

Labour Mobility and East Enlargement

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I

The migratory labour flows in Europe are significantly affected by the dissolution of the Eastern block and, in particular, by the fact that some of those Eastern block countries will become member states of the European Union (EU).

Other ascertainment is the fact that the migrations evolution after the war has been turning the members of European Community into immigration countries, and this reflects itself on population size. There are countries in Europe with a long tradition of receiving immigrants such as France, Germany and the United Kingdom, there are also countries such as Greece, Spain and Portugal that up to 10 years ago were countries of emigration. Hereby, these countries will have far less experience in dealing with these matters than the others.

Therefore, there is a real need to study the specific characteristics of these new migratory flows which, because of their origins and specific effects on the labour markets – and on the societies, in general – of the EU will demand new migration and assimilation policies both in the EU countries as well as in their countries of origin.

Each EU enlargement process implies new challenges for the intervening parts. The actual EU Enlargement to the East represents an unprecedented challenge in the history of the European Union. The number of candidate countries; their historical, economic and political evolution; together with their current situation completely justify the importance and the special attention given both to the negotiations and the transition periods.

Being one of the most sensitive areas, the freedom of movement for people and workers into the EU is strongly anchored in the legal system and the philosophical foundations of European Integration. Although considering that this freedom is one of the basic pillars for the construction of the EU itself, it isn't guaranteed, *a priori*,

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within the EU enlargement framework. Also, studies on the effects arising from the new migratory flows have not been sufficiently undertaken. And if this is true when we speak about the economic consequences, it is more so when we think about the social consequences in zones of potential ethnic and racial conflicts. The European citizens should be aware of what it is really at stake here, so that they themselves can become factors of aggregation and assimilation of these new citizens. This way, there is every chance of avoiding, at least to some extent, xenophobic and racist situations.

The fact that in past enlargement processes, much valuable experience has been gained, coupled with the fact that global and comprehensive analysis and studies have been undertaken, e.g. when of the enlargement to the South (Donges 1982; Lodge 1989; Tsoukalis 1981) are, nevertheless, insufficient to be used as guidelines in the actual EU Enlargement framework with the prospective integration of Central and Eastern European countries (CEECs).

And these are insufficient for several reasons. One of them is, obviously, the ongoing economic and political transition of the Eastern countries, starting from a political system with planned state economies and, thus, with incompatible structures with those of the EU market economies. "The main methodological difficulty lies in the fundamental political and institutional change that goes along with the accession to the European Union (EU). Coming in from the cold (war) into the well-established EU is doubtlessly a unique experience in the history of the CEECs." (Straubhaar 2001) Thus, if there is a case where the Lucas-critique is well applied, it is in the case of comparing earlier processes with the current EU enlargement and its effects on East-West migration flows.

Thus, we're faced with the following question: to know whether past experiences allow for an extrapolation into future behaviour; or more precisely, whether the experience gained when of the enlargement to the South is valuable when we're dealing with the new migratory flows from Eastern Europe into the EU. "The challenges and the opportunities arising from the Eastern Enlargement of the European Union have no historical precedent. Unlike previous enlargement episodes, the ten countries which have signed "association agreements" with the EU and even the five countries which are presently at an advanced stage of the accession negotiations have markedly lower income per capita levels than the current members of the Union. Thus, past enlargement episodes offer limited guidance as to the likely impact of accession on trade as well as labour and capital flows." (G. Bertola et al. 2001)

"There are surplus aspects that perceive the Eastern Enlargement from the past enlargements:

- Income differentials are larger within a shorter range.
- The CEE economies are in a state of flux and transition. Relatively high

enrolment rates, and a historical experience of industrialisation, may imply that productivity and incomes could in principle catch up with Western economies, or at least with the relatively backward portions of Western Europe, in relatively little time.

- Current EU members feature extensive social safety nets. Hence, they tend to accommodate new events by increasing non-participation, long-term unemployment and large social transfers.

- Many CEE countries as well have in place significant social welfare systems, and a much broader range of cash transfers than most middle-income countries.”

The issue of the relevance of previous experiences in the area of labour mobility gains particular importance when one realises that – unlike for other areas within the enlargement framework – the actual unavailability of in-depth theoretical approaches could lead to a certain type of “empirical” decisions being taken, with unpredictable and unforeseeable consequences – through the lack of a theoretical foundation and a systematic approach.

For the defenders of tough security measures, it is up to the government of each sovereign state to legislate on immigration movements and, thus, running the danger of undervaluing the socio-economic factors which are considered by the dependence theories as the main explanatory variables. These theories justify the migratory flows on account of the socio-economic inequalities across regions and defend the social dumping thesis, which the migratory flows originate. Although, following the similar basic principles, the neo-classical economists consider that labour market forces lead to a factor price equalisation and, thus, they explain migrations as the result of the individual, rational and utilitarian decisions based on a cost/benefit evaluation. In a macro-economic perspective, the migratory flows follow the rules of the gravitational models. In this kind of approach on migrations, pull and push factors are taken into consideration. This allows an analysis, on one hand, of the individual cost/benefits considerations of the migrants, and on the other, of the correspondent economical unevenness, from which the decisions on emigration are taken. The pull and push factors have not only an economic dimension – e.g. the wage differentials or unemployment rates – but they also occur from institutional factors such as the possibility of access to labour market (Stefan Bender et al).

However, the evolution of the international relations system has been developing towards a rapid globalisation process, characterised by interdependence and, consequently, reducing the efficiency of autonomous national policies. Thus, in practice, tough security policies aimed at controlling flows are very hard to implement, due to the difficulty of enforcing the law. On the other hand, these policies are conceived – at a macro level – as attempts to control a phenomenon which depends, in essence, from individual decisions.

It becomes then clear the need for a modern, systematic, flexible, migration policy with strict goals, determined by the corresponding needs of the labour market.

A common European immigration policy is one of the main areas of concern for the EU and already worth some considerable effort. It was first introduced in the Maastricht Treaty, where in article K.1, one reads: “[...] Member States shall regard the following areas as matters of common interest [...]”, and in point 3 of the same article: “Immigration policy and policy regarding national of third countries [...]”. At a later stage, the Amsterdam Treaty reinforced the EU powers, by providing it with considerable powers regarding immigration issues. Due to fact that this is not an area for easy and quick resolutions and agreements, many efforts have been put into reaching some form towards the harmonisation of the different national immigration legislations. However, there is still a long way to go, mainly concerning matters of labour migration. The conclusions of the Tampere Council meeting and several communications from the Commission to the Council and Parliament (see European Commission) are a clear example of this theme’s importance as well as of the difficulty in arriving at a common policy. Such a policy will have to take in consideration the necessary flexibility so it can serve as a frame for the national migration policies, until now under State’s sovereignty, each of them with particular characteristics that depend on national labour market and on the different kinds of active immigrants in each state.

The solution to the labour migration problem seems to be that of economic integration: when the migratory chain starts to unroll, if a successful economic integration process is initiated, the immigration flow will decrease significantly or even come to a halt.

The equalisation of prices according to Heckscher-Ohlin-Samuelson took effect in the EU through trade rather than through the increased mobility of labour. “To an important degree, trade has replaced the economic demand for migration in the EU. In brief: having the option to migrate within common labour market has turned out to be the most effective antimigration policy.” (Straubhaar, 2001)

This was, probably, the reason for the fact that the right to freedom of movement in the EU for citizens from countries like Greece, Portugal and Spain did not lead to the theoretically expected increase in migratory flows.

Nevertheless, the research findings on the economic relations between the EU and the CEECs do not suggest that trade and capital movements will lead to factor price equalisation, so that wage differentials will remain and, consequently, there will be a potential incentive for migration. This potential incentive is reinforced both by the existence of a large unemployed labour force and geographic proximity.

However, besides the EU internal labour market regulations, the immigration flows are hindered by the labour demand of the host countries and by social and cultural barriers.

The issue of the impact of the migratory flows will remain relevant, independently of the volume of the flows, although the degree of the impact will vary according to that volume.

The influx of foreign labour need not affect the employment and salary levels of the host country negatively: economic theories suggest that the effects of immigration on wages and employment can be neutral. However, in real terms, things might be different. Those effects are not evenly spread across workers: those with substitute capital endowments with respect to migrants may loose with immigration, while those with complementary human capital endowments may benefit. Immigrant labour can act as a substitute or a complement to native labour, depending on the educational level and the individual characteristics – in this particular case, the level of formal education of the CEECs labour force is, generally, very high. In general, studies undertaken on this issue arrive at the conclusion that there is only a moderate effect on wages and employment (Borjas 1994; Hainsken 1996). It is necessary to evaluate the impact of migration on inter-industry labour mobility and employment risks. The immigration may trigger the movement of native (or a previously settled migration) into other sectors and, hence, spread the migration effects into other sectors of the economy; in this case, it is necessary to investigate the effects beyond the inter-industry wage differentials.

The accession of the CEECs to the EU will further accelerate the factor mobility but, probably, will not change the picture as a whole. Therefore, the emphasis should be put on an in-depth analysis of the impact of integration at branch levels and on inter-industry differentials in wages and employment rather than at the economy-wide level.

The professional qualification of the new migratory flow is substantially different from the previous ones. In general, the professional qualification of Central and Eastern Europe immigrants is higher, so the correspondent employment policy should take in consideration such characteristics, otherwise there won't be enough potential productivity improvement from that labour.

The several studies undertaken in order to evaluate the flows of Eastern labour to the West (Hönekopp 2001), lead to different conclusions, depending on the method or assumptions used by the authors. Most evaluate structural migration models, others just stick to opinion polls and surveys. The Dresdner Bank published the different results of different authors.

Authors	Total immigration	Annual Immigration
Brücker (DIW) and Boeri (2000)	2.9m (After 10 years)	335,000 falling to 145,000
Sinn (Ifo) et al. (2001)	4.2m (After 15 years)	380,000 falling to 200,000
Hille and Straubhaar (2000)	-	270,000 to 790,000
Bauer and Zimmermann (IZA) (1999)	-	200,000
Bröcker (University of Kiel) (2001)	5m (After 20 years)	480,000 falling to 0

Source: Dresdner Bank (2001), Trends Special, "The Challenge of EU Enlargement", July.

Although the gap of variation regarding the movement of workers in the different studies is quite significant, they all lead to the conclusion that the most pessimistic forecasting has no real pragmatic foundations. Thus, from the majority of the studies undertaken, we can assume that, on average, only 3 % to 4% of the CEEC-population will use the freedom of movement, in the next one or two decades, what in net migration numbers – allowing for return movements – will mean 1 % to 2%.

Experiences with previous migration movements - like the migration of labour from the Southern countries to northern Europe in the 1960s – suggest too that not all people willing to migrate will do so right away.

II

The above mentioned results come from analyses which, on the whole, refer to those countries which will feel more the effects of this freedom of movement, either because of their economic power (e.g. Germany) either by their geographic proximity (e.g. Austria). On this subject several valuable studies have already been undertaken. (See for instance Boeri et al. 2001) However, the diversity of the EU member states' economies dissuades the direct application of conclusions, obtained for some EU specific countries, to all of them. Considering the state-of-the-art, we come to the conclusion that the Southern European countries – economically weaker, geographically further away from the East and with a smaller immigrant population – have not been considered as probable chosen destination countries of migratory flows from the CEECs, now and in the foreseeable future. One should keep in mind that if economic power – translated into higher wages – and geographical proximity are very important factors for the decision to leave the home country, there are other

variables that must also be considered. "Migration does not only create economic problems if labour markets are inflexible but also if it is induced by tax and social policy. Policy is not balanced if on the one hand high social standards and accordingly high taxes cause high-income earners to emigrate, while on the other hand state benefits provide incentives for workers to immigrate. These benefits include social benefits in the narrower sense (e.g., social-security claims, welfare aid, public housing allowance, child benefit) as well as the other public goods and services (e.g., education system, publicly assisted housing, infrastructure). If foreigners benefit more from the publicly financed services of a potential host country than they would contribute to their financing, there are incentives to immigrate to this country. Moreover, migrants already living in this country would have no incentives to return to their country in this case. Under these circumstances, the level of immigration thus exceeds the economically optimal level.

In fact, when choosing the destination country, some other living standards conditions often tip the scales. For example, the probability of finding a job and whether foreigners benefit more from the publicly funded services of a potential host country than they would contribute to their financing - these are strong incentives to emigrate to a particular country. (Dresdner Bank 2001) Taking these factors also into consideration makes European Southern countries even less attractive.

However, stating the above does not necessarily mean that the impact of the alterations in the East will not make it dangerous to keep on ignoring its potential effects on the EU Southern countries. For several reasons:

- The fact that the potential flows of Eastern Europe immigrants could be lower – in absolute terms – does not preclude that the effects will not be relevant to the economies and societies of the European Southern countries.

- It is also a fact that in these countries, it is already felt the presence of immigrants from the East with the subsequent economic and social consequences (integration problems and racial conflicts).

Two levels of conflicts will be identified:

- a. The conflicts of interest between the social agents, i.e. the host society and different immigrant/ethnic communities both in formation and well established ("horizontal clashes");

- b. The potential area of conflicts generated by the policies implemented by local and national authorities to integrate migrants ("vertical clashes").

Beyond all the specific migration problems, it has become apparent, in these countries, that there is an added problem regarding their "traditional" immigrant population and this "new" immigration – for various reasons, from economic to ethnic/racial, there are already some signs of conflict – besides the potential conflicts

with the native population. The fact that East migrants belong to an European culture and possess a higher professional qualification than traditional European migration flows can be the cause for conflict.

On the other hand, the fact that some countries of origin of these new migratory flows are the new members to accession to the EU is the source of another specific problem. The "traditional" immigrants come from countries outside the EU. Therefore, the economic growth concern was secondary to those of the CEECs that will be part of the EU. Thus, it is fundamental to help creating the conditions for their economic development. Within this framework, it is necessary to take into consideration that their economic growth and cohesion could be "at stake" if the level of migration is too high. This would prevent them to gain from full integration into the EU, due to the draining of their labour resources. In other words, a EU magnanimous attitude towards migration could, eventually, create conditions for such high migration flows from the new EU members, which could have damaging consequences to their own development and subsequently to the EU itself become of regional disequilibria.

The barriers imposed by States to immigrant labour have been growing parallelly to the tolerance towards the large number of illegal labour, precisely in areas where there is few control in security, health and working environment terms, putting them in precarious conditions, beneath the average of the other workers.

These conditions, altogether, link immigration to criminality, which leads to generalized discrimination attitudes.

In this sense, the Community sees herself facing the need for a systematic integration policy, which also comprises the population and institutions of the host country and that contributes to put an end to the "fears" of concurrence in work environments and to cultural confrontations. For this to be possible, it will be necessary to include a social policy that makes a stand out of professional education, family and housing. This last one, making clear to which extend is the immigrants housing is similar to the nationals', is a measure of the labour integration degree towards the society where immigrants live. (Drever, A. 2002) Most important and revealing in the process of integration is the family factor. In the last decades, the migratory flows have been suffering some deep sociological changes, which imply a revision of the policies pursued until then. The family appears with a different importance, conceived in cultural or sociological terms. Their study becomes necessary in three relevant perspectives: well-being, since the migratory process involves psychological difficulties; family as an economical unit and family in the perspective of a support or obstacle.

From the seventies on, the labour migration turned into a population migration.

This process can lead to a reality which may put in different terms what until now has been considered as rather difficult to harmonize: the dichotomy, deepening versus enlarging of the EU.

It becomes then necessary to analyse the integration of labour in the labour market and in the societies where it works, comprising economical, social and cultural perspectives. Policies of integration bring benefits, which can lessen the social strains and can contribute for a better economical situation of the host country. The policy that should be followed concerning foreign labour integration will have to be determined based on an of cost/benefit evaluation.

In what concerns all the measures to take, it is important to discover and support the workers own motivation, what will only happen if they are accepted by the society where they work in. (Dietz, B. 2001)

Without further examination, it may seem that the immigration is something less beneficial for host countries, but that it is not as it first appears. For instance, in the member states, an increase of foreign labour can be rewarding – to a certain extend – the growing dependence due to demographic ageing. In enlarging Europe it has been noticed a demographic process with the decrease of the birth-rate, at the same time the expectancy of life (by birth and at the time of pension) has been raising, and duplicated, in a constant way, since the end of the XIX century. These processes mean a decrease on the active population, and they will make the dependence rate grow in the forthcoming years.

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