quite the same applies for migration research as a cross-cutting subdiscipline.⁵⁹

Network theory is a theoretical concept that surely cannot be isolated in one academic area. In the field of economics the transaction cost theory can be regarded as a very influential theoretical approach dealing with characteristics and elements of network theory. For migration research the transaction cost approach seems to be relevant especially for the field of highly skilled migration. Many recent studies indicated for highly skilled migrants a rising share of intra-organisational movements.⁶⁰ Especially labour market economics take transaction costs into consideration stating that: „the internal provision of goods and services displays the most efficient institutional arrangement. This is because in this case it is possible to save ex-ante transaction costs and to effect flexible adjustments of the conditions of production.“⁶¹ So labour turnover costs are taken into consideration that reject the neoclassical presumption of perfect markets⁶² and incorporate into the model costs of searching, of decision, bargaining, control and of handling. These costs underline the advantages of internal labour allocations in comparison to external recruitment.⁶³ Reuben Ford summarises as follows: „Large organisations require individuals able to offer more general management skills across many different divisions or locations. Often these skills are

⁵⁹ See Hartwig Berger, *Arbeitswanderung im Wandel der Klassengesellschaft – Für einen Perspektivenwechsel in der Migrationsforschung*, in: *Migration*, No. 1, 1987, pp. 7–20 and Idem, *Vom Klassenkampf zum Kulturkonflikt – Wandlungen und Wendungen der westdeutschen Migrationsforschung*, in: Eckart Dittrich/Frank-Olaf Radtke (eds.), *Ethnizität. Wissenschaft und Minderheiten*, Opladen 1990, pp. 119–138 complaining about the early abandoning of the class paradigm in migration research. For one of the most recent marxist approaches see Bader 1995.

⁶⁰ Achim Wolter, *Globalisierung der Beschäftigung. Multinationale Unternehmen als Kanal der Wanderung Höherqualifizierter innerhalb Europas*, Baden-Baden 1997. John Salt, *Highly-Skilled International Migrants, Careers and Internal Labor-Markets*, in: *Geoforum*, Vol.19, No. 4, 1988, pp. 387-399; Idem, *Migration Processes among the Highly Skilled in Europe*, in: *International Migration Review*. Vol .26, No .2, 1992a. pp. 484-505. Holger Kolb, *Einwanderung zwischen wohlverstandener Eigeninteresse und symbolischer Politik. Das Beispiel der deutschen Green Card*, Münster 2004. Reuben Ford, *Migration and Stress among Corporate Employees*, London 1992. Thomas Straubhaar/Achim Wolter, *Globalisation, Internal Labour Markets and the Migration of the Highly Skilled*, in: *Intereconomics. Review of International Trade and Development*, Vol.32, No.4, 1997, pp. 174-181; Joao Peixoto, *The International Mobility of Highly Skilled Workers in Transnational Corporations: The Macro and Micro Factors of the Organizational Migration of Cadres*, in: *International Migration Review*, Vol. 35, No. 4, 2001a, pp. 1030-1053. See also the volume by Michael Bommers/Uwe Hunger/Kirsten Hoesch/Holger Kolb (eds.), *Organisational Recruitment and Patterns of Migration. Interdependencies in an Integrating Europe (IMIS-Beiträge, No. 25)*, Osnabrück 2004.

⁶¹ Mark Ebers/Wilfried Gotsch, *Institutionenökonomische Theorie der Organisation*, in: Alfred Kieser (ed.), *Organisationstheorien*. Stuttgart 1993, p. 231. Translation by HK.

⁶² See James G. March, *Entscheidung und Organisation*, Wiesbaden 1990, p. 3.

⁶³ “Labor Turnover Costs” are the centerpiece of the argumentation of Assar Lindbeck/ Dennis J. Snower, *The Insider-Outsider Theory: A Survey*, IZA Discussion Paper, No. 534, 2002. The argumentation follows the theoretical tradition of the transaction cost theory of Coase and Williamson. Ronald Coase, *The Nature of the Firm*, in: *Economica*, Vol. 4, 1937, pp. 386-405. Oliver Williamson, *Markets and Hierarchies. Analysis and Antitrust Implications*, New York 1975. For a definition of transaction costs see Arnold Picot, *Organisation*, in: Michael Bitz/Klaus Dellmann/Michel Domsch/Henning Egner (eds.), *Vahlens Kompendium der Betriebswirtschaftslehre*, Münster 1993, pp. 101-174.

more specific to the organisation than they are to any one task or responsibility [...]. Individuals can find their skills applicable within the internal labour market of their employing organisation but *relatively unsaleable outside*.⁶⁴ Internal labour market allocation can result in a higher degree of commitment to the company and – derived from that – in decreasing recruitment, screening and training costs.⁶⁵ Edström/Galbraith argue that continuous flows of highly skilled executive personnel in their interpretation will lead to an increasing identification of these employees with their company. Moreover, because of the regular company-internal mobility international network structures among executive employees will emerge. Both elements allow the reduction of control mechanisms and the conversion to a more decentralised and more efficient mode of management.⁶⁶ Network theory and related theoretical explanations that work with assumptions from transaction cost theory etc. gained more and more importance in particular in the field of highly skilled migration.

Exkursus

Not only in the assessment of the cluster B4 members' current research (see 4.1) it becomes obvious that the discussion centring around the terms 'brain drain' and 'brain gain' is booming continuously. Brain drain or brain gain, however, does not have its own theoretical approach. This is why in the section on work and entrepreneurship we included the discussion on brain gain in the form of a short exkursus.

⁶⁴ Reuben Ford, *Migration and Stress among Corporate Employees*, London 1992 p. 3. In this context see also the differentiation between an "industrial subsystem" which requires a high degree of company internal knowledge and the "craft subsystem" where knowledge can be substituted rather easily. See among others Paul Osterman, *White Collar Internal Labour Markets*, in: *Ibid.* (ed.), *Internal Labor Markets*, Cambridge 1984, p. 167.

⁶⁵ See Richard Layard/Stephen Nickell/Richard Jackman, *Unemployment – Macroeconomic Performance and the Labour Market*, Oxford 1991, p. 153. See also William T.S. Gould/Allan M. Findlay, *Refugees and Skilled Transients: Migration between Developed Societies in a Changing World Order*, in: *Ibid.* (eds.), *Population, Migration and the Changing World Order*, Chichester 1994, p. 22. See also for the particularities of internal labour markets the microeconomic study of Jean-François Hennart, *What is Internalization?* In: *Weltwirtschaftliches Archiv*. V.122. 1986. p. 791-804.

⁶⁶ See Andres Edström/Jay R. Galbraith, *Transfer of Managers as a Coordination and Control Strategy in Multinational Organizations*, in: *Administrative Science Quarterly*, Vol. 22, 1979, pp. 248-263. Jay R. Galbraith/Andres Edström, *International Transfer of Managers: Some Important Policy Considerations*, in: *Columbia Journal of World Business*, Vol. 11, 1976, pp. 44-55. For the role of trust see also Mark S. Granovetter, *Economic Action and Social Structure: The Problem of Embeddedness*, in: *American Journal for Sociology*, Vol. 91, No. 3, 1985, pp. 481-510. Rudolf Stichweh in this context states some kind of trade-off between rising globality which results in a loss of control and the set-up of ethnic company-based enclaves the restrict globality. See Rudolf Stichweh, *Migration, nationale Wohlfahrtsstaaten und die Entstehung der Weltgesellschaft*, in: Michael Bommers/Jost Halfmann (eds.), *Migration in nationalen Wohlfahrtsstaaten. Theoretische und vergleichende Untersuchungen*, Osnabrück 1998, pp. 49-61, here pp. 58-59. So Edström and Galbraith in this context underline the advantages of setting up enclaves. See also the case study about the American company Eli Lilly by Thomas W. Malnight, *Globalization of an Ethnocentric Firm: An Evolutionary Perspective.*, in: *Strategic Management Journal.*, Vol. 16, 1995, pp. 119-141.

The label 'brain drain' summarises a broad variety of approaches that cannot be classified as a cohesive 'brain drain' theory, but rather as a collective term comprising a number of approaches that *agree* in their focus on outflows of highly skilled personnel from developing countries, but *vary* in the analysis and interpretation of structural causes and economic consequences of these flows. Starting from the rather pessimistic 'brain drain' theories newer approaches have emerged that differ from these established ones by putting much more emphasis on possible positive effects of the temporary emigration of highly skilled people. It is argued that these positive effects can become effective under certain conditions. The discussion of these conditions displays one of the central topics of brain drain research. These newer and less pessimistic approaches are linked to the terms 'brain gain' or 'brain circulation'. The reason why we did not classify the brain drain research into one of the defined fields of possible research in this cluster is that this research criss-crosses the field defined. That means, there is brain drain research concentrating on the structural conditions for dependent employees (for example company-internal transferees) and also research on individual conditions etc. that aggravates an explicit classification. A common feature of all research efforts in the range of the brain drain research is the concentration of the emigration and remigration of the intellectual and technical elites. In a neoclassical perspective this emigration is interpreted as part of the factor price equalisation processes and processes of the reestablishment of the equilibrium of the labour market. Push-factors in developing countries and pull-factors in the developed, mainly OECD-countries channel these flows. So according to the neoclassical modernisation theorists, migration movements occur because of the different life standard of industrial countries and developing countries. According to that in particular internal factors in the relevant developing countries of emigration are the reason for underdevelopment. Third-world countries are less developed than the industrialised countries and this backlog must be caught up by an increasing orientation towards the institutions and economical system of the western democracies.⁶⁷ In this context the mobility of highly skilled persons gets special relevance, because this mobility can be interpreted as the mirror image of a certain societal level of development. The volume of highly skilled migration can be regarded as an indicator for the societal development, because an increasing socio-economic level of development and changing patterns of mobility of the highly skilled part of population are mutually interrelated. According to the mobility-transition-hypothesis rising immigration in this group is interpreted as a first step towards an accelerated process of

⁶⁷ See Klaus Simon, Entwicklungspolitische Strategien von Regierung und Parteien in der Bundesrepublik Deutschland. Ihr Wandel und ihre praktische Bedeutung, in: Aus Politik und Zeitgeschichte, No. 34. 1982, p. 7.

socio-economic development.⁶⁸ Other authors coming from modernisation theory propose a chronological differentiation. They differentiate between relevant phases of immigration. In this sense the mobility of the highly skilled is the third wave after the immigration of the “guest workers“ in the sixties and seventies and the family reunification that came after that. Mobility as “the post-industrial migration“ thus simply reflects the transformation of the industrial society to the service society.⁶⁹ On the other hand the more pessimistic theorists perceive this loss of human capital as a phenomenon of structural dependency as it is described in the established theories of dependency and – closely connected to those - centre-periphery theories.⁷⁰ From the angle of so-called ‘dependencia theory’ ‘brain drain’ that causes opportunity costs is regarded as a means of developed industrial countries to maintain the dependency of less-developed countries. It is assumed that elites from LDCs are trained in industrial countries in order to tie them to western ideals and lifestyles and thus to deploy them as ‘bridgeheads’ between centre and periphery. The different approaches of dependency do not have a common answer as far as the strategies to overcome the problems of underdevelopment are concerned. While less pessimistic approaches consider an overcoming of underdevelopment as possible by the integration of the LDCs into the ‘capitalistic world system’, more critical approaches do not assume automatically positive effects of world market integration. They rather recommend self-reliance-strategies. The most pessimistic approach does not consider an overcoming of dependency of the southern states possible without a general rupture with the ‘capitalistic centre’ and the capitalistic system, i.e. the northern industrial countries. This theory was developed in the 1960s and was strongly influenced by the Marxist theory of imperialism and exploitation.⁷¹

The theories presented so-far tend to adopt either a microeconomic or a macroeconomic perspective. What remains rather disregarded is the organisational level. While the restriction to the micro-macro dichotomy can easily be explained by the classical distinction in economic theory, in migration research also the question of organisations and their relevance for interaction in the economic system has to be taken into consideration. Recent approaches that

⁶⁸ See Wilbur Zelinski, The Hypothesis of Mobility Transition, in: *Geographical Review*, Vol. 61, 1971. pp. 219-239.

⁶⁹ See Paul White, *The Social Geography of Immigrants in European Cities. The Geography of European Migrations*, Belhaven Press 1993, pp. 47-66.

⁷⁰ See Eduardo Galeano. *Die offenen Adern Lateinamerikas*, 13th Edition, Wuppertal 1988; Dieter Senghaas (ed.), *Peripherer Kapitalismus. Analysen über Abhängigkeit und Unterentwicklung*, Frankfurt a.M. 1974. Hans-Peter Schipulle, *Ausverkauf der Intelligenz aus Entwicklungsländern*. München 1973. For the discussion of the effects of the emigration of students cf. Rossetos Fakiolas, *The Role of Migration in Raising the Skill Level of the Labour Force*. In: *Studi Emigrazione/Etudes Migrations*. N.117. 1995. p. 211-223.

⁷¹ Since this theory emerged in Latin America it was labelled ‘Dependencia-theory’, represented by Fernando H. Cardoso, André Gunder Frank, Osvaldo Sunkel and Teotino Dos Santos.

emphasise the impact of decision-making processes within organisations on recruitment of foreign labour and resulting patterns of migration could be summarised with a modification of Piore as quoted above: It is the *organisations* and the internal conditions of decision-making, not the workers, and the jobs, not the incomes, that are strategic.

Organisational approaches allow us to observe the interdependencies between organisations as dominant *actors* and their corresponding *environments*, i.e. their particular settings with respect to social and political contexts and regulatory frameworks. The relevance of these interdependencies becomes more obvious if in a first step we depart from the classical economic assumption of perfect markets and rationale actors in the sense that they seek to maximise their revenues. The integration of organisations and related decision-making processes can be a strategy to avoid shortcomings of the pure economic analysis, because employers have to account for a large number of additional determinants, which often constrain their ability to pursue what would seem the most obvious strategy.⁷² For instance, in different countries and sectors the relevance of industrial relations and the degree of corporatism vary substantially – resulting in quite different scopes of options for employers to recruit abroad and to impact on policy making in this respect. Depending on the constellation of institutional actors (such as government and government agencies, trade unions, employers’ associations, interest groups, professional bodies etc.), organisations may influence the maintenance or modification of regulatory framework in a weaker or stronger manner. Beside sectoral specificities that determine organisational recruitment decisions, furthermore regulatory frameworks at national, regional (for instance European) or international level may have a significant impact on the scope of options that organisations have. Thus the demand for migrants’ work is strongly influenced by organisations and their specific national and sectoral settings. Revealing these settings may enable us to assess the capacities of ‘economic integration’ for migrants originating from specific countries and economic sectors at least to a certain extent. Focussing on the EU dimension⁷³ of this approach the PEMINT (‘The Political Economy of Migration in an Integrating Europe’) research project that has been completed recently⁷⁴ put a strong emphasis on the assumption that numerous obstacles encountered by employers as well as migrants may hamper the free

⁷² Maria I. Baganha/Han Entzinger, The Political Economy of Migration in an Integrating Europe: An Introduction, in: Michael Bommers/Kirsten Hoesch/Uwe Hunger/Holger Kolb (eds.), Organisational Recruitment and Patterns of Migration. Interdependencies in an Integrating Europe (IMIS-Beiträge Special Issue 25), Osnabrück 2004, pp. 7-18, here p. 9.

⁷³ See i.e. the impact of EU regulatory frameworks, ‘incomplete integration’ in areas such as welfare state arrangements, taxation and migration policies.

⁷⁴ Michael Bommers/Kirsten Hoesch/Uwe Hunger/Holger Kolb (eds.), Organisational Recruitment and Patterns of Migration. Interdependencies in an Integrating Europe (IMIS-Beiträge Special Issue 25), Osnabrück 2004. Further publications will follow.

circulation of labour within the EU. So the main question was how decision making processes concerning labour recruitment by national and multinational firms lead to different outcomes in terms of labour mobility and international migration under the impact of different welfare provisions and different fiscal systems, as well as policy, institutional and regulatory framework. It provides an analysis of the way in which organisational settings within three selected economic sectors – ICT, Construction and Health and Social Care – and in the light of varying patterns of national, supranational and international regulation lead to differing migration outcomes.⁷⁵ The main assumption was that employers' decisions (the demand side) provide a decisive context for understanding the dynamics and structure of migratory flows as these develop in their various forms (such as high or lower skilled, short-or longer term, legal or illegal, and EU as opposed to non-EU). Transferred to cluster B4 argumentation these interdependencies show in how far migrants' capacities in acquiring the 'ability to pay' is determined by preceding decisions on the demand side.

3.2.2 Supply Driven

Work/individual

In our classification for the mapping of the field *human capital* theories can be regarded as the most influential and relevant approaches on the individual level. These approaches are part of the microeconomic frame of migration theory. Human capital theory departs from the assumption of rationale decisions and expectations of an individual.⁷⁶ Thus migration is the result of the aim to guarantee an optimal provision with economic goods and services. The main difference between the macro- and the microeconomic approach consists only in the fact that in the latter one the analysis is centred on the individual and his or her endowment with human capital. This version thus dispenses with aggregated rates and ratios: Migration must be regarded “[...] as an investment increasing the productivity of human resources, an investment which has costs and which also renders returns.”⁷⁷ Human capital theory as we know it from the spadework of Gary Becker⁷⁸ summarises the stock of knowledge, abilities

⁷⁵ See Michael Bommers/Andrew Geddes, Conclusion, in: Bommers/Hoesch/Hunger/Kolb 2004, pp. 279-297, here: p. 279.

⁷⁶ The theory of rational expectations concerning the behavior of the market participants mainly has been developed by Robert Emerson Lucas Jr., Expectations and the Neutrality of Money, in: Journal of Economic Theory, No. 4, 1972, pp. 103-124. See also for a summary Idem, Models of Business Cycles, Oxford 1987.

⁷⁷ Larry M. Sjaastad, The Costs and Returns of Human Migration., in: The Journal of Political Economy, Vol. 70, 1962, p. 83.

⁷⁸ Gary S. Becker, Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education, Chicago Press, Chicago 1983. Becker's work also activated a new approach of dealing with issues of personnel policy in business administration. Human resource management is a new field of management and becomes more and more part of the curricula in business administration. See Gabriel Wiskemann, Strategisches Human

and characteristics of an individual that influences his or her productivity. Human capital is accumulated by education and training and on the other hand also depends on the environmental conditions of investment (training facilities, aspirations of parents and siblings, unemployment rate, infrastructure).⁷⁹ These are the relevant issues for human capital investment. Becker differentiates between two forms of human capital. General human capital can be allocated in many places, occupations and jobs. This knowledge is imparted by institutionalised apprenticeship systems, study courses or on-the-job-training. Specific human capital is bound to a certain employer, occupation or sector and mainly is obtained by company internal training and work experience. This connects the microanalytical approach with the transaction cost theory. As shown above the transaction cost advantages of internal personnel allocation can be closely linked to the advantages for the accumulation of specific human capital. Company internal transfers in that sense are a decisive and relevant mechanism to coordinate both the transaction cost minimisation and the specific human capital allocation and to maintain a symbiotic relation between the interests of the company and the interests of the employee.⁸⁰ So it becomes clear that highly skilled migration is only exclusively based on patterns of demand, but also displays a supply element.⁸¹ Human capital often also plays an important role for studies on ethnic entrepreneurs. Also self-employment can be regarded as a sequence in the long-term investment process in his or her own stock of human capital. Human capital theory has been used to describe the position of migrants on labour markets in all directions: It is a very common approach to explain the underprivileged position of labour migrants on labour markets.⁸² A lot of the work that in

Resource Management und Arbeitsmarkt, Baden-Baden 2000 and Adolf G. Cronenberg/Joachim Funk/Maryam Djarrahzadeh (Hrsg.): *Internationalisierung als Herausforderung für das Personalmanagement*. Stuttgart 1993.

⁷⁹ Heinz J. Ebenrett/Dieter Hansen/Klaus J. Puzicha, Verlust von Humankapital in Regionen mit hoher Arbeitslosigkeit, in: *Aus Politik und Zeitgeschichte* (B 06-07/2003) state that there is a clear and significant correlation between the cognitive abilities (understood as human capital) of youngsters and location factors like unemployment, lower incomes and training facilities.

⁸⁰ See for case studies Wolter 1997, Ford 1992, Kolb 2004 and Achim Wolter/Martin Wolburg, *Die Wanderung Höherqualifizierter als Trend der Europäischen Binnenmigration – eine empirische Untersuchung am Beispiel der IAB-Beschäftigtenstichprobe*. Europa-Kolleg Hamburg. Diskussionspapier 2/1996.

⁸¹ See in this context the studies of Russel King/Ian Shuttleworth, *The Emigration and Unemployment of Irish Graduates: The Export of Highly-skilled Labour from the Periphery of Europe*. In: *European Urban and Regional Studies*. V.2. N.1. 1995. p.21-40; Shuy-Jer Chen, *Migrant Selectivity and Returns to Skills: the Case of Taiwanese Immigrants in the United States*. In: *International Migration*. V.33. N.2. 1995. p. 251-271 and F. Lin N. Li/Allan M. Findlay/A. John Jowett/Ronald Skeldon, *Migrating to Learn and Learning to Migrate: A Study of the Experiences and Intentions of International Student Migrants*. In: *International Journal of Population Geography*. N.2. 1996. p.51-67.

⁸² See for example Frank Kalter/Nadia Granato, *Sozialer Wandel und strukturelle Assimilation in der Bundesrepublik. Empirische Befunde mit Mikrodaten der amtlichen Statistik*, in: Klaus J. Bade/Michael Bommes (eds.): *Migration - Integration - Bildung. Grundfragen und Problembereiche (IMIS-Beiträge 23)*. Osnabrück 2004, pp.61-81. Wolfgang Seifert, *Die Mobilität der Migranten. Die berufliche, ökonomische und soziale Stellung ausländischer Arbeitnehmer in der Bundesrepublik*, Berlin 1995. Dirk Schlotböller/Ulrich van Suntum, *Arbeitsmarktintegration von Zuwanderern. Einflussfaktoren, internationale Erfahrungen und Handlungsempfehlungen*, Gütersloh 2002.

the last two decades or also recently has been conducted in the field of highly skilled migration⁸³ also displays important features of human capital theory. Mobility and stays abroad are part of the human capital accumulation process and are necessary steps in the sequence of a career for certain phases of upward mobility. So for some multinational companies temporary employment abroad is an obligatory tessera in the process of career development.⁸⁴ In this context the differentiation between company-specific and more generalised human capital becomes relevant.⁸⁵ The interconnectedness of human capital investment, employment abroad and promotion and career development also has been indicated in more recent studies.⁸⁶

Assimilation theorists barely originate from the academic discipline of economics. Their work however is highly relevant for the topic we are discussing here. Assimilation as an important and influential concept has been discredited for the last decades mainly because the term of assimilation was assumed to overemphasise the accommodation efforts of the migrants.⁸⁷ In the last years, however, assimilation gained more importance again, so that some authors already talked about the “return of assimilation”.⁸⁸ The comeback of assimilation as a political

⁸³ See among others John Salt, High Level Manpower Movements in Northwest Europe and the Role of Careers: An Explanatory Framework, in: *International Migration Review*, Vol. 17, No. 4, 1983. pp. 633-652 and John Salt/Allan M. Findlay, International Migration of Highly-skilled Manpower: Theoretical and Developmental Issues, in: Reginald Appleyard (ed.), *The Impact of Migration on Developing Countries*, Paris 1989, pp. 159-180.

⁸⁴ See for the case of the car manufacturer Volkswagen Martin Posth, *Internationale Personalentwicklung bei Volkswagen*, in: *Betriebswirtschaftliche Forschung und Praxis*, Vol. 42, No.5, 1990, pp. 369-378, here p. 378. See Josef Fidelis Senn/Claudia Rohde/Ingo Ahrens/Martin Bargmann, *Arbeitsmarktpolitische Instrumente auf dem betriebsinternen Arbeitsmarkt*. In: Hartmut Klein-Schneider (Ed.): *Interner Arbeitsmarkt. Beschäftigung und Personalentwicklung in Unternehmen und Verwaltungen*. Frankfurt am Main 2003. p. 113 who assess in their position as HR managers of the Volkswagen corporation the mobility of their employees in a geographical as well as professional sense as “self-conception“. See also Peixoto 2001a, p. 1041.

⁸⁵ Dazu zentral Gary Becker, *Human Capital. A Theoretical and Empirical Analysis with Special Reference to Education*. New York/London 1975.

⁸⁶ Mahmood/Schömann 2002. Erika Rell/Reinhold Weiß, *Erfahrungen der Betriebe mit der Green Card*, in: *Wirtschaft und Berufserziehung*, Vol.53, No.10, 2001, p. 17. See also Sami Mahroum speaking about “highly skilled globetrotters“; Sami Mahroum, *Highly Skilled Globetrotters: The International Migration of Human Capital*, OECD Workshop on Science and Technology Labour Markets, 17th May 1999. Stalker and Amit-Talai also mention as important incentives to go abroad possibilities to improve the individual income and a certain degree of adventuresomeness. Compared to the motives of career development and human capital accumulation, however, they must be regarded as less relevant. See Peter Stalker, *Workers without Frontiers - The Impact of Globalization on International Migration*. Boulder 2000 and Vered Amit-Talai, *Risky Hiatuses and the Limits of Social Imagination: Expatriacy in the Cayman Islands*, in: Nigel Rapport/Andrew Dawson (eds.), *Migrants of Identity: Perceptions of Home in a World of Movement*. Oxford 1998, pp. 41-59. Besides that Tzeng also mentions poor living conditions of the highly skilled in their home countries. See Rueyling Tzeng, *International Labour Migration through Multinational Enterprises*, in: *International Migration Review*, Vol. 29, No.1, 1995, pp. 139-154.

⁸⁷ See Klaus J. Bade/Michael Bommers, *Einleitung*, in Idem (eds.), *Migration-Integration-Bildung. Grundfragen und Problembereiche (IMIS-Beiträge 23)*, Osnabrück 2004.

⁸⁸ Rogers Brubaker, *The return of assimilation? Changing perspectives on immigration and its sequels in France, Germany, and the United States*. *Ethnic and Racial Studies*, Vol. 24, No. 4, 2001, pp. 531-548. Richard

concept, of course, has nothing to do with renewed efforts of states to start a policy aiming at homogenising their population⁸⁹, because all western democracies rather directed their policies to norms of equalisation and ethnic pluralisation. It is argued that the recent comeback of assimilation in many western liberal democracies, however, rather can be traced back to the awareness that successful or failing assimilation is the decisive structural condition for the key term of our cluster, economic integration. According to that it is argued that the knowledge of the language of the country of immigration as the relevant institutionalised literary language is still the most important precondition for successful participation in the educational and economic system.⁹⁰ Corresponding to that success in the educational system is becoming more and more the only or the central way⁹¹ to get access to employment and income. Following this approach in modern societies the assimilation of all individuals (including the migrants, of course) towards the differentiated social structural preconditions – and related to that to the expectations of the different contexts – is the decisive pre-requisite for social integration. Assimilation is understood as the configuration and adjustment of behaviour of individuals and groups towards institutionalised social expectations. In this context it is assumed that the reconfiguration of behaviour is one of the most relevant distributional mechanism for the access to the relevant social resources like work, education, income or health. For the work of cluster B4 assimilation theories are interesting in the sense that their models can describe and model the individual conditions of being or becoming economically integrated (see graph). Moreover, there are a lot of methodological convergences between the dominating neoclassic theoretical approach in economics and the rational choice assumptions of assimilation theorists.⁹²

To be added: Culture theory, network theory

Alba/Victor Nee, Rethinking Assimilation Theory for a New Era of Immigration, in: *International Migration Review*, Vol. 31, No. 4 1997, pp. 826–874.

⁸⁹Christian Joppke, *Immigration Challenges the Nation-State*, in: Idem (ed.), *Challenge to the Nation-State. Immigration in Western Europe and the United States*, Oxford 1998, pp. 5–46; Göran Therborn, *European Modernity and Beyond. The Trajectory of European Societies 1945–2000*, London 1995.

⁹⁰Hartmut Esser, *Welche Alternativen zur ›Assimilation‹ gibt es eigentlich?*, in: Klaus J. Bade/Michael Bommes, *Migration – Integration – Bildung. Grundfragen und Problembereiche (IMIS-Beiträge 23)*, Osnabrück 2004, pp. 45–66; Hartmut Esser, *Kulturelle Pluralisierung und strukturelle Assimilation: das Problem der ethnischen Schichtung*, in: *Schweizerische Zeitschrift für Politikwissenschaft* 7, No. 2, 2001 pp. 97–108; Utz Maas/Ulrich Mehlem, *Qualitätsanforderungen für die Sprachförderung im Rahmen der Integration von Zuwanderern (IMIS-Beiträge 21)*, Osnabrück 2003.

⁹¹In the most relevant industrial countries only the demand for skilled and highly skilled workers will persist at a high level, while the demand for low skilled workers (i.e. for workers with now prior educational career) sharply is in decline.

⁹²See e.g. the common research proposal of the economists Klaus Zimmermann and Barry Chiswick and the sociologist Hartmut Esser on ethnicity.

3.3 Entrepreneurship

For the second option of economic integration, entrepreneurship, also different theoretical options are available that analyse the conditions and results of this integration either on the structural or the individual level. For the option of entrepreneurship, however, we will just indicate the most relevant theoretical options without going into much details in this draft version. The elaboration of these approaches will be one of the tasks of the discussion of these short indications in Coimbra. In general we propose to maintain the differentiation between demand and supply driven theoretical approaches. In the final report this section will be brought out in a more comprehensive form.

3.3.1 Demand driven

On the demand side of the analysis welfare state arrangements have to be taken into consideration. Departing from the neoclassical assumption of perfect markets welfare arrangements appear to be interventions in markets and thus cause certain forms market failure. In particular social security schemes function as some kind of minimum wage.⁹³ Following the theory of the marginal productivity labour exhibits diminishing marginal productivity. Therefore the optimal amount of labour hired is where the productivity of the marginal labourer equals the cost of hiring the marginal labourer (Marginal productivity of labour equals the wage). In this perspective, unemployment is a sign that the real wage rate is above the real marginal productivity and that wage rate flexibility is able to restore full employment.⁹⁴ The introduction of a this minimum wage disrupts the equilibriums on the labour market and thus cuts all jobs and work opportunities with a marginal productivity below that minimum wage. Welfare state arrangements impede the production of certain jobs, because labour supply for job offers with lower wages is not existent.⁹⁵ Ethnic entrepreneurship in this context can be relevant, because certain benefits in some cases can be restricted to citizens or long-time residents. So immigrants in some cases are not covered by the different social security schemes and thus can either work in the jobs and occupations that

⁹³ This is true for the Sozialhilfe in Germany. Real minimum wage regulations have been established in France, the USA and Great Britain.

⁹⁴ Many studies emphasised that the real wage is sticky and that the adjustment to lower wage rates does not take place. See for example Sanford M Jacoby, Sticky stories: economic Explanations of employment and wage rigidity. In: The American Economic Review. 1990, vol. 80, n. 2, p. 33.

⁹⁵ On the other hand it must be clear that countries which cut off the employment of the least productive labour - for instance via a minimum wage, or trade union resistance to downward wage mobility, or other forms of labour market inflexibility - have the possibility to increase productivity per person employed or per hour worked, but - as said above - at the expense of total output and indeed of unemployment.

are not filled with workers from the indigenous workforce⁹⁶ or alternatively can set-up new businesses. This can be regarded as some kind of “forced entrepreneurship”.⁹⁷ Entrepreneurship in this context is an equivalent form of wage labour, but rather involuntarily.

3.3.2 Supply driven

Network theories are relevant again on the supply side for discussing the various aspects of entrepreneurship. In this case two quite contrary assumptions become visible that need further empirical evidence. On the one hand assimilation theorists depart from the assumption that assimilation, that means the reconfiguration of entrepreneurial behaviour on the expectations of the market environment is one of the decisive conditions for successful enterprises. The new German immigration act for example introduces new possibilities for entrepreneurs to come under certain conditions to Germany.⁹⁸ An interesting question in this context is now the recommendations that can be derived from the different theoretical approaches for the maintenance of ethnic entrepreneurship in the host country. Following assimilationists the promising strategy for economic integration being an entrepreneur probably would be the adoption of the principles of the indigenous entrepreneurial part of the population. According to this some studies emphasise that many entrepreneurs do not belong to the so-called „ethnic economy“, but penetrate the same market niches as their German counterparts.⁹⁹ These results, however, contradict the assumptions of the next important theoretical concept in this context, the “ethnic economy”. The existing literature in this tradition departs from the assumption that ethnicity is used by the immigrants themselves as a tool for economic advancement within an enclave. Entrepreneurs that are active in those “ethnic economies” can be characterised by four central attributes. Their horizontal and vertical networks are placed in the same ethnic group, they mainly rely on employees coming from the same ethnic group and they target mainly the same ethnic group. Their trade creditors also belong to their ethnic group or come from the same country. In these enterprises, moreover, unpaid family work if

⁹⁶ This is the case of the German farming industry. About 300.000 work permits are granted mostly for Middle and Eastern European workers per year.

⁹⁷ See Michael Bommers, *Erarbeitung eines operationalen Konzeptes zur Einschätzung von Integrationsprozessen und Integrationsmaßnahmen. Gutachten für den Sachverständigenrat für Zuwanderung und Integration.* Osnabrück/Nürnberg 2004.

⁹⁸ See § 21 AufenthaltsgG of the new immigration act (Zuwanderungsgesetz).

⁹⁹ See for a case study on Turkish female entrepreneurs Felicitas Hillmann, *Türkische Unternehmerinnen*, in: *WZB-Mitteilungen*, H 84, 1999, p. 21-24. See also FS I 95 - 102 Felicitas Hillmann/Hedwig Rudolph, *Redistributing the Cake? Ethnicisation Processes in the Berlin Food Sector March 1997.* For an early study on ethnic businesses and the food sector see Ivan Light, *Ethnic enterprises in America.* Berkeley 1972.

of particular importance.¹⁰⁰ Contrary to the assimilationist assumptions for studies based on the concept of ethnic economy underline the importance of ethnic and cultural capital.¹⁰¹ Parker, for example shows for a case study on New York that ethnicisation is one of the decisive features of the ongoing transformation in the fast-food industry, and ethnicity must be regarded as one basic category of work force organisation in this sector.¹⁰² Many authors working on ethnic businesses underline the significance "ethnic solidarity". Some perceive the ethnic niche as some kind of fruitful starting-base for the integration into the society of the host country and as some kind of pre-phase of assimilation¹⁰³, while others are much more doubtful if strategies of ethnic solidarity can be successful.¹⁰⁴

Exkurs

Some of the remarks we wrote on the 'brain drain' – 'brain gain' issue in the paragraph above, of course, also are applicable to entrepreneurship. Besides the emigration of highly-skilled employees by multinational corporations (mainly using their internal labour markets) or by governmental schemes¹⁰⁵ also the emigration for purpose of setting up a new business abroad is a relevant facet of the brain drain debate. The dispute concerning the appraisal of the emigration as negative, positive or both also can be continued at this point. Recent approaches depart from the assumption that under certain circumstances the loss of highly skilled persons who want to become entrepreneurs in industrialised countries can be a disadvantage only in a first, temporary limited phase, before in the long run even the emigration of "precious human capital" can be turned into a 'brain gain' for the sending country. At this point of the argumentation brain drain considerations rely on the theoretical work of the human capital theorists as shown above. The emigration is regarded as mobility that is necessary to increase the human capital stock and this increased capital stock has

¹⁰⁰ Paternalistic employer-employee-relationships are also reported by Light 1972 and Theda Bonacich, A Theory of Middleman Minorities. *American Sociological Review*, Vol. 38. 1973. pp. 583-594.

¹⁰¹ For an interesting study on the interfaces of human capital theory and ethnic capital see George Borjas, Ethnic Capital and Intergenerational Mobility. In: *Quarterly Journal of Economics*. V: 107. 1992. p.: 123-150. Borjas assumes that ethnicity acts as an externality in the human capital accumulation process.

¹⁰² Jennifer Parker, Jennifer, *Labor, Culture, and Capital in Corporate Fast Food Restaurants Franchises: Global and Local Interactions Among an Immigrant Workforce in New York*. New York 1996.

¹⁰³ Min Zhou, *Chinatown*. Philadelphia 1992. .

¹⁰⁴ Jimmy M. Sanders/Victor Nee, *Limits of Ethnic Solidarity in the Enclave Economy*. *American Sociological Review*, Vol. 52, 1987. pp. 745-767 and Dae Young Kim, *The Limits of Ethnic Solidarity: Mexican and Ecuadorian Employment in Korean-owned Businesses in NYC*. Working paper, Department of Sociology, Center for Urban Research, CUNY 1996.

¹⁰⁵ The most recent example is the temporary German Green Card recruitment scheme. For a comprehensive evaluation see Holger Kolb, 'Green Card' - eine qualitative und quantitative Analyse der Ergebnisse der Maßnahme. Expertise for the Federal Council of Experts on Immigration and Integration, appointed by the German Government, Osnabrück 2003.

positive implications for the sending country if it can be allocated there either by remigration or by virtual networks as shown in the case of the Indian IT-entrepreneurs that were the major empirical trigger for reviewing established ‘brain drain’ approaches.¹⁰⁶ These positive examples of a nearly pareto-optimum, however, may not be perceived as the heralds of a generalised model. The crucial question under which circumstances positive implications also for the sending country can be put into effect centers around the following questions: What kind of socio-structural preconditions foster a brain gain? Which relevance can be attributed to migration policies (or politics?) of sending and receiving countries? Which relevance can be ascribed to social and economic networks emerging beneath official governmental policy – and under which circumstances do they emerge in the first place? If we now call in another phenomenon – the emergence of ‘transnational social spaces’¹⁰⁷ constituted by transnational migrants’ networks – it becomes clear how migrants become able to supply their manpower and their entrepreneurial spirit in two directions: On the one side in their adopted country, on the other side in their country of origin which they left in the first place because of a lack of an adequate demand for their endowments. So here we face a kind of double ‘economic integration’.

This rather short assessment of the dominant theoretical approaches in the field of economic migration research by no means should be regarded as a final and all-embracing. It just gives a first overview about the different theoretical traditions. Despite the different origins of the mentioned approaches the current migration research in the economic dimension can be characterised by a common feature. As far as we have seen it from the approaches shown above, economic migration research still puts a strong emphasis either on the microeconomic analysis of human capital investment, maximising utility or risk diversification or on the macroeconomic dimension of labour market disequilibria, structural requirements of unelastic labour markets. What has been disregarded in many studies is that what we called the organisational intermediate level of labour market allocation and corresponding to that labour migration. What is barely taken into consideration is the crucial role of organisations that are the responsible institutions that make recruitment determinable. In these organisations and on

¹⁰⁶ See for instance Uwe Hunger, Vom ‚Brain Drain‘ zum ‚Brain Gain‘. Migration, Netzworkebildung und sozio-ökonomische Entwicklung: das Beispiel der indischen ‚Software-Migranten‘, in: IMIS Beiträge No. 22, 2000, pp. 7-21; Uwe Hunger, The „Brain Gain“ Hypothesis. Third World Elites in Industrialized Countries and Socioeconomic Development in their Home Country, Working Paper No. 47, January 2002, The Center for Comparative Immigration Studies, University of California-San Diego.

¹⁰⁷ Ludger Pries, Transnationale Soziale Räume. Theoretisch-empirische Skizze am Beispiel der Arbeitswanderungen Mexiko-USA, in: Zeitschrift für Soziologie, No. 6, 1996, pp. 437-453; Idem (ed.) Transnationale Migration (Soziale Welt, Special Issue 12), Baden-Baden 1997. See also Nina Glick Schiller/Linda Basch/Christina Blanc-Szanton, From Immigrant to Transmigrant: Theorizing Transnational Migration, in: Anthropological Quarterly, V.68. 1995, p. 48–63 and Alejandro Portes (Ed.), The Economic Sociology of Immigration: Essays on Networks, Ethnicity and Entrepreneurship. New York 1995.

organisational, internal recruitment decisions social networks emerge that influence the internal recruitment decisions. For future work the challenging of both of these assumptions can be a fruitful starting-point.

4 Current B4 research focuses

In the following paragraphs we will shortly summarize the current projects of these B4 members that attended the first workshop in Osnabrück or that sent us a short description of it afterwards. At this stage the description of the current research mirroring the theoretical approaches shown above can help us to analyse the relevance of the current research and can uncover current focal points of the research. These summaries, however remain rather short and will be introduced in a more comprehensive and coherent version during the meeting.

4.1 Classification within the triangle ‘Economic Integration’ – ‘Work’ – ‘Entrepreneurship’

Current projects that have already been presented by B4 members during the first cluster workshop held at IMIS, University Osnabrück, 12-13th July 2004, were geared towards a couple of principal topics. Quite a number of the participants are interested in various forms of ethnic entrepreneurship or ethnic economy in a broader sense. So for instance the work of Bernard Dinh (MIGRINTER) on “Ethnic Entrepreneurship in France”, which concentrates on the question when, why and under which circumstances ethnic businesses start to grow and to turn into more rational microeconomic entities, thus breaking down the rather exclusive relation between ethnic suppliers and ethnically defined clientele.

Another study in the realm of ethnic economy is conducted by Inaki Pena (Universidad de Deusto) whose research focuses on the transformation of ethnic to regular entrepreneurship.

His research on “Ethnic Entrepreneurship: the Spanish Experience” aims at a more sophisticated approach of ethnic entrepreneurship. He analyses the transformation of business concepts that start as simple niche and ethnic economy considerations and depart more and more from the constrained ethnic business perspective. He distinguishes necessity driven entrepreneurs from opportunity driven entrepreneurs. His empirical work is based on experiences from Ecuador and Spain, exploited from a joint Colombian-Ecuadorian-Spanish research project. The main research questions are the differences of necessity-driven entrepreneurs from opportunity driven entrepreneurs concerning different stages of the formation of a company in two culturally similar, but economically different regions and to what extent the initial degree of entrepreneurial motivation influences business performance

in the first periods. The importance of this analysis is indicated by the fact that Latin American countries as developing countries top the list of necessity-driven entrepreneurs while European developed countries rank the last positions.

Uwe Hunger's (IMIS) research on emigrated Indian IT-entrepreneurs does not so much concentrate on the ethnic character of entrepreneurship, but on possible positive correlations between the emigration of the highly skilled and development in their countries of origin. The focus of his work is on the question under which specific socio-economic and political conditions the often bewailed loss of talents can be turned into a 'brain gain' for the sending country. Hunger follows these questions by studying the concrete case of "Brain Drain vs. Brain Gain: Indian IT-Entrepreneurs in the USA". He analyses the potential contribution of highly skilled Indian IT-engineers and entrepreneurs in the USA on the continuous boom in the Indian IT-Industry. Considering the impacts of economic, political and infrastructural conditions on capital investment he analyses possible positive correlations between the emigration of the highly skilled and development. He makes clear that the establishment of international social networks can create win-win situations for the sending as well as the receiving countries. To draw a connection to our B4 core issue, 'economic integration' in this case might be regarded as a twofold process: 'Integration' into the economy of the receiving country as well as a 're-integration' into the economy of the sending country, either by capital investments or by knowledge transfer or by both.

Ernst Spaan's (NIDI) research on "Immigrant Labour Market Insertion and Immigrant Entrepreneurship" touches both sides of our distinction of 'economic integration': acquiring the ability to pay either by work or by entrepreneurship. His research takes into account the diversification of the immigrant population. The fact that the Asian group is growing fast in all EU countries was the empirical incentive to follow the question if a correlation between origin and ethnic background of immigrant groups and the strategies preferred to integrate economically – either by wage employment or by entrepreneurship – can be detected. The comparison with other European countries indicates some ethnic peculiarities. Some groups rely on entrepreneurship as the dominating strategy for economic integration more than others. These ethnically determined preferences depend on a set of factors such as the cultural background (e.g. is there an entrepreneurial or merchant tradition in the source country), duration of stay and reasons and motives to migrate. The provisional results of the project suggested possible future fields of research. It appears that the analysis of career shifts between wage work and entrepreneurship, the blurring between the two and the blurring between formal and informal economic integration could prove to be fruitful.

In the field of informal employment two projects take place in cluster B4. The overall aim of the project “Immigrant Informal Employment and their Networks”, represented by Ellie Vasta (COMPAS), is to chart through qualitative research the work strategies (including formal and informal work) of several groups of recently arrived immigrants to the UK and to explore how these strategies are shaped or mediated by their social networks. The exact aims are to examine the legal, policy, institutional and economic factors that lead immigrants into informal employment; to investigate the immigrant work strategies (both formal and informal employment) in various localities; to explore how these economic and social work strategies are shaped or mediated by their social networks and to analyse the effects of particular work strategies (i.e. informal employment) on settlement process and immigrant accommodation/participation/integration.

The project presented by Wolfgang Boswick (efms) focuses on “Undocumented Migration in Germany: Entry – Stay – Work”. The distinction between demand driven and supply driven opportunities is the starting point of this work. In the former case the demand for illegal labour in some economic sectors of the receiving countries is the main driving force of migratory flows and modes of economic integration; in the latter case an abundant supply can create the demand if that stock is available. The project mainly deals with the effects of undocumented migration on different labour market segments, i.e. substitution of indigenous workforce in the low skilled segment and complementary effects in the high skilled segment. The empirical work follows traces of undocumented migrants in official data such as apprehension at the border, within the country or at work; qualitative information can be drawn from welfare organisations and public utility institutions that also take care of undocumented migrants. Another method to gather information on undocumented migration is the so-called “discrepancy approach”, i.e. the analysis of differences between census data and official statistical data.

If we pick up this distinction between *demand* driven and *supply* driven opportunities as introduced for the irregular segment, this helps us to describe similarly flows of highly skilled migrants and connected economic preconditions and consequences for sending and receiving countries respectively. Within B4 we find three studies that relate to these issues in one respect or another and could be summarised by the labels *Brain Drain*, *Brain Gain* and akin terms. The three current B4 studies in this area can rather be positioned in the *supply* category that branches off the in the work or entrepreneurship category of our graph (see 3.1) respectively – though also the demand in the receiving countries is a decisive factor: Uwe Hunger’s study on Indian IT-entrepreneurs in the USA as mentioned above, Dragos Radu’s

(HWWA) presentation of “The Romanian Brain Drain: How large? How selective?” and the survey presented by Marco Percoraro (SFM) on “Highly Skilled Migrants in Switzerland”. All three studies have in common that they focus in one respect or another on the interrelation between the migrant’s individual endowments, labour market insertion and possible repercussions of a loss of human capital on the countries of origin. While the analysis presented by Radu uses an econometric model to calculate the extent of brain drain in Romania as a major source country of highly skilled migration, the research conducted by Percoraro and the SFM aims at surveying and describing the increasing proportion of highly skilled migrants in Switzerland. 62 % of the migrants there who have been arriving since 1995 are highly skilled. Their impact on the Swiss labour market and their ability to integrate economically have barely been analysed yet. Socio-economic composition and living conditions are also rather unknown.

Serge Feld’s study can be positioned on the demand/structural side of the work-branch of our graph: His research focuses on demographic development as the decisive structural condition and its impact on labour markets, possible labour shortages and consequences for migration policies. His argumentation focuses on the ageing processes of the population in Europe while emphasising demographic differences in the single EU member states. He rejects the oversimplified assumption of one (!) demographic process in Europe. Data show that some countries will suffer from demographically caused problems much earlier than others, some 20 to 30 years earlier than others. Related to labour markets, shortages and labour migration these demographic differences will hamper European harmonisation of migration policy. Related to our cluster key terms this means that the ‘ability to pay’ will be easier to be acquired by migrants in some countries than in others depending on the demographically determined demand.

Two projects centre on possible interdependencies between political and economic integration. Jean-Louis Rallu (INED) analyses “Socio-economic Characteristics of Naturalised/Non-Naturalised and Bi-National Migrants”. In this project naturalisation rates and their impact on and interrelation with socio-economic characteristics are compared in the USA and France.

Holger Kolb’s (IMIS) considerations on “Economic Theory of Citizenship” are of a more theoretical than empirical focus. Kolb’s starting point is the conceptualization of citizenship as an exclusive club membership initially conceived by Thomas Straubhaar.¹⁰⁸ The theoretical

¹⁰⁸ See Thomas Straubhaar, Wird die Staatsangehörigkeit zu einer Klubmitgliedschaft? In: Dietrich Thränhardt/Uwe Hunger (Eds.): Migration im Spannungsfeld von Globalisierung und Nationalstaat. Wiesbaden 2003. p. 76-89.

framework derived from the collective goods theory uses the concept of rivalry to address certain fields of integration and to analyse the question of integration capacity. Thus the concept of rivalry (and different degrees of rivalry) can help to distinguish certain fields of integration and to find a more operationalised definition of capacity as far as integration is concerned. In a more empirical part of the considerations two questions will be addressed. Can states really adopt the strategy and ratios of clubs and what would be the implications for the task of states if states would adopt the club strategy.

4.2 Outlook and further Tasks

This report should function as a starting-point for the first assessment and inventory of the existing theories in the field of economic migration research. Proposing a clear and operationalised definition ('ability to pay') what is meant by the topic of this cluster "about economics without any economists" we are dealing with we have an elaborated frame of reference that helps us to develop an overview of the field. This frame is charted in the first part of the paper. As stated above up to now we do not have economists as members in this cluster. That means that our (as mainly social scientists) relation to economic theory has to be clarified and developed. It is necessary to develop a special frame of reference in order to position the current work related to the differentiated approaches. This will show the capability of the economic theories for the research that is planned in the future. Besides that we have to discuss the relevance of the current research projects in relation to the theoretical and definitional suggestions in this paper. On this basis it could be fruitful to clarify gaps as well as far studies, empirical data and knowledge and as a lacking institutionalisation of research groups and personnel are concerned. This again will help us to continue in the conduction of one of the most important aims of the network, the discovering of relevant and important research gaps and the formulation of new research teams and projects.