

Dr. Irene STACHER

The International Centre for Migration Policy Development ICMPD, Vienna

**WHAT IS THE IMPACT OF MIGRATION ON THE LABOUR MARKETS
OF AN ENLARGING EUROPEAN UNION?**

Paris, 19 February 2004

Lecture in the International Seminar for Experts “Labour Market Policies in the European Union – Learning from the Best Practices”, organised by the Cicero Foundation in the series Great Debates, Paris, 19-20 February 2004.

Mr. Chairman, Ladies and Gentlemen,

At the beginning of the 1990s, Europe was in the grip of one big migration fear. Numerous newspapers across the continent warned in large headlines of “millions of Easterners” flooding west and entering the labour markets of Western Europe.

A decade later, the Central and Eastern European countries have seen a dramatic transformation of their political and economic landscape and 10 new countries are to join the EU in May this year.

No Mass Flows Expected

Of course, also during the last years there has been much talk about the risk of large-scale migration from East to West after this fifth EU enlargement. However, all migration experts are now much more relaxed about expected future flows and no one expects mass flows from East to West creating excessive pressure on the labour markets of the Western European countries. Why is that?

I will first give some **long-term arguments** that speak against the prospect of a flood of new migrants from the new Member Countries entering the labour markets of Western Europe and

then draw the attention to the expected **short-term effects** of EU-enlargement and as a last point I would like mention the question of **illegal/irregular migration** to the enlarged Europe.

I. The Long-Term Effects

The first argument is based on the migration experience of the 1990s: despite the fears at the beginning of the decade and notwithstanding regional variations, for the whole of the EU-15 immigration from the Central and Eastern European Accession countries has turned out to be relatively small. Significant, to be sure, but on the whole much lower than was originally expected at the beginning of the 1990s.

By 1999, around 850,000 people from these countries lived in the EU-15, or only around 0.2 % of the total EU-15 population. Around 300,000 people of the new EU Member States were registered in the EU-15 labour force, or only around 0.3 % of the total EU-15 labour force. Even if we add a considerable number of irregular migrants from the accession countries working in the “black economy” of Western European countries (many of them temporary migrants), the share of the EU-15 labour force originating from the new Member States is far below one percent.

If we compare these numbers with other significant migration flows, we find that labour migration from Eastern to Western Europe was not the dominant feature of migration during the 1990s. Actually, large-scale migration flows came from the Bosnian war drama, and from the so-called “ethnic migration”, mainly of “ethnic Germans” from Poland, Romania and the former USSR to Germany.

The Example of Austria

I would like to give a specific example of immigration from Central and Eastern Europe: Austria which is a neighbouring country of many new Member States.

Overall, immigration from the CEE to Austria has been very modest since the fall of the Iron Curtain. According to the latest Census results, the total population of Austria in 2001 was

slightly above 8 million of whom some 710,000 (or 9 %) were foreigners. Of all foreigners, 315,000 (or 44 %) were from the successor states of the former Yugoslavia (excluding Slovenia), while 127,000 (or 18 %) were from Turkey and 106,000 (or 15 %) were from the current EU-15 MS. Only about 57,000 (or 8 %) of all foreigners in Austria were from the 8 new Member States of Central and Eastern Europe, including Slovenia. The largest group were Poles (21,841), followed by Hungarians (12,729), Slovaks (7,739), Czechs (7,313) and Slovenians (6,893).

The recent net migration from the new Member States has been even lower. In 2001, 10,600 citizens of the new Member States immigrated to Austria, while 9,000 emigrated, resulting in net immigration from the new Member States of only 1,600. This high rate of return migration from Austria could, however, decrease after their EU accession, as the stipulations of the Accession Treaty will allow access to the labour market for family members of persons, who have been working in Austria for more than 12 months and, conversely, foresee a loss of this right in case of remigration. Thus, if more migrants from the CEECs decide not to return for this reason, net migration will increase somewhat already in the first year.

A Decline in the Number of Asylum Seekers

But let me turn to another general feature of migration from East to West. During the 1990s it was the large number of asylum seekers, most with unfounded claims, arriving in Western European states. Starting in the 1980s but accelerating dramatically in the early 1990s, the flows of asylum-seekers from certain Central and Eastern European countries increased but have since declined again. During the 1980s and early 1990s, countries like Germany, Austria and Sweden received hundreds of thousands of asylum seekers from the region. But with the convergence of the candidate countries to Western European legal standards, these flows quickly dropped and when the 10 new Members enter the EU, all these new Member States will de facto be considered as safe countries of origin as well as safe third countries, which will take off further pressure from Western European asylum systems.

At the same time, asylum flows from remaining candidate countries, which aspire to join the European Union later in the decade, have also come to a halt. For example, during the 1990s

Germany received 272,000 asylum seekers from Romania and 83,000 from Bulgaria. These figures were then falling rapidly and by the first half of 2003, Germany received only 53 asylum-seekers from Romania and 163 from Bulgaria.

The Prospect of Higher Living Standards

A third argument against large-scale East-West migration in the enlarged Union over the medium to long term is a simple economic one: through increased investment and trade in the new Member States, living standards in Central Europe will quickly approach Western European levels and thus the economic incentive for emigration will diminish. This has already been apparent over the last few years, with GDP growth rates exceeding growth rates in the EU-15 by far. It is expected that full integration into the EU internal market will further accelerate economic growth in the new Member States, thereby boosting employment and incomes.

Experience tells us that significant emigration typically comes to a halt at around 60-70 % of the living standards of the destination region.

Of the new Member States, Slovenia already achieves more than 70 % of the per capita income of the EU-15, while the Czech Republic achieves more than 60 %. Hungary will achieve more than 60 % by 2010 and the Slovak republic around 2012. Only Poland will take until 2015 to achieve 50% of per capita income of the EU-15. But still, we do not expect significant emigration from Poland either.

Demographic Deline in the New Member States

The fourth argument applies to the medium and long term, but will be all the more important when it becomes stringent. I am talking here about the dramatic demographic decline of the new EU Member States, which is even more pronounced than the demographic decline in the current EU-15. With an average fertility rate of only 1.3 children per woman, the Central and Eastern European States will over the coming decades be confronted with a rapidly ageing population, which will eventually lead to massive population decreases, a shrinking workforce and shortages

on the labour market. On current projections, the new Member States have to face a population decrease until 2050 ranging from – 9 % in the Czech Republic to – 20 % in Hungary. Even more dramatic is the picture for future Member States: a projected population decline of – 22 % for Romania and even – 35 % for Bulgaria.

Actually, the enlargement will make our EU population even more older, and there is therefore an urgent need to stimulate an increase in the participation of women on the labour market from 60% to 70% and also to seriously reflect upon how to achieve increasing immigration levels to Europe in the long-term.

Modest Future Migration Flows

Finally, the fifth argument which speaks against large migration flows after enlargement is based on dozens of academic studies that have tried to estimate future migration flows from the new Member States after their accession to the EU. Over the past decade more than 30 such studies have been produced. Taken together, they all argue that future migration flows from the acceding countries to the original Member States will be relatively modest. The most comprehensive study, done by a consortium of European economic research institutes in 2000 projects that annual migration flows from the new 10 to the present EU-15 would amount to some 330,000 persons in 2002, decreasing to 150,000 in 2012 and only 2,400 in 2030, provided full freedom of movement. Around 80 % of the migrants would go to Germany. The latest update of this study commissioned by DG Employment ¹ estimated a net increase of migration from the 10 new Member States of initially 286,000 per year, increasing to 360,000 per year and falling to 100,000 by 2012. Most studies see the long-term migration potential at only around 2-3% of the whole population of the new Members.

II. The Short Term Effects

For the short-term perspective of 6-12 months, these studies mentioned above are of limited use, as they all try to predict future migration flows under the assumption of full freedom of

¹ See European Commission (2003): Potential Migration from Central and Eastern Europe into the EU-15. An update. Report for the European Commission DG Employment and Social Affairs (October 2003)

movements applying immediately across the enlarged EU. As this is not the case, the results of the studies do not apply in the short term. In fact, most labour migration from the new Member States will continue to be regulated directly by national migration policies. Thus, for Austria for example, the level of regular labour migration will continue to be determined by the annual migration quotas, except for family members of nationals of the new Member States, who have been working in Austria for longer than 12 months. Moreover, to safeguard their labour markets against possible surprises (and to re-assure their voters) some EU Member States have insisted on transitional periods for the introduction of the principle of free access to the labour markets up to 7 years.

In the accession negotiations a transitional period of up to seven years was agreed upon, during which time the “old” Member States individually may still regulate access to their labour markets for citizens of the new Member States in Central and Eastern Europe (not Malta and Cyprus).² Austria and Germany had insisted on long transition periods, and might even apply them for the full period of up to seven years. France, Belgium, Finland, Spain and Greece will also make use of the transitional periods for at least the first two years. The Netherlands will make use of the transition period for at least two years in case more than 22,000 migrant workers from the new Member States want to work in the country. Italy, Portugal and Luxembourg had previously announced an immediate opening of their labour markets but are formally still undecided and are now leaning towards an initial use of transition periods. Likewise, Denmark and Sweden are currently considering the use of transition periods and/or provisions to limit potential misuse of their social welfare systems. Ireland and Great Britain have already put legislation in place to allow the immediate opening of their labour markets but may yet reconsider applying transition periods.

This is then an argument against short-term large-scale East-West migration flows after enlargement. Member States are free to limit the freedom of movement (that is the freedom to work on their labour markets without explicit permission and work permits) for citizens of the new Member States for up to seven years after the date of enlargement (that is up to 2011).

² Transition periods will not apply to citizens of Malta and Cyprus. The transition periods are valid for an initial period of 2 years. After this, Member States have to announce whether they wish to extend the transition periods for up to 3 more years. Following this, transition periods can be extended for another 2 years in case of serious disturbances of the labour market or the threat thereof.

So on 1 May 2004, ten new Member States will enter the EU-15. This means that the full EU acquis is immediately applicable in the EU-25 except for those matters for which transition periods have been agreed upon in the Accession Treaty. Thus, the population of the new Member States will enjoy freedom of movement and residence but for the access to the labour market there will be restriction during the transition periods.

According to agreement during the accession negotiations between the EU and the future member states, there will be transitional periods limiting the free movement of workers from the new member states in Central and Eastern Europe. For workers from Cyprus and Malta there are no restrictions (see EU Newsletter February 2004³).

- Until May 2006, access to the labour markets of current member states will depend on national measures and policies, as well as bilateral agreements they may have with the new member states.
- In mid-2006 the European Commission will report to the Council of Ministers to allow a review of how the transitional arrangements are functioning. And member states will have to notify the Commission what they intend to do until mid-2009: either to continue with national measures, or to allow free movement of workers.
- The possibility exists for a current member state to ask the Commission for authorisation to continue to apply national measures from 2009-2011, but only if it is experiencing demonstrably serious disturbances (or threat of such disturbances) on its labour market.
- During all this time, any of the EU15 that has stopped applying national measures and has a fully open labour market can seek to re-impose restrictions, if it experiences serious labour disturbances - but the Commission will decide what sort of restrictions can be imposed and for how long.
- In mid-2011 - seven years after accession - there will be complete freedom of movement for workers from new member states.

The transitional arrangements will apply to anyone from the Central and Eastern European new Member States who wants to sign an employment contract with an employer in one of the EU15. But it does not apply to people wanting to live in one of the EU15 to study or to establish

³ http://europa.eu.int/comm/enlargement/docs/newsletter/latest_weekly.htm#C February 2004

themselves as self-employed persons (except for some services, for instance in the construction sector, in Austria and Germany).

(End Newsletter).

III. Irregular Migration

Mr. Chairman, let me say a few words on irregular/illegal migration! Irregular Migration to and through some countries of the EU15 could increase slightly during the period immediately following EU enlargement. There are two reasons for this. First, the application of the Dublin II regulation which will become fully operational across the EU-25 on 1 May 2004, supported by the EURODAC system, may divert flows from the asylum system to completely clandestine (transit) movements although controls on the internal borders to the new Member States, and between the new Member States, will be kept until the full implementation of the Schengen acquis will lift border controls (not before 2006/2007).

Second, the immediate validity of the principle of freedom of movement and residence after enlargement in May 2004, in connection with restrictions in the access to the labour market, could lead to a situation, where more citizens of the new Member States pursue illegal employment in the “old” Member States.

Regarding the potential increase in illegal foreign employment, for example in Austria, this could result from the decrease in the risk of residence for nationals of the new Member States (residence would be legal due to the freedom of residence) coupled with a continuously high migration potential on the one hand and a sustained demand for illegal foreign workers from employers and households on the other hand.⁴ The result might be a rise in illegal foreign employment in Austria originating in the new Member States in the coming years.

⁴ Employers will face the same incentives to promote illegal employment, while foreign workers without access to a work permit and legal employment will face fewer risks of expulsion. In addition, foreign “visitors” from the new MS will not need to leave Austria every three months in order to get a new entry date stamped into their passport and will be spared interrogation by the border police in case their passport carries a suspicious succession of entry stamps.

It is unlikely, however, that this effect will be large. Already now, there is a substantial market for illegal foreign labour in Austria⁵ and there will be no additional demand resulting from EU enlargement in the short term. It is also unlikely that there will be a sudden expansion in the supply of illegal foreign labour in Austria, as there will be no sudden changes in the entry regime (citizens of the new Member States have long been exempted from visa obligations for travel to Austria).

It is well known that illegal foreign workers in Austria are embedded in their own migrant networks, passing on jobs, accommodation, information and support to relatives and friends. This is particularly true for irregular workers from the new Member States, who will normally not move to Austria before accommodation and jobs have been arranged for them. It is expected that the accession of the new Member States on 1 May 2004 will change little in this pattern. And while the lifting of residence restrictions on nationals of the new Member States might have some migration effect over the medium to long term, as argued above, increasing opportunities at home will also decrease migration potential in the long run.

However, there is little knowledge about the impact of enlargement on illegal migration flows from other countries like Asia and Africa.

So, to come back to Central and Eastern Europe again, the question for the new Member States will not be one of sustained emigration over the long run, but rather how to fill the growing shortages on their labour markets. Already now, several booming new Member States face labour shortages in certain segments of their labour markets. Unfortunately, we have little expertise on the impact of enlargement on brain-drain and highly skilled labour migration.

The New Member States Become Immigration Countries

Which brings me to my next point. The new Member States are currently confronted with a very complex and dynamic migration situation that is characterized by three simultaneous phenomena:

⁵ The branches most affected by illegal foreign employment in Austria are: construction, catering, small-scale industry / handicraft owned by foreign employers and individual households (cleaning, cooking, child care and care for the sick and elderly). A rough estimate of illegal foreign employees in Austria would be some 70,000, of which less than half originate from the new MS.

Slackening emigration, rising immigration and large flows of transit migration. In fact, several countries of the region have already become countries of net immigration, namely the Czech Republic, Hungary, the Slovak Republic and Slovenia. At the same time all Central and Eastern European countries have seen rapidly rising numbers of asylum seekers and illegal migrants from outside Europe arriving in their countries. These countries now have to finally realize that they are countries of immigration, just as Italy turned from emigration to immigration only some 25-30 years ago.

This now brings me to my final issue, and that is the overall political role of the new Member States in forming European policies at large, also future EU immigration policies. In fact, our Vienna-based organization is working closely with these states since its very inception ten years ago, mainly in the context of the Budapest process to fight against illegal migration but also bilaterally on different migration policy issues. As a matter of fact, it will be very interesting to see how immigration and asylum issues will be dealt with in the new EU treaty context.

Conclusion

Eastern EU enlargement, a fantastic and historic progress for Europe, will bring no drastic immigration to the present EU but an even more elderly population. The new Member States will become immigration states, and together with the present EU Member States in an EU of 25 they can ideally contribute to developing more courageous immigration policies, which increase planned immigration levels and more impressingly fight illegal migration through new global trade policies. Thank you.