

# Economic Shocks, the Legal Environment and Work-related Migration\*

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## *Abstract*

We investigate the impacts of immigration restrictions on work-related migration flows and the interaction between policy and the responsiveness of migrant flows to economic shocks. The analyses draw on novel Norwegian data that cover both work-motivated immigrants and temporary labor migrants including workers posted by foreign firms. We find labor market conditions to be important drivers of migrant flows: The wage differential between destination and source countries triggers migrations but at a decreasing rate. Next, the destination-country business cycle is a significant determinant, with a 10% drop in unemployment raising migrant inflows by the same rate. Higher unemployment at home also induces emigration. Identification of effects of entry restrictions is based on the 2004 and 2007 enlargements of the European Union and within-country responses to accession to the common European labor market. Entry restrictions limit inflows, but they also cancel the effects of wage and unemployment differentials. Our findings show similar responsiveness of flows of immigrants and temporary workers to variation in underlying economic factors. One exception is that posted-worker flows are invariant to cross-country wage differentials.

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