IZA

POLICY PAPER SERIES

IZA Policy Paper No. 36

European Union Expansion and Migration

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December 2011

Forschungsinstitut
zur Zukunft der Arbeit
Institute for the Study
of Labor

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ABSTRACT

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This paper concisely reviews what we know about the experience of an enlarging European Union with free movement of workers within its borders. We focus on the two most recent, Eastern, enlargement waves of 2004 and 2007. We first assess the actual migration flows following the enlargements against the pre-enlargement expectations and perceptions. We then review the effects of these flows on the labor markets of receiving as well as sending countries. We conclude that the available evidence does not indicate negative effects on the receiving countries' labor markets or welfare systems. From the sending countries' perspective the risks of out-migration lie in skill shortages in affected occupations or sectors as well as the potential (in)stability of their public finances, whereas the potential benefits may materialize through brain circulation. Overall, free mobility can be described as one of the key achievements, and success stories, of European integration.

JEL Classification: F22, J61

Keywords: migration, effects of migration, EU enlargement, free movement of workers

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Introduction: Free movement of labor principle

European economic integration began in 1952 when Belgium, France, (West) Germany, Italy, Luxembourg, and the Netherlands founded the European Steel and Coal Community which, with the Treaty on the European Union in 1993, became the European Union (EU). The "free movement of workers" stipulated in Article 45 of the Treaty on the Functioning of the EU represents one of the key pillars of economic integration within the EU, complementing freedom of movement of goods, services, and capital. The principle of free labor mobility enables citizens of an EU member state to enter the territory and labor market of other member states to seek and accept employment and, in effect, to gain access to employment-attached social benefits. The Treaty on the European Union, Directive 2004/38/EC, and the Case Law of the European Court of Justice extend the right of free movement to all citizens of the EU, as well as to their close family members, provided that they do not pose an undue burden for the host country's public funds and that they possess comprehensive health insurance. In 2008, about 2.59 percent of the EU population was born in another EU country (own calculations / EU SILC 2008).

The free movement principle was little debated when countries at a similar level of economic development, including Denmark, Ireland, and the United Kingdom, and Austria, Finland, and Sweden, joined the EU in 1973 and 1995, respectively. However, the accession of countries with significantly lower levels of income, such as the eastern enlargements to eight Central and Eastern European countries (EU-8) – the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia – in 2004, and to Bulgaria and Romania (EU-2) in 2007, but also the southern enlargements to

Greece (1981) and Spain and Portugal (1986), led to controversies surrounding the free movement principle.

Expectations and perceptions

These controversies originated mainly from the fears of increased competition for jobs and welfare in old member states by immigrants from new member states. In the wake of these fears, prior to the enlargement a number of studies attempted to measure the expected numbers of post-accession migrants from EU-8 and EU-2 to EU-15 (Layard et al. 1992; IOM 1998; Bauer & Zimmermann 1999; Dustmann et al. 2003). The estimates of the expected migration rates were fairly diverse but mostly predicted relatively moderate outmigration rates. In spite of this, the actual policy decisions resulted in only selective liberalization of the EU-15 labor markets, ranging from immediate liberalization on the side of the UK, Ireland, and Sweden to transitory periods of seven years (the maximum duration permitted by the accession treaties) put in place by Germany and Austria. As of March 2011, none of the EU-15 countries had liberalized access to its labor market for Romanian and Bulgarian workers. In contrast, the EU-8 countries liberalized access to their labor markets for EU-2 workers immediately or shortly after EU-2 accession.

In the acceding countries, the EU accession represented an important landmark which marked the end of the transition from a socialist economy and polity to market principles and democratic regimes. Due to the fact that many EU-8 economies were, as a result of the economic restructuring, facing labor market difficulties with high unemployment rates, people and politicians alike welcomed the free movement

opportunity that the EU accession offered. A potential danger of high outflows of workforce was not of much concern to any of the acceding governments, although "brain drain" was feared in some highly skilled professions, such as medical personnel. For the new accession countries, the capacity to curb and control migration on the eastern border of the EU and preparation for the Schengen area membership, which was to eliminate all internal borders and introduce a common external border, was of higher priority than the potential outflows. Overall, the expectations of fast convergence with the rest of the EU framed the attitudes already typically quite favorable toward the EU accession.

Empirical description of the phenomenon

The post-accession East–West migration significantly altered the migration landscape in Europe and was dubbed "one of the most spectacular migratory movements in contemporary European history" (Kaczmarczyk & Okolski 2008: 600). The transitional arrangements markedly affected the directions and composition of post-accession migration flows; however, they did not prevent increased immigration even into the countries applying the strictest measures. By December 2007, more than 1.2 million EU-8 citizens had found work in the UK or Ireland alone as an outcome of the early free movement liberalization in these countries (Kureková 2011). Baas et al. (2010) estimated that the average inflow (net immigration) of EU-8 into EU-15 quadrupled to around 250,000 people a year since 2004. The proportion of foreign residents from Romania and Bulgaria in 2007 amounted to about 1.86 million people, compared to 1.91 million EU-8 citizens. These figures amount to approximately 1 percent of the EU-15 population. While this number does not appear to be high, the concentrated nature of this migration to

a few EU-15 countries, and varied outmigration rates from the EU-8 and EU-2 countries, led to marked effects on those countries where the magnitude of inflows or outflows was the greatest: UK, Ireland but also Austria on the receiving side, and the Baltic countries, Poland, Slovakia, Romania, and Bulgaria on the sending side.

The post-accession migration from EU-8 embodied a new profile of migrant, marking a change in typical characteristics of people leaving the region in the 1990s (EC 2008; Kaczmarczyk & Okolski 2008; Kahanec & Zimmermann 2010). While the pre-enlargement migrants were typically middle-aged with vocational education and previous work experience, the post-accession migrants were predominantly young and with tertiary education. The mobility from Central and Eastern Europe has been characterized by short-term or temporary character rather than permanent resettlement (Pollard et al. 2008; Accession Monitoring Report 2009). Kahanec and Zimmermann (2010) document diversion of more skilled migrants to the countries that liberalized labor market access early on, whereas restrictive transitional arrangements seem to have led to adverse selection of post-accession immigrants.

The employment pattern of post-accession migrants in the UK and Ireland specifically was characterized by very high (waged) employment rate but mostly in low-skilled and low-paid jobs with limited degree of upward job mobility and earnings that were among the lowest from all migration groups in the countries (Clark & Drinkwater 2008; Drinkwater et al. 2009; Blanchflower & Lawton 2010). The educational attainment acquired at home often failed to reflect migrants' earnings as deskilling was a widespread phenomenon especially among the more skilled immigrants: while workers with vocational education typically performed equivalent occupations, migrants with tertiary

education qualifications were more likely to take on jobs in elementary occupations (Pollard et al. 2008). Contrary to migration in the UK and Ireland, EU-8 migrants in Germany, where transition periods were in effect until May 2011, have been diverted into self-employment (and vocational-level jobs) because labor mobility restriction does not apply to service provision and self-employment (Brenke et al. 2010).

The world economic crisis of 2008–10 slowed down the rates of migration flows and changed their directions. These were largely determined by the degree to which a particular country was hit by the economic downturn: rising outflows were observed in Hungary and Latvia, for example, and declining outflows observed in Poland (Accession Monitoring Report 2009).

Effects

Based on a broad account of labor-market impacts of post-accession migration flow in receiving countries, Kahanec et al. (2010) conclude that there is little evidence that they would crowd out native workers from employment or lower their wages. Similarly, relatively low welfare dependency was documented among post-accession immigrants, although there is some evidence that it grew as the migrants fulfilled the legal requirement of employment duration to qualify for such benefits (Kureková 2011). Some studies point at positive effects for growth in receiving countries (Baas et al. 2010). These findings do not rule out the possibility that some sectors, occupations, or local labor markets might have witnessed negative effects of post-accession immigration on native employment or wages.

A downward pressure on wages in low-skilled sectors and strain on the provision of public services and housing in the areas where the immigration concentrated was suggested by some reports (Trades Union Congress 2007; House of Lords 2008). The EU-8 immigrants, however, have been overemployed in sectors with existent labor shortages (e.g. manufacturing and construction), which suggests that they have complemented rather than replaced domestic and other immigrant labor force (Kureková 2011). Blanchflower and Lawton (2010) argue that fears of increased competition in the wake of post-accession immigration led to a degree of wage moderation in wage bargaining in the UK.

A most marked impact of the post-accession migration has revealed itself in the sending countries' labor markets. While the exact share of outmigration on the macro-level outcomes is difficult to quantify, in the countries that experienced large outflows, two phenomena occurred (Kaczmarczyk & Okolski 2008; Galgoczi et al. 2009; Kahanec & Zimmermann 2009; Meardi 2010). First, a significant decline in unemployment rates across the region took place that was partly caused by significant outflows of migrants. Second, shortly after the EU entry, the EU-8 economies began to face labor and skill shortages that in turn led to partial liberalization of their policies toward immigration of third-country nationals and a rise in immigration into Central and Eastern Europe. Additionally, fears of fiscal instability began to surface in the wake of large outflows of workforce. The ultimate effects of post-accession migration on the sending countries depend primarily on whether the migrants return to their countries of origin and whether they will have acquired or lost human – but also financial and social – capital during their migration experience. Indeed, in the context of labor market tightness and skill shortages,

the governments began to form more active policies toward migrants working abroad, which included attempts to incentivize return migration (Galgoczi et al. 2009; Kureková 2011). Unlike in most EU-8 countries, remittances have been more significant in Bulgaria and Romania (Kahanec et al. 2010).

For EU-8 and EU-2 migrants the possibility of working abroad provided the opportunities that were missing in domestic labor markets, especially for those who were leaving from depressed or underdeveloped regions in the post-Soviet era. The scarcity of employment often involved temporary migration strategies characterized by low investment in host-country-specific human capital, strong attachment to work, and a high saving rate in view of transferring the accumulated resources to the countries of origin upon return. The existent surveys indeed report relatively poor working conditions typified by lower wages and longer working hours among the migrant laborers (Trades Union Congress 2007; Kahanec & Zimmermann 2010). Yet, especially among the young migrants, the working experience gained abroad has been valued by potential employers upon their return (Kurekova 2011). In contrast to the predominantly single migrants going to more distant destinations, those migrants who travel to destination countries geographically closer to their home countries, for example Austria and Germany, were typically middle-aged and had families that were left behind, which has had negative consequences for childrearing and stable family relationships. Given poor prospects for employment in source countries and the possibility of relative advantages for younger workers returning home after working in Western Europe, some may argue that the migration experience may improve their standard of living. However, in host countries, migrant workers are often not employed in positions that make use of their skills, and,

taken as a whole, are not trained or do not advance their prospects for higher-wage employment on their return. Laboring in jobs that do not match their skills, migrant experiences are also marked by separation from their relatives and friends, which may lead to lack of satisfaction with their experience of working abroad (Anderson et al. 2006).

Conclusions

The post-accession East–West migration has reshaped the European migration map lastingly. The number of migrants exceeded most expectations, which is an experience in contrast to the previous enlargements, which were not followed by a comparable rise in migration (see Bover & Velilla 2001). Mainly due to transitional arrangements, but also to linguistic and other factors, the size and composition of post-accession migration flows varied markedly across receiving countries. Structural differences in labor markets and welfare led to variation of outmigration rates across sending countries (Kureková 2011).

The available evidence does not indicate negative effects on the receiving countries' labor markets and welfare systems, although this does not exclude the possibility of other harmful local effects in the future. From the perspective of sending countries, the risks of outmigration lie in skill shortages in key occupations and labor-market sectors as well as the potential for unpredictable public finances. On the other hand, migration experience may equip migrants with additional human, financial, and social capital that could have a positive effect on sending countries upon their return. While migrants may or may not return to their source countries, recent studies document

that at least the post-accession migrants only seek to stay abroad temporarily (Kahanec & Zimmermann 2010).

Overall, EU free mobility provided for a wider set of possibilities for its citizens and debatably led to improved distributional efficiency of EU labor markets (Kahanec & Zimmermann 2010). As such, European experience with free mobility can be described as one achievement and success story of European integration. However, as shown also by the stringent transitional arrangements for EU-2 workers and the growth of economic nationalism in the wake of the 2008–10 economic crisis, free mobility could have uncertain and harmful consequences, and remains a highly sensitive and controversial issue in the European public discourse.

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