

# Labour Mobility in the EU: Dynamics, Patterns and Policies

The continued economic crisis has become a major test for the labour markets of individual member states. Labour mobility within the European Union has the potential to help to reduce labour market pressures and ease economic imbalances. However, a long-term loss of working age population can be detrimental to sending countries. This Forum explores mobility patterns within the European Union and analyses the labour market and welfare effects of labour mobility via case studies of the UK, Poland, Germany and Spain. It also examines a number of its aspects that have important political and institutional relevance for the European Union and its future.

Mikkel Barslund and Matthias Busse

## Too Much or Too Little Labour Mobility? State of Play and Policy Issues

Free movement of labour has, together with free movement of capital, goods and services, always been central to the European Community and a cornerstone of the 1957 Treaty of Rome. It has, however, not always been uncontroversial. From the onset there were fears of an influx of poorer Italians to their richer neighbours to the north. Subsequent enlargements with first Greece in 1981, and then Spain and Portugal in 1986 saw long transitional periods regarding free movement of people resembling those implemented for the more recent eastern enlargements.

The issue of free movement of labour – or labour mobility – is now at the top of the EU policy agenda, not just at the European level but also in several member states. An interesting observation stems from following the current debate on labour mobility: there is – according to the headlines – at the same time both too much and too little labour mobility.

This comes from the fact that there are now two politically and economically important mobility streams: an active east-west corridor which, with the end of the transitional agreements for Bulgaria and Romania as of January 2014, is now unrestricted as defined under the freedom of workers pillar; and a much less active south-north corridor. Given the depth of the economic crisis in southern Europe and the very high unemployment rates, the latter is particularly important from a eurozone economic adjustment perspective.

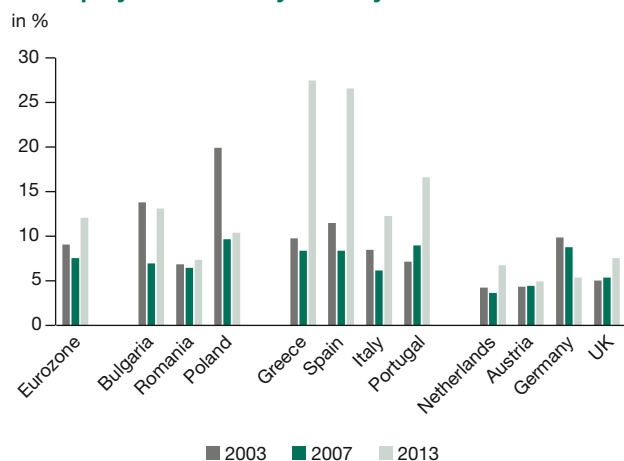
Many of the EU member countries prior to the 2004 enlargement (the EU15) have seen an increase in workers from Eastern European member countries (EU10) in the last ten years. While initially welcomed in the boom years, the political mood has turned sour in some places in recent years. Politicians in several member states now argue that EU citizens moving from east to west are endangering the social security system and are ultimately a burden on the taxpayer. The theme played a prominent role in the upcoming European Parliament election in May.

The focus on the much lower south-north labour mobility is related to the long-standing debate on the eurozone as a “non-optimal” currency area due to the lack of effective shock absorption mechanisms across countries, in particular, the absence of fiscal coordination and limited labour mobility between member states.<sup>1</sup> While the issue of eurozone economic stabilisers was mostly forgotten because of the apparent economic convergence before the onset of the economic crisis, the subsequent divergence in labour market performance between northern and southern eurozone members has brought it back to the fore. Labour mobility has so far not contributed in any substantial way to re-adjustment within the eurozone.

In economic terms the gains from EU labour mobility – and labour migration in general – derive from differences

<sup>1</sup> R.A. Mundell: A Theory of Optimum Currency Areas, in: American Economic Review, Vol. 51, No. 4, 1961, pp. 657-665.

Figure 1a  
Unemployment rates by country



Source: Ameco, 2014.

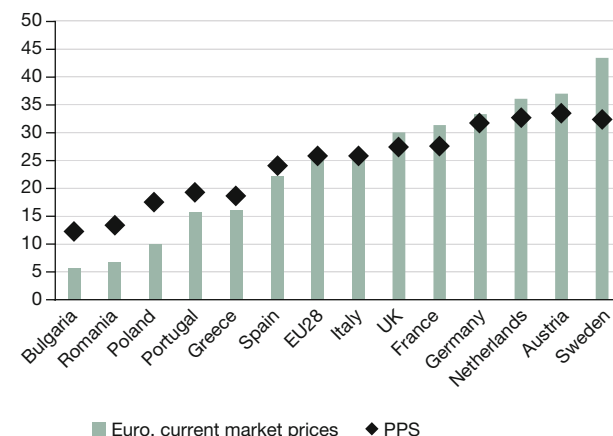
across destinations in earnings and job opportunities (see Figures 1a and 1b).<sup>2</sup> From the perspective of south-north mobility, the differences in labour market opportunities are striking, with a divergence in unemployment rates between large economies not seen for decades, if at all. Moreover, and importantly from the point of view of the individual's decision to move for employment, the situation is only forecasted to change slowly in the near term.

East-west mobility is driven by both employment opportunities and large gaps in earnings potentials among member states (Figures 1a and 1b). Large differences in relative earnings are not a novelty of the last two rounds of EU enlargements. In fact, the GDP of Portugal relative to (West) Germany in 1986 when Portugal and Spain became members was at the same level as that between Germany and new Eastern European member states in the last two rounds of enlargements towards Eastern Europe. However, an observed much higher tendency to move for work among citizens of new member states has resulted in larger flows of workers from east to west than expected in most EU15 countries. Moreover, there is considerable uncertainty as to the effect of the end of transitional restrictions on free movement for citizens of Bulgaria and Romania: hence the policy interest.

After painting a broad picture of recent EU labour mobility, we discuss in more detail on the economics of labour mobility before turning to the relevant policy issues focus-

<sup>2</sup> T. Bauer, K. Zimmerman: Causes of International Migration: A Survey, in: C. Gorter, P. Nijkamp, J. Poot (eds.): Crossing Borders. Regional and Urban Perspectives on International Migration, Aldershot 1998, Ashgate Publishing; A.M. Majda: International Migration: A Panel Data Analysis of the Determinants of Bilateral Flows, in: Journal of Population Economics, Vol. 23, No. 4, 2010, pp. 1249-1274.

Figure 1b  
GDP per capita, 2013



Source: Ameco, 2014.

ing in particular on barriers to south-north mobility and the issue of how to foster labour mobility.

### Intra-EU labour mobility

Labour mobility within the EU15 has historically always been low despite large income differences at the point of

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a new member state's accession to the EU. Income difference nonetheless seems to be the key driver of intra-EU worker mobility since the highest flows are observed from those countries with relatively low GDP per capita to those with higher income levels and more employment opportunities. Network effects play a significant role as bilateral flows are not easily redirected – one example being Romanian “migration” to Italy, which, despite the economic slump, did not abate. The inflow of mobile workers to Spain, particularly to work in the construction sector, has indeed slowed down since the bust but a massive outflow of Spaniards to the north has not been triggered. High unemployment levels as a push factor do not seem to be as powerful as income difference, or they occur with a substantial lag.

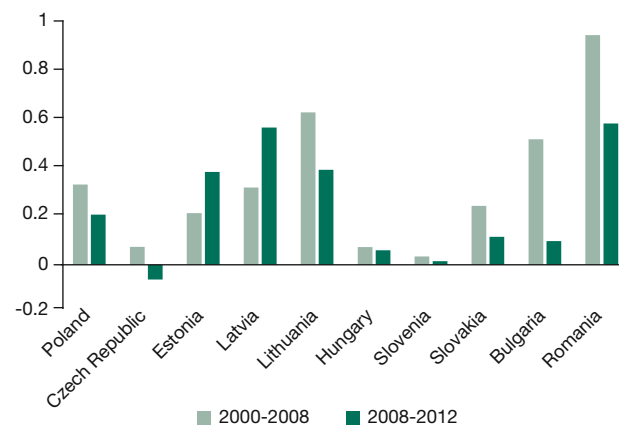
Recently, the intra-EU15 mobility rate – the percentage of people moving to another country each year – has levelled off at around 0.3 per cent, whereas mobility from the EU10 to the EU15 is more fructuous and, more importantly, at a higher level even if one does not take into account return migration. Return migration played a significant role in the past decade partly as a result of the boom and bust of the economic cycle – thus demand for (foreign) workers shifted. Once return flows are included, EU10 citizens moving to a different EU15 country or returning home from one of them stood at slightly above one million persons in 2007 with a severe decline until 2012 to roughly 600,000.<sup>3</sup> It can, however, be expected that east-west migration will pick up once economic growth has returned to most of Europe. Notably, even in 2012 the mobility rate of the EU10 population that migrated to the EU15 or returned during this year was 0.6 per cent. During the peak in 2007, one entire per cent of all EU10 citizens moved between the east and the west. Those countries with the lowest GDP per capita (foremost Romania, Bulgaria and the Baltic countries) exhibit the highest per capita annual flows in pre- and post-crisis time (see Figure 2).

Nevertheless, neither EU15 nor the significantly higher east-west mobility are even close to historical US interstate mobility figures at around three per cent (average between 2001 and 2010), of which more than half move from one of the four major regions to another and the other half between states within their region. The US figures for the age group 18-24 and in particular the unemployed are even higher.<sup>4</sup> However, EU south-north migration is

3 This figure excludes data for Cyprus, Lithuania, Malta, Greece, Portugal and notably France; it is thus safe to assume that the figures including those countries would be somewhat higher but unlikely to surpass 1.2 million and 700,000 respectively.

4 R. Molloy, C.L. Smith, A. Wozniak: Internal Migration in the United States, Finance and Economics Discussion Series, No. 2011-30, 2011, Federal Reserve Board.

**Figure 2**  
Annual change in stock of EU10 citizens in the EU15  
in % of population



Sources: Eurostat; national statistical offices; D. Holland, T. Fic, A. Rincon-Aznar, L. Stokes, P. Paluchowski: Labour Mobility Within the EU – The Impact of Enlargement and the Functioning of the Transitional Arrangements, study carried out for DG Employment, 2011.

picking up from low levels and east-west migration is not abating. Two of the major destination countries, UK and Germany, keep detailed records of work permits by nationality. The stock of work permits for Greek, Italian, Portuguese and Spanish citizens in Germany has increased since 2011 to 2013 by eight per cent annually, with work permits for Spaniards rising by 17 per cent annually.<sup>5</sup> However, as seen in Figure 3, Spanish stocks remain even below those of Portugal and far behind Greek or Italian numbers.

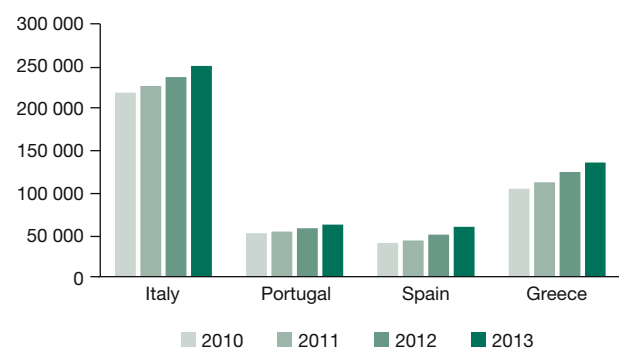
Intra-EU mobility is still largely east to west, and even here the mobility rate is smaller than the interstate US mobility rate, keeping in mind that EU east-west mobility has been to a large extent one-directional.

#### Data and its limitations

Data on labour mobility flows within the EU is in need of improvement. The current information accessible from Eurostat does in principle cover bilateral flows among all EU28 countries. However, for many countries the information is missing for many years or is not provided at all. Moreover, data is being released with a substantial lag (data for 2012 was available only in March 2014). Apart from better coverage of mobility flows, there is also scope for improvements in the knowledge of the importance of other types of mobile workers related to temporary and

5 As measured by the number of workers who are socially insured, which is required for all workers in Germany. This data includes apprentices and socially insured self-employed workers.

**Figure 3**  
**Stock of socially insured employees by nationality in Germany**



Source: German Federal Employment Agency, 2014.

seasonal workers, posted and self-employed workers, and workers who commute from one country to another.

Because citizens of other EU member states only constitute a small part of the population in most member states, information on mobile workers does not show up in regular EU surveys, such as the Labour Force Survey or EU Statistics on Income and Living Conditions. However, much of this information resides in administrative registers in member states, and a concerted effort to bring them together would shed considerably more light on intra-EU mobility. Administrative data sources could also improve our knowledge of earnings and length of stay of mobile workers.

Improving knowledge about intra-EU mobility is indeed important from a current policy perspective. As an example, take the apparent low number of southern European workers that – given the current situation – take up work in Germany. The policy analysis and prescription would differ widely depending on whether this is due to a lack of knowledge of opportunities or if it is due to skill mismatches between what is required in open positions in Germany and the skills available among unemployed workers in Spain. In fact, the anecdotes of Berlin being full of Spaniards and the low numbers of Spanish nationals working in Germany are consistent with a story of a high willingness to seek employment opportunities, but small probability of being able to land a job.

### The economics of intra-EU labour mobility

At the aggregate EU28 level, the economics of labour mobility is rather clear; an increase in mobility for the purpose of work improves the allocation of labour resources within the Union and increases economic output and wel-

fare as a result of a more efficient use of resources.<sup>6</sup> The effect is akin to a lowering of the level of structural unemployment. There could also be a potential effect on productivity growth if labour mobility facilitates the spread of ideas and knowledge. It is also important to point out that there is a net gain for the individual moving to find work, and that these individual net gains make up a considerable part of the overall gains from labour mobility.

However, at the level of each member state and among sending and receiving countries, there may be gains and losses from mobility depending on the longer-run dynamics of labour mobility: in particular, related to the question of if and when mobile workers return to their home country.

### Short-term effects

In the short term, labour mobility should be beneficial for sending countries with high unemployment. Labour mobility helps improve employment prospects for those not moving, and, importantly, it relieves the immediate strain on public resources due to savings on unemployment benefits, healthcare and other social expenditures, and reduces pressure on retraining and educational facilities. There might also be a non-negligible effect on both public finances and welfare from an increased stream of remittances.<sup>7</sup> The positive fiscal effect on sending countries is – in the context of eurozone members and south-north mobility – the shock absorption stemming from labour mobility.

For receiving countries, most studies find a small but positive effect of immigration, both in terms of overall economic growth and on public finances.<sup>8</sup> The size of this effect depends on, among other things, the composition in terms of wage income of migrant workers, family dependents and the general design of the welfare state.<sup>9</sup> While migrant workers increase tax revenue, they also use public services and have access to in-work and social benefits such as child and housing allowances. Undoubtedly, a high-skilled engineer commanding a high salary

6 F.F. Heinz, M. Ward-Warmedinger: Cross-border Labour Mobility within an Enlarged EU, ECB Occasional Paper Series, No. 52, 2006; M. Kahaneč: Labour Mobility in an Enlarged European Union, in: A.F. Constant, K.F. Zimmermann (eds.): International Handbook on the Economics of Migration, Cheltenham 2013, Edward Elgar.

7 M. Kahaneč, A. Zaiceva, K.F. Zimmermann: Lessons from migration after EU enlargement, in: M. Kahaneč, K.F. Zimmermann (eds.): EU Labor Markets after Post-Enlargement Migration, Heidelberg 2010, Springer, pp. 3-45.

8 See e.g. C. Dustmann, T. Frattini, C. Hall: Assessing the Fiscal Costs and Benefits of A8 Migration to the UK, in: Fiscal Studies, Vol. 31, No. 1, 2010, pp. 1-41; see also T. Bass and C. Vargas-Silva's contributions in this Forum.

9 See M. Kahaneč, op. cit., for a theoretical exposition.

and with no children will deliver a net contribution to public finances. This may also hold true for the average mobile EU worker, but this is less clear and will depend on a number of characteristics. The overall benefit for nationals of receiving countries is likely – on average – to be small to negligible. However, if migrants are concentrated in a few sectors – e.g. construction – there could be a negative effect on wages for nationals in these sectors.<sup>10</sup> Thus, even if migrants are net contributors to the economy of the receiving country, some population groups may be net losers. This is very similar to the distributional effects of free trade.

### Medium- to long-term effects

The longer-term effects of labour mobility in sending and receiving countries depend on two things for which knowledge is so far patchy: do mobile workers stay for the long term in the receiving country? And if they do, what is the dynamic of their career paths?

Given the long-term demographic outlook in most EU countries and the large element of pay-as-you-go old age support, whereby current workers pay part of the public expenditure (pension, long-term care, etc.) related to the elderly population, a long-term loss of working age population will in most likelihood be detrimental to sending countries. The better skilled the mobile population is, the larger this effect. This is essentially the brain drain argument.

For receiving countries the key is to what extent migrants will in the longer term have similar career paths and labour market participation as nationals and, related to this, how their uptake of public services and means-tested benefits compare with that of nationals. Mobile workers may initially command lower wages than nationals due to a lack of tangible and intangible human capital – most importantly, language skills, but many other factors could play a role. However, these should dissipate over time and wages converge to those of equally skilled nationals. Because of uncertainties over how EU mobile workers will fare in receiving countries in the longer run, evaluating the long-term economic effects in terms of public finances is very difficult and must rely on strong assumptions.

### Brain drain, brain waste or brain train

Recent mobility flows from south to north have been dominated by high-skilled individuals with a tertiary education.<sup>11</sup> However, absolute numbers are small compared

to the size of the population. It is therefore difficult to talk about a general brain drain, in particular since unemployment among young graduates is high. Furthermore, if most southern EU migrants later return to their nation states with added skills and knowledge, brain train is a more useful term, especially if the alternative was unemployment in their home country.

The scale of east-west mobility means that brain drain is more of a potential problem. Kahanec and Constant argue that there might be cause for concern, but it hinges on whether return migration will lead to “brain circulation”, spreading knowledge and ideas.<sup>12</sup> For some countries, remittances can help alleviate the loss of human capital. The value of “brain circulation” will be less marked if migrants do not utilise their skills in the destination country – so-called brain waste. Tijdens and van Klaveren report that 65 per cent of those born in the EU10 living in the EU15 indicate a correct qualification-job match.<sup>13</sup> This should be compared with 74 per cent for the full sample of people residing in the EU15. Based on this, under-skilling and brain waste do not seem pervasive when acknowledging that factors such as language skills are likely to play a role.

### Migrating for welfare benefits?

One of the most contentious political issues relating to east-west mobility revolves around the extent to which migrants come in search of generous welfare benefits. The issue has gained impetus recently for political reasons,<sup>14</sup> but also because some countries have seen an increase in the number of EU citizens from eastern member countries on welfare benefits. However, most studies show that the uptake of welfare benefits is lower for migrants than nationals and that there is no evidence that migrants abuse welfare benefits in destination countries. These seemingly contradictory observations are explained by the fact that while migrants arrive to work – and not to claim welfare benefits – they may over time suffer from unemployment and therefore gain access to unemployment and other social benefits in line with what is available to nationals of the receiving country. This explains a lower uptake of welfare

10 D.G. Blanchflower, C. Shadforth: Fear, Unemployment and Migration, in: *Economic Journal*, Vol. 119, No. 535, 2009, pp. F136-F182.

11 European Commission: *Social Europe Quarterly Review*, June, DG Employment and Social Inclusion, 2013.

12 M. Kahanec, op. cit.; A.F. Constant: Sizing It Up: Labor Migration Lessons of the EU Enlargement to 27, in: C. Gortázar, C. Parra, B. Seghaert, C. Timmerman (eds.): *European Migration and Asylum Policies: Coherence or Contradiction*, Bruylant, Gent 2012, pp. 49-77.

13 K. Tijdens, M. van Klaveren: A Skill Mismatch for Migrant Workers? Evidence from WageIndicator Survey Data, in: B. Galgóczi, J. Leschke, A. Watt (eds.): *EU Labour Migration in Troubled Times: Skills Mismatch, Return and Policy Responses*, Aldershot 2012, Ashgate.

14 In the spring of 2013 Germany, Austria, the Netherlands and UK sent a letter urging the EU Commission to address the issue of “welfare tourism”. However, the countries failed to provide other than anecdotal evidence of misuse of welfare benefits.

benefits *and* the increase in the number receiving these benefits.

Thus, while there is no evidence that mobile workers from eastern member states arrive in western member states to enjoy welfare benefits, labour mobility can potentially create pressure on receiving countries' welfare benefits in the medium to long term if immigrants' labour market participation evolves to be lower than that of nationals (see the earlier discussion of costs and benefits). Clearly, this is a different issue than claiming that migrants arrive to misuse welfare benefits.

In terms of eurozone economic adjustment, the lack of labour mobility is a key issue. Therefore, we now turn to the issue of how to facilitate south-north labour mobility.

### Facilitating labour mobility – overcoming barriers

The free movement of persons is the most tangible right bestowed by the EU, so naturally European (labour) mobility is closely monitored and safeguarded by the European institutions. Fostering labour mobility, on the other hand, has surged in popularity in the aftermath of the crisis as a useful shock absorber and tool to alleviate the unemployment divergences. Old and novel policy instruments tackle the problem on several levels and to particular population subgroups as documented below.

Long-standing programmes, such as the Erasmus, Socrates and Leonardo Da Vinci programmes, aim to help students and young professionals/trainees to gain experience abroad, thereby increasing the likelihood and also readiness of the young generation of workers to move to another European country. The newly launched Erasmus+ (2014-2020) programme incorporates the various previous initiatives, broadening the scope and providing €14.7 billion, which equates to a 40 per cent increase from prior levels. The Commission estimates that the programme can cover four million Europeans over the next seven years to study, train, gain work experience and volunteer in another EU country.<sup>15</sup>

Furthermore, the EU has advanced social security cooperation, making it easier for international jobseekers to go abroad without losing social security entitlements. Particularly noteworthy is the right to maintain unemployment benefits for three months while seeking employment in another EU country, with a possible extension up to six months. Pension harmonisation is often cited as a barrier to labour mobility and, while reform would be highly ben-

eficial for mobile workers, it is uncertain whether it actually constitutes a barrier in mobile workers' minds.<sup>16</sup>

Skills recognition, on the other hand, is a vital element when applying in another country and much progress has already been made, although in certain professional segments, such as healthcare, scrutiny of foreign certificates is still exceptionally severe. The European Skills, Competences and Occupations taxonomy (ESCO) targets the practical barriers of actually matching applicants' skills, competences and qualifications with the foreign equivalent which begin with finding the proper counterpart in another language. Once ESCO has been completed and is available in all EU languages, it will be disseminated to educational institutions, companies and employment agencies.

The flagship initiative to raise labour mobility is the European Employment Services (EURES) programme with its web-based platform. EURES is a formal cooperation network which connects the European Commission with public employment services, employers' organisations and trade unions. The Commission guides the exchange of information on applicants and vacancies across borders, drawing on expertise from national employment agencies as well as social partners, and has over 1,000 EURES advisors at its disposal in member states. The EURES online platform encompasses almost 1.5 million job vacancies and 27,500 CVs, trying to match qualifications and vacancies. Thus ESCO will have a considerable impact on the EURES system and will improve its matching performance.

ESCO and EURES are both in their start-up phases, and it will take time for both employers and jobseekers to be fully aware of the opportunities it offers to them. EURES advisors are slowly adapting to their new tasks, and the online platform will receive a more user-friendly design; nevertheless, matching on a European level remains far more difficult than on a national/regional level. Evidence from Germany suggests that matching in the form of recruitment-based projects seeking to find suitable applicants abroad is a viable option until the European programmes have matured. The following section evaluates the "German experience" over recent years in its attempt to fill domestic labour shortages with foreign (EU) labour.

In recent years, the German economic engine has been running once more, and solid unemployment figures have improved further over the past year, reaching the decade's low of 5.3 per cent. Labour shortages have become more

<sup>15</sup> [http://ec.europa.eu/programmes/erasmus-plus/index\\_en.htm](http://ec.europa.eu/programmes/erasmus-plus/index_en.htm).

<sup>16</sup> OECD: OECD Economic Surveys: European Union 2012, OECD Publishing, Paris 2012.

pronounced and have spread to previously unaffected professions. The demographic outlook of Germany has been gloomy for years and it is thus not surprising that German ministries have responded with a *Fachkräfte-Offensive/Strategie* (a novel dictum roughly translated as “qualified workers offensive/strategy”) to countervail labour shortages now and in coming years. These strategies have been developed at the federal as well as at the *Bundesland* level, since educational legislature rests with the states. Most of the reports emphasise the importance of high quality education (e.g. dual education), better matching, the activation of female workers and old workers, but often also attracting high-skilled foreign workers.

Small- and medium-sized companies in particular often struggle to recruit foreign workers to their relatively small workforce due to lack of experience, thus fearing high costs and uncertainties that are often associated with attracting workers from abroad. In order to increase the incentives for SMEs to recruit abroad to fill vacancies that they have not been able to fill with domestic workers and to reduce barriers so that mobile workers can enter the German job market, the German government together with the German Federal Employment Agency (BA) have launched the “Job of my Life” initiative. The programme was envisaged as compiling useful information for interested foreign workers (on the portal “Make it in Germany”) and providing easy access to job offers from the BA.

This initiative is connected to the MobiPro-EU support programme launched by the German government in cooperation with several German stakeholders and the EURES system. MobiPro tackles financial barriers to mobility by providing funding to apprentices and in some cases mobile workers to cover:

- a preparatory German course in the sending country
- an allowance for travel and moving expenses
- a language course in Germany in preparation for the internship phase (testing phase for both sides)
- financial support in addition to the general vocational training income.

The programme states that its aim is to foster mobility in the EU; however, its preamble makes specific reference to the hardship within the Spanish labour market and thereby focuses on Spanish apprentices.<sup>17</sup> When it was launched

<sup>17</sup> Labour ministers Fátima Báñez Garcia and Ursula von der Leyen brokered the deal in spring 2013, aiming to fill 5,000 positions with Spanish workers.

in January 2013, the programme’s duration was limited to three years (2013-2016); however, due to its success, the programme has been extended to 2018 with a total funding capacity of €359 million – averaging €60 million per year. One prerequisite is that the apprenticeship is conducted in one of the flagged “shortage professions”, which include STEM but also healthcare traineeships. Second, the apprentice has to be 18-35 years old, since the programme is targeting young jobseekers in view of the high youth unemployment rates in Spain.

Unexpected by the German government, demand for such funding by far outpaced expectations, and in April 2014 the German government had to announce that funding for 2014 had already been exhausted and no more applications could be processed. For 2014 roughly 5,000 applications have been approved and €48 million earmarked. In the previous year, 63 per cent of approved applications came from Spain; a similar distribution is expected for 2014. The number of socially insured employed persons of Spanish citizenship – which includes apprentices and internships (if they are not part of a student’s curriculum) – increased by 9,400 between October 2012 and October 2013. It can be assumed that most of the internships and apprenticeships were captured by the social insurance statistics; therefore, the 2,559 participants under MobiPro-EU constitute almost 30 per cent of all new Spanish “workers” in Germany. The programme has hence substantially contributed to recent increases in the Spanish workforce of Germany.

On average around €10,000 was spent per chosen applicant. Whether additional funding will be made available for the programme, or if the system itself will be amended, is to be discussed over the summer. The programme has been a success, at least in its uptake: statistics on the percentage of applicants staying for the entire apprenticeship are not yet available.

Nevertheless, the German experience indicates that regional initiatives funded on federal level “get the job done” even if costs are relatively high initially (they are likely to decline over time). Whether a modernised EURES system in combination with ESCO will be effective in matching jobs with workers across Europe and render this form of foreign recruitment obsolete remains doubtful.

## Conclusion

Labour mobility has two dimensions in the EU. In many of the old EU member states, the public opinion seems to be that east-west mobility is too large; at the same time, mobility from south to north is too limited to play a major role in rebalancing the eurozone economies.

Regarding east-west mobility, however, the evidence suggests that receiving countries have in general benefitted from access to mobile workers from eastern member states. It is too early to speculate on the longer-term impact of east-west migration both for sending and receiving countries, and there is considerable uncertainty as to how the expiry of transitional restrictions on movements of Bulgarian and Romanian workers will affect mobility flows. To monitor the developments in labour mobility, better data is needed and the European Commission can play a key role in working with member states to facilitate this.

Labour mobility within the EU15 has historically been low, and large divergences in unemployment rates have – at least so far – failed to trigger a large absolute increase in labour mobility, even if it is on the rise from a low initial level. The European Commission is improving the cross-border

job matching process by upgrading the EURES system; whether this will have a substantial impact remains to be seen. Meanwhile, Germany is piloting local and regional recruitment schemes where employers' organisations pool open positions and recruit outside Germany often in cooperation with a foreign partner. This seems to have some success in attracting Spaniards, although at this stage it is difficult to know if it can be scaled up and expanded. Importantly, a lot of experience has been gained from these projects about how to recruit from outside Germany – the needed support mechanisms, how to work with local partners, etc.

This is something a number of European countries may find useful as labour forces begin to shrink around Europe. If that is the case, the smoothness of east-west mobility may be something to long for.

Carlos Vargas-Silva

## EU Migration to the UK: Trends and Impacts

During 1991-2003 net migration (i.e. immigration minus emigration) from other EU countries to the UK averaged 12,000 migrants per year. This contrasts with an average annual net migration from non-EU countries to the UK of 135,000 migrants for the same period. Unsurprisingly, EU migration to the UK was not a major political issue during that period. In fact, at that time more people were moving from the UK to live in other EU countries than moving from other EU countries to live in the UK.

The accession of ten countries to the European Union on 1 May 2004, particularly the accession of eight Central and Eastern European member states (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia) has changed the tone of discussion about EU migration in the UK. The accession agreements allowed the 15 existing EU member states to impose restrictions on the employment of nationals of the accession countries for a maximum of seven years. Yet the UK (along with Ireland and Sweden) opened its labour markets to workers from the EU8 countries immediately upon accession. This decision led, at least in part, to a large and relatively unexpected inflow of EU8 nationals to the UK. The analysis commissioned by the UK Government to predict the number of EU8 workers who would migrate to the UK after accession indicated that net flows were going to be small, in the order of 5,000 to 13,000 migrants

per year and suggested that “even in the worst case scenario, migration to the UK as a result of Eastern enlargement of the EU is not likely to be overly large”.<sup>1</sup>

Much of the political discussion about migration in the UK since 2004 has been about debating whether opening labour markets to EU8 nationals immediately upon accession was a mistake. The evidence presented in this article suggests that EU8 nationals in the UK have no significant impacts on labour markets and have a small, but positive, effect on public finances. These two facts are generally accepted in the political discussion on this issue. The main criticism has focused instead on the fact that the pace of change was too quick, and that the regional distribution of EU8 nationals was very different from that of previous migrant waves.<sup>2</sup> Rural areas in which migration was not common and which lacked the necessary infrastructure to accommodate newcomers were suddenly hosting significant numbers of EU8 nationals. For instance, 2011 UK Census statistics suggest that the non-UK born population of Boston, a small town in England, increased by 467

1 C. Dustmann, M. Casanova, M. Fertig, I. Preston, C.M. Schmidt: The impact of EU enlargement on migration flows, Home Office Online Report No. 25/03, 2003.

2 C. Vargas-Silva: Lessons from the EU Eastern Enlargement: Chances and Challenges for Policy Makers, in: CESifo DICE Report – Journal for Institutional Comparisons, Vol. 9, No. 4, 2011, pp. 3-7.



per cent (from 1,727 in 2001 to 9,790 in 2011) and migrants now account for 15 per cent of the population compared to three per cent in 2001.<sup>3</sup> This has placed additional strain on public services and housing in the area.<sup>4</sup> While Boston is a statistical outlier, many other small towns experience large increases in their EU migrant population.

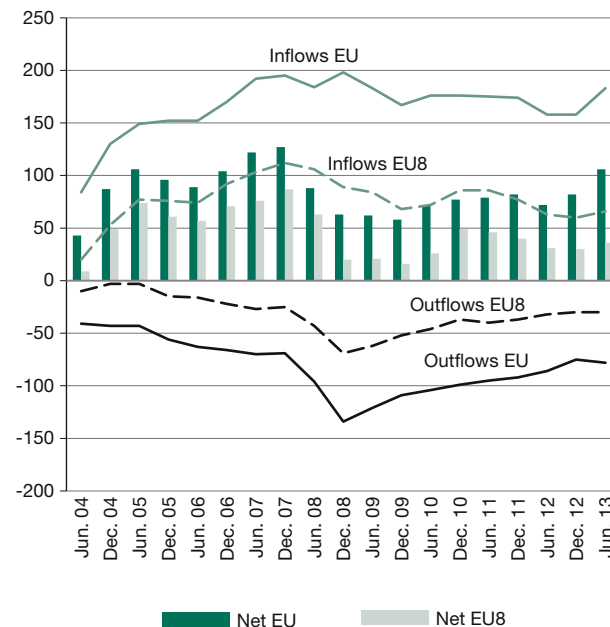
The political discussion in the UK has recently focused on two other aspects related to EU migration: the inflow of old EU nationals (i.e. nationals of those countries that were members of the EU before 2004) who are escaping the economic difficulties currently experienced by countries in the eurozone and the potential inflow of nationals from Bulgaria and Romania (EU2 nationals), two countries which joined the EU in 2007 and for which restrictions on employment in the UK expired on 1 January 2014.

During the 2010 general election, the now UK Prime Minister David Cameron promised to reduce net migration from the “hundreds of thousands” to the “tens of thousands”. As a result of this promise, the UK Government has adopted a net migration target of fewer than 100,000 migrants per year. The net migration target includes migration of British and other EU nationals whose entry and exit the UK Government cannot restrict. The latest provisional number for net migration to the UK at the time of the election was 147,000 (year to June 2009). This number was later revised up by the UK Office for National Statistics (ONS) to 166,000, of which 62,000 (37 per cent) was accounted by net migration from all other EU countries and just 27,000 (16 per cent) by net migration of old EU nationals. The UK Government’s efforts to reduce net migration are built around the restriction of the three main migration inflow routes for non-EU nationals – work, study and family – and efforts to boost outflows of non-EU nationals. The government has been somewhat successful in its efforts to decrease non-EU migration. Non-EU net migration currently (i.e. year to September 2013) stands at 141,000 versus 174,000 in the year to June 2009. However, EU net migration to the UK currently stands at 131,000 (60,000 for old EU nationals). This is more than double the value for the year to June 2009. In other words, the large recent increase in EU immigration to the UK will make it practically impossible for David Cameron to deliver on his promise of cutting overall net migration to the UK to less than 100,000.

The UK Government decided not to commission any predictions of the future flow of EU2 nationals to the UK

3 A. Krausova, C. Vargas-Silva: East Midlands: Census Profile, Migration Observatory Briefing, COMPAS, University of Oxford, 2013.  
 4 Boston Borough Council: Social Impact of Population Change, Boston 2012.

Figure 1  
**Immigration, emigration and net migration to the UK**  
 in thousands



Source: ONS estimates from the International Passenger Survey.

after the end of restrictions given the inaccuracy of the previous predictions for EU8 nationals. This decision has provided the space for politicians and pressure groups to come up with their own guesses about the number of EU2 nationals who will arrive to live in the UK now that the restrictions on employment of these nationals have expired. The evidence suggests that the restrictions on employment of EU2 nationals have had little effect in the first place. The number of EU2 nationals living in the UK during the last quarter of 2006 (i.e. just before accession) was 35,000. The number for the last quarter of 2013 was close to 200,000. The reason for the large increase in numbers is that EU2 nationals could live in the UK if self-employed and the majority of EU2 nationals working in the UK in 2013 were in self-employment.

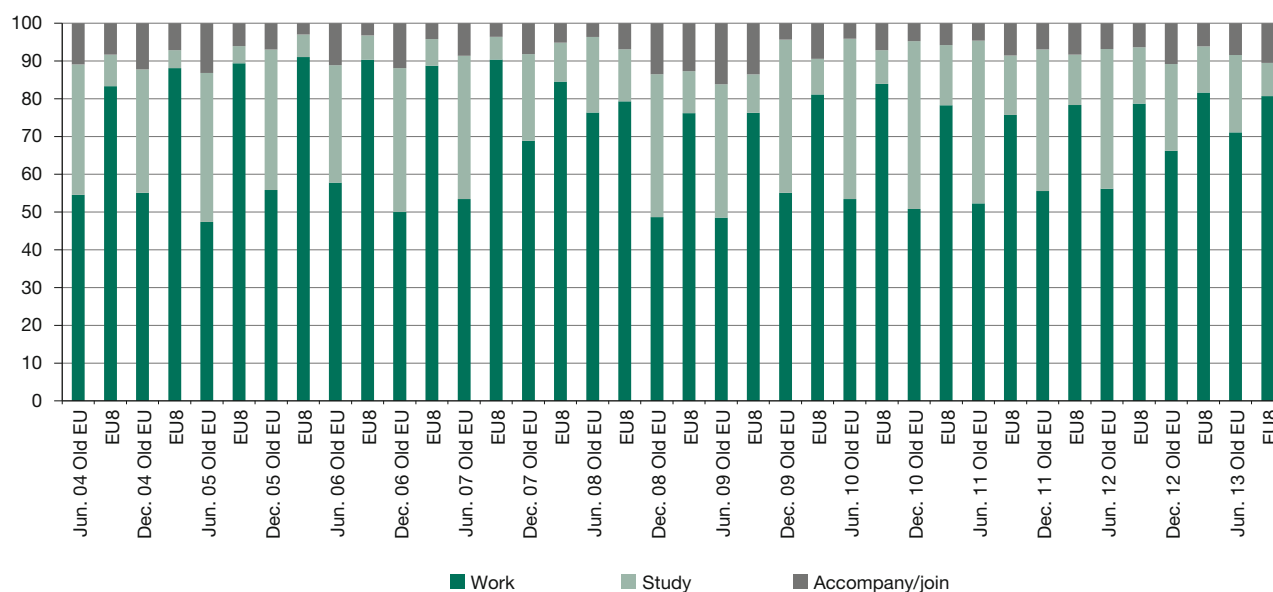
This article discusses the evidence necessary to evaluate these and other key issues related to EU migration to the UK. The article discusses numbers and trends in EU migration to the UK and summarises the existing academic evidence on the economic impact of EU migrants in the UK.

**Numbers**

Figure 1 shows the official statistics of long-term immigration, emigration and net migration (i.e. difference between immigration and emigration for a given year) of

Figure 2  
Reasons for migrating to the UK

% share



Source: ONS estimates from the International Passenger Survey.

all EU (excluding British) and EU8 nationals for the June 2004-June 2013 period. In this case “long-term” refers to those migrants who plan to stay in the UK for at least one year. Immigration of EU nationals to the UK increased by 136 per cent during the June 2004-December 2008 period (peak). This increase was driven by immigration of EU8 nationals, which increased by 345 per cent during that period. EU immigration to the UK stabilised after 2008 at about 172,000 new migrants per year. During the June 2012-June 2013 period, immigration of EU nationals shifted to a positive trend again, but this time the shift was driven by increasing immigration from old EU countries.

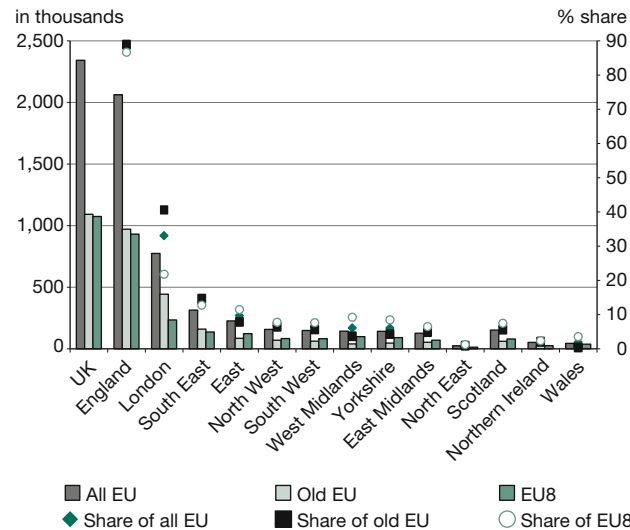
As explained above, net migration is the indicator of migration currently targeted by the UK Government. For the 2004-2013 period, official statistics suggest that total EU net migration to the UK was 839,000, with EU8 nationals accounting for about 439,000 (52 per cent) of those. However, the ONS has indicated that 250,000 migrants from EU8 countries were missed completely in immigration statistics during the mid-2000s due to limitations in the data collection at the time.<sup>5</sup> EU8 nationals had migration patterns that were different from other migrant groups, in particular with the use of smaller airports to travel to the UK.

<sup>5</sup> Office for National Statistics: Methods Used to Revise the National Population Estimates for Mid-2002 to Mid-2010, London 2012.

This 250,000 does not represent the full underestimate of the growth of the EU8 population according to the results of the 2011 UK Census, which was much bigger. Other factors account for the rest of the difference – an estimated 475,000 migrants between the official net migration estimates of 325,000 between 2001 and 2010 and the implied net migration of 800,000 according to the 2001 and 2011 Census results. One key problem is that a high number of EU8 nationals had the original intention of staying in the UK for less than one year, but actually stayed for over one year and became long-term migrants. For all these reasons, the significant increase in immigration and net migration of EU nationals to the UK shown in Figure 1 is much smaller than the actual one.

Figure 2 shows the different reasons why old EU and EU8 nationals move to the UK. Recently, about 80 per cent or more of EU nationals say they are moving to the UK for work purposes. Work is much more important for EU8 nationals. However, work has become more important for old EU nationals during the last few years. Only 49 per cent of old EU nationals moving to the UK cited work as the main reason for migration in the year to June 2009. This number increased to 71 per cent in the year to June 2013. This increase corresponds to the economic difficulties currently experienced by eurozone countries, such as Spain and Italy, and nationals of these countries looking for better job

**Figure 3**  
**Geographic distribution in the UK of EU (excluding UK) nationals, 2012**



Source: ONS estimates from the Annual Population Survey.

opportunities in the UK.<sup>6</sup> In fact, data from National Insurance registrations in the UK shows that nationals of Spain and Italy now occupy the second and third place in registrations among adult overseas nationals entering the UK, just behind Poland.

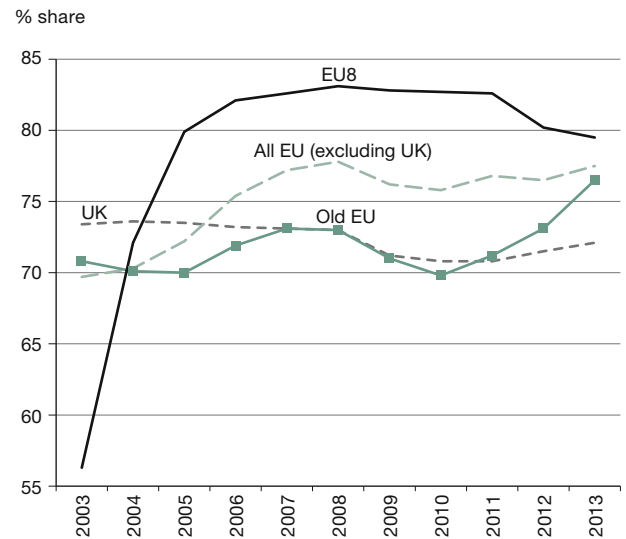
Figure 3 reports the number of EU nationals living in the UK during 2012. An estimated 2.3 million EU nationals lived in the UK in that year. This number was split evenly between old EU and EU8 nationals. These two groups combined account for 93 per cent of the EU nationals living in the UK.

The geographic distribution of old EU and EU8 nationals was significantly different. While about 41 per cent of old EU nationals live in London, this share is 22 per cent for EU8 nationals. EU8 nationals have been particularly attracted to rural areas of the UK where there is agricultural work available.<sup>7</sup> In fact, with the exception of London and the South East (which has the largest regional economy in the country outside the capital), all other regions of England host more EU8 nationals than old EU nationals. This also holds true for the other three nations of the UK: Scotland, Northern Ireland and Wales.

6 Office for National Statistics: Migration Statistics Quarterly Report, London, February 2014.

7 C. Vargas-Silva: Migration Flows of A8 and other EU Migrants to and from the UK, Migration Observatory Briefing, COMPAS, University of Oxford, 2014.

**Figure 4**  
**Employment rates**



Source: ONS estimates from the Labour Force Survey.

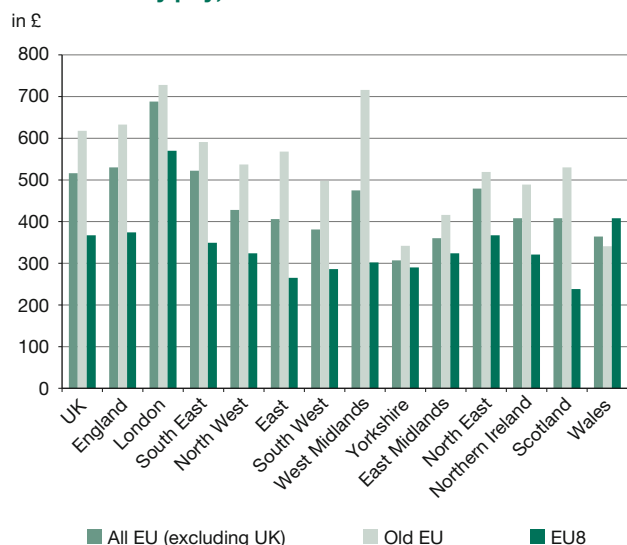
**Labour markets**

Figure 4 presents the employment rates of different groups of EU nationals living in the UK. In 2003 the employment rate of other EU nationals in the UK was similar to that of British nationals. Since then the employment rate of EU nationals has been above that of British nationals. The reason for the divergence was the large wave of migration of EU8 nationals to the UK. As explained above, EU8 nationals were coming to the UK mostly for work purposes. In fact, the EU8 employment rate jumped from 56 per cent in 2003 to 72 per cent a year later. The employment rate of EU8 nationals decreased slightly in 2012 and 2013, but this decrease was offset by an increase in the employment rate of old EU nationals.

Figure 5 presents the gross weekly pay in 2013 across the different regions of the UK of those EU nationals who were employees. Across the whole country, EU nationals earned an average of £516 per week. This figure was £618 for old EU nationals and £367 for EU8 nationals, a gap of £251. EU8 nationals earned less than old EU nationals in all regions of the country, with the exception of Wales. However, the number of old EU nationals living in Wales was particularly small (about 4,000), and estimates may not be reliable.<sup>8</sup> There are two key reasons for the low earnings of EU8 nationals. First, there is a relatively low concentration of EU8 nationals in London where the

8 See also A. Krausova, C. Vargas-Silva: Wales: Census Profile, Migration Observatory Briefing, COMPAS, University of Oxford, 2014.

Figure 5  
Gross weekly pay, 2013



Source: Author's estimates from the Labour Force Survey.

salaries are higher. Second, while 41 per cent of old EU nationals working in the UK are in the two highest occupational categories (i.e. “managers, directors and senior officials” and “professional occupations”), this share is just nine per cent for EU8 nationals.

The evidence suggests that there is no adverse effect of EU migration on the labour market outcomes of British workers.<sup>9</sup> Lemos and Portes analysed the impact of labour immigration of EU8 workers on unemployment in the UK. The study found little evidence of an adverse effect in British workers' wages or unemployment.<sup>10</sup> The Migration Advisory Committee, an independent body of academics that advises the UK Government on migration issues, explored the impact of EU migration on the employment of UK-born people. The study found no statistically significant effects of EU migration on employment.<sup>11</sup>

### Fiscal aspects

The number of EU nationals claiming working age benefits in the UK increased from 65,009 in February 2008 to 121,280 in February 2013, an 83 per cent increase. The

9 M. Ruhs, C. Vargas-Silva: The Labour Market Effects of Immigration, Migration Observatory Briefing, COMPAS, University of Oxford, 2014.

10 S. Lemos, J. Portes: New Labour? The Impact of Migration from Central and Eastern European Countries on the UK Labour Market, IZA Discussion Paper No. 3756, 2008.

11 Migration Advisory Committee: Analysis of the Impacts of Migration, Home Office, London 2012.

main driver behind the increase in EU benefit claimants was an increase in the number of EU8 claimants from 12,610 in 2008 to 58,950 in 2013, a 368 per cent increase. This increase created a lot of headlines in UK newspapers about the existence of “benefit tourism”.<sup>12</sup> The UK's membership of the European Union means nationals of EU countries who come to the UK have access to its welfare system on essentially equal terms with British nationals, which could arguably provide a motivation for some to travel to the UK. However, the evidence suggests that fewer than ten per cent of EU migrants in the UK are claiming working age benefits.<sup>13</sup>

The increase in EU nationals claiming working age benefits in the UK does not indicate that EU nationals drain UK public coffers. In order to look at the overall fiscal impact of EU nationals in the UK, it is necessary to look at the difference between two factors: the taxes and other contributions migrants make to public finances and the costs of the public benefits and services they receive. If the difference is positive, migrants are net contributors; if the difference is negative, migrants are a burden on the state.

Most of the evidence suggests that the fiscal impact of EU migrants in the UK has been positive, but small.<sup>14</sup> Dustmann, Frattini and Halls found that, in the four fiscal years after 2004 (i.e. 2005-2006, 2006-2007, 2007-2008 and 2008-2009), migrants to the UK from EU8 countries made a positive contribution to public finances.<sup>15</sup> This finding seems to contrast with the fact that most EU8 workers concentrate in the low wage sector. Migrants doing highly paid jobs are the ones more likely to make a positive contribution to public finances. However, as explained above, EU8 workers have one of the highest employment rates in the UK, a fact that offsets the effect of their lower wages.

Dustmann and Frattini explored the fiscal impact of migrants in the UK for the period 1995 to 2011.<sup>16</sup> Their results suggest that, for the whole period of analysis, immigrants

12 C. Vargas-Silva: Hard Evidence: Are Migrants Draining the Welfare System?, The Conversation, 2013, available at: <http://theconversation.com/hard-evidence-are-migrants-draining-the-welfare-system-17671>.

13 C. Vargas-Silva, R. McNeil: Hard Evidence: does ‘benefits tourism’ exist?, The Conversation, 2014, available at: <http://theconversation.com/hard-evidence-does-benefits-tourism-exist-22279>.

14 C. Vargas-Silva: The Fiscal Impact of Immigration in the UK, Migration Observatory Briefing, COMPAS, University of Oxford, 2013.

15 C. Dustmann, T. Frattini, C. Halls: Assessing the Fiscal Costs and Benefits of A8 Migration to the UK, in: Fiscal Studies, Vol. 31, No. 1, 2010, pp. 1-41.

16 C. Dustmann, T. Frattini: The Fiscal Effects of Immigration to the UK, Discussion Paper Series, CDP No. 22/13, University College London 2013.

from European Economic Area (EEA) countries made a positive contribution to UK public finances of about £8.8 billion. EEA immigrants contributed to UK public finances about four per cent more than they received in services. Dustmann and Frattini also explored the fiscal impact of “recent immigrants”, defined as those who arrived to the UK from 2000 onwards.<sup>17</sup> Estimates suggest that recent EEA immigrants have made a positive fiscal contribution of about £9 billion.

### Looking ahead

For the last decade, EU migration has been at the forefront of the political discussion in the UK. This is unlikely to change in the near future. EU migration to the UK is

<sup>17</sup> Ibid.

mainly for work related reasons. With economic difficulties in the eurozone likely to continue for several years and with the existing large differences in job opportunities between the new accession countries and the UK, it is reasonable to expect that migration from other EU countries to the UK will remain relatively high in the near future. In fact, if the current trend continues, EU net migration to the UK will be, for the first time, higher than non-EU net migration. This factor, combined with the fact that a large majority of the British public favours reductions in migration,<sup>18</sup> is likely to boost those politicians who oppose the UK’s continued membership of the EU.

<sup>18</sup> S. Blinder, M. Ruhs, C. Vargas-Silva: Thinking Behind the Numbers: Understanding Public Opinion on Immigration in Britain, Migration Observatory Report, 2011.

Pawel Kaczmarczyk

## EU Enlargement and Intra-EU Mobility – Lessons to Be Drawn from the Post-2004 Migration of Poles

In 2004 a set of Central and Eastern European countries joined the European Union. The subsequent spectacular increase in international mobility from those countries, as well as a change in the pattern of destination countries, is commonly described as a “natural experiment”. This raises a question about the general usefulness of lessons learnt from the post-accession migration experience.

Against this background, this paper’s objectives are manifold. First, it aims to investigate the consequences of the EU enlargement in terms of the scale and structural features of recent Polish migration. Second, the paper aims to assess the impacts of contemporary migration from Poland, with an emphasis on the effects on the labour market. Last but not least, the paper will identify a set of general lessons to be learnt from the post-2004 migration experience. The structure of the paper reflects this set of objectives.<sup>1</sup>

<sup>1</sup> This paper borrows heavily from P. Kaczmarczyk: Labour market impacts of post-accession migration from Poland, in: Free Movement of Workers and Labour Market Adjustment: Recent Experiences from OECD Countries and the European Union, OECD, Paris 2012, pp. 173-194.

### Post-2004 migration of Poles – basic facts

Poland is undoubtedly a country of emigration. From the middle of the nineteenth century onwards, international migration has played an important – at some points critical – role in Polish history. Large migration outflows as observed prior to the Second World War were seriously constrained after 1945, mostly due to political restrictions imposed by the communist regime. Nonetheless, they began to increase again in the early 1970s and peaked in the late 1980s: according to available estimates, the total outflow of people in the 1980s amounted to 2.1-2.3 million (six per cent of the total population).<sup>2</sup> Contrary to commonly expressed fears,<sup>3</sup> in the 1990s (in the first phase of socio-economic transition) the international mobility of Poles declined before rising slightly at the end of the decade. The 2002 census indicated that around 0.8 million permanent residents of Poland (1.8 per cent of the

<sup>2</sup> P. Kaczmarczyk, M. Okólski: Demographic and labour market impacts of migration on Poland, in: Oxford Review of Economic Policy, Vol. 24, No. 3, 2008, pp. 600-625.

<sup>3</sup> R. Layard, O.J. Blanchard, R. Dornbusch, P. Krugman: East-West Migration: The Alternatives, Cambridge MA 1992, MIT Press.

total population) were staying abroad. Thus, Poland continued to be one of the most important migrant sending countries in Europe, with Germany, the USA and Southern European countries (Italy, Spain) as the main destination countries. Importantly, undocumented migrants constituted a significant share of all Poles staying abroad. Additionally, many of them have been referred to as “incomplete migrants”, where “incomplete” refers to both features of migration (short-term, often cyclical in nature) and structural reasons (mobility as an outcome of socialist modes of urbanisation and industrialisation).<sup>4</sup>

Even considering previous massive waves of migration, accession to the EU (in 2004) presented a turning point for the mobility trends of Poles. The first post-accession years saw a spectacular increase in the scale and dynamics of Poles’ international mobility, which in the regional context can be compared only to the migration propensity of Romanian citizens. In 2007 (peak year) the stock of Polish citizens staying temporarily abroad was estimated at around 2.3 million (6.6 per cent of the total population) and remained at a relatively high level despite the Europe-wide economic crisis – see Figure 1.

Generally, available data reveal that seven years after the EU enlargement the number of Polish citizens staying temporarily abroad remains still relatively high (particularly compared to citizens of other countries of the region), but it is not increasing. This may suggest that Polish migration has entered a new, “mature” phase. This is also true of the structural features of migration. In the context of this paper, the following characteristics are worth noting:

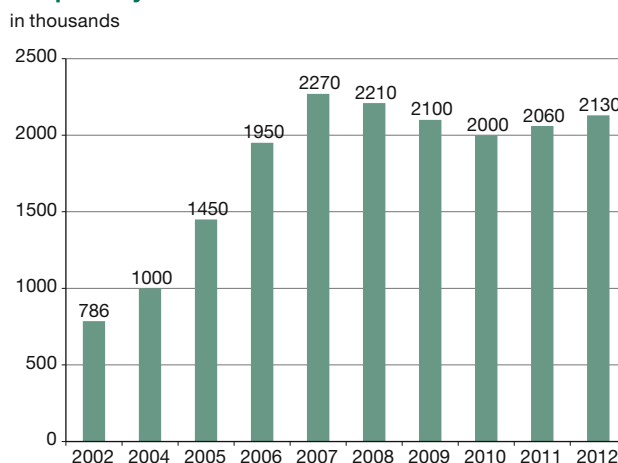
1. One of the most specific features of recent migration from Poland is the predominance of labour mobility. According to Labour Force Survey (LFS) data and other sources (e.g. dedicated surveys), an overwhelming majority of Polish migrants (over 90 per cent) take up employment while staying abroad.<sup>5</sup> Empirical studies document a relatively low level of welfare tourism; on the contrary, Polish migrants tend to contribute to their destination’s state budgets.<sup>6</sup>
2. The most important destinations for Polish migrants comprise Germany and the USA. In the post-2004 period, the majority targeted Anglophone countries (with the UK as the main destination in the post-accession period), followed by Germany, the Netherlands, Ireland

4 P. Kaczmarczyk, M. Okólski, op. cit.

5 P. Kaczmarczyk (ed.): *Mobilności migracje w dobie transformacji – wyzwania metodologiczne*, Warsaw 2011, Scholar.

6 C. Dustmann, T. Frattini, C. Halls: *Assessing the Fiscal Costs and Benefits of A8 Migration to the UK*, in: *Fiscal Studies*, Vol. 31, No. 1, 2010, pp. 1-41.

**Figure 1**  
**Stock of permanent citizens of Poland staying temporarily abroad**



Source: Author’s elaboration based on Central Statistical Office estimates.

and the Southern European countries. Nonetheless, an important feature of recent Polish migration is that Polish migrants are present in most EU countries.<sup>7</sup>

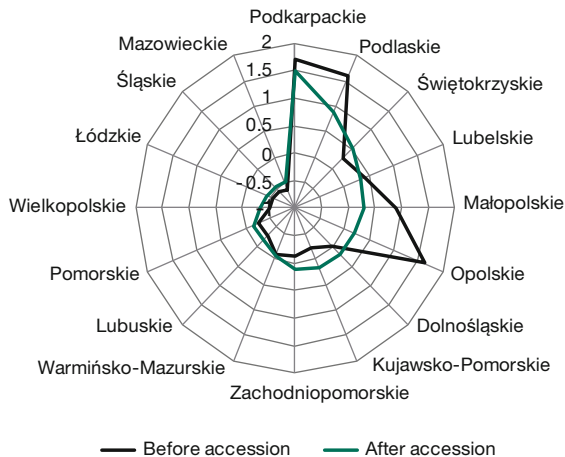
3. Post-accession migrants are considerably younger than previous cohorts. According to the LFS data, the median age of all post-accession migrants was 28 years (pre-accession period: 30 years) – see Figure 3. Additionally, significant differences were identified regarding destination countries: the median age of those choosing the UK or Ireland was six to seven years lower than that of those staying in Germany<sup>8</sup> – see Figure 4.
4. In the context of the brain drain debate, the skill structure of migrants is of highest importance. As shown by the LFS data, recent Polish migrants are relatively well-educated, with almost 20 per cent having a university degree (compared to 15 per cent in the pre-accession period) – see Figure 3. The largest group comprises migrants with vocational education, but there is a clear overrepresentation of those with tertiary education.<sup>9</sup>
5. In the transition period, Polish migration was dominated by temporary or circular mobility. This shift (as compared to previous decades) is linked to changes in migration policy (e.g. the introduction of visa-free regimes), as well as changes in cost-benefit ratios. This pattern, however, started to change in 2007. Available

7 P. Kaczmarczyk, M. Okólski, op. cit.

8 P. Kaczmarczyk (ed.): *Mobilności migracje ...*, op. cit.

9 H. Brücker (ed.): *Labour mobility within the EU in the context of enlargement and the functioning of the transitional arrangements*, Nuremberg 2009, IAB.

**Figure 2**  
**Regions of origin of Polish migrants, 1999-2008**



Source: Author's elaboration based on I. Grabowska-Lusińska, M. Okólski: *Emigracja ostatnia?* Warsaw 2009, Scholar.

data suggest that Polish migrants staying abroad are becoming more diversified with an increasing share settling in their destination country (particularly the UK).

6. Migration from Poland was traditionally diverse in spatial terms, with the most numerous flows coming from regions with the longest tradition of international migration and strong migrant networks (voivodships: Opolskie, Małopolskie and Podlaskie). This situation changed after 2004. Recent Polish migration is defi-

nately less diverse than before – see Figure 2. The most important migrant origin regions in the post-accession phase include predominantly economically underdeveloped areas with relatively large shares of natural or semi-natural agriculture.<sup>10</sup>

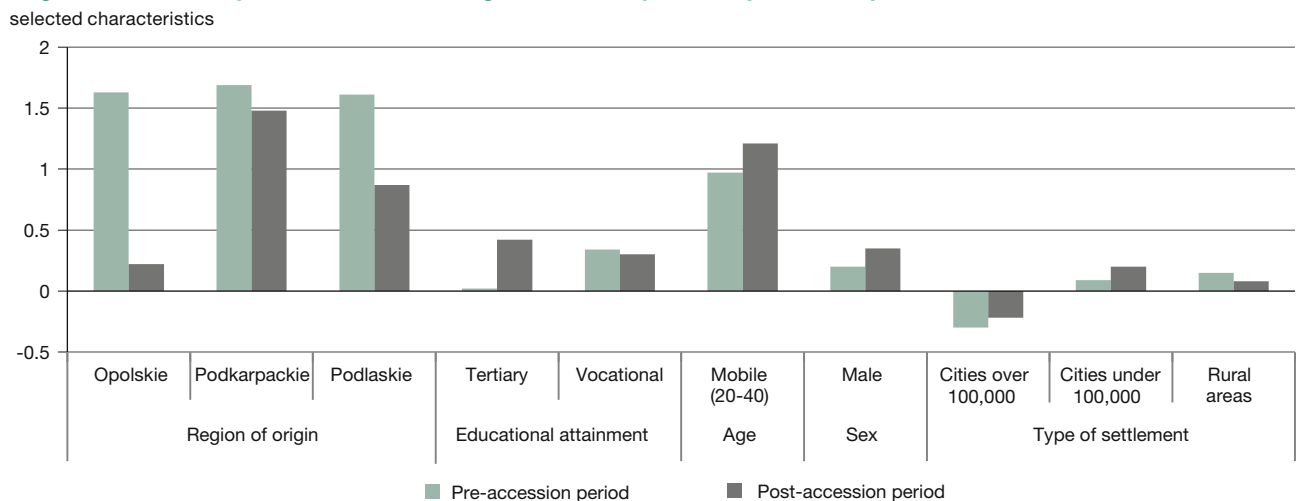
All of these features are summarised in Figure 3, which presents selectivity ratios with regards to particular characteristics of pre- and post-accession migrants from Poland.

Importantly, there is no one common pattern of migration from Poland. On the contrary, we observe a variety of migration strategies with regards to sending regions and, particularly, destination countries. The most prominent example comprises the structural characteristics of those targeting the UK and Germany – see Figure 4. Those moving to the UK are, on average, younger, better educated and tend to originate from urban areas, while Polish migrants in Germany are much older, with a low level of education, and tend to come from rural, less developed areas.

The differences in the migrants' structural characteristics (also observed in other cases) are attributable to the following factors:

<sup>10</sup> P. Kaczmarczyk, M. Okólski, op. cit.; P. Kaczmarczyk, M. Mioduszevska, A. Zyllicz: *Impact of the Post-Accession Migration on the Polish Labor Market*, in: M. Kahanec, K. Zimmermann (eds.): *EU Labor Markets After Post-Enlargement Migration*, Bonn 2009, Springer, pp. 219-255.

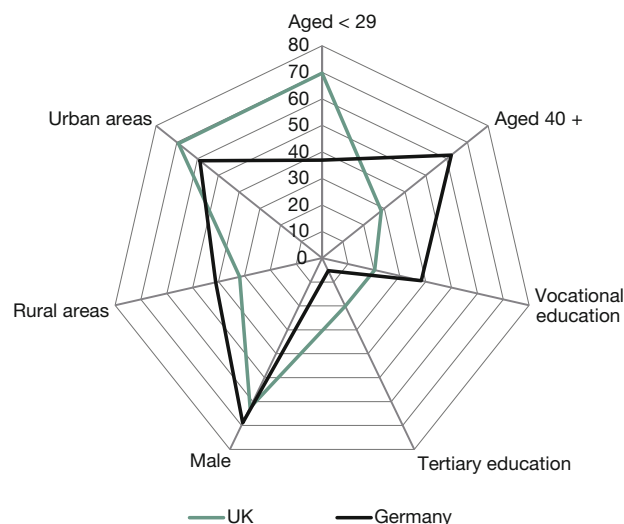
**Figure 3**  
**Migration selectivity indices of Polish migration in the pre- and post-2004 periods**



Sources: Author's elaboration based on M. Anacka, M. Okólski: *Direct demographic consequences of post-accession migration for Poland*, in R. Black, G. Engbersen, M. Okólski, C. Pantiru (eds.): *A Continent Moving West? EU Enlargement and Labour Migration within the EU*, Amsterdam 2010, Amsterdam University Press; and M. Mioduszevska: *Najnowsze migracje z Polski w świetle danych Badania Aktywności Ekonomicznej Ludności*, CMR Working Papers 36/94, 2008.

**Figure 4**  
**Structural characteristics of Polish migrants residing in the UK and Germany**

in %



Source: Author's elaboration based on the LFS data.

- the migratory regime (e.g. UK vs Germany) – particularly the dynamics of the enlargement process and imposition (or relaxation) of transitory arrangements;
- socio-cultural factors, such as language (e.g. UK/Ireland vs Sweden) – those factors seem particularly important in explaining the size of post-2004 Polish migration to the UK and Ireland;
- the structure of the receiving labour markets (e.g. UK vs Italy; UK vs Netherlands) – structural characteristics (including demand for foreign labour) explain to a large extent Polish immigrants' modes of participation;
- labour market institutions (e.g. UK vs Sweden; UK vs Netherlands) – the institutional framework in the destination country seriously influences the scale of migration (e.g. small inflows to Sweden), as do the dominant forms of employment (e.g. role of temporary employment agencies in the Netherlands); and
- the role of migrant networks (e.g. UK/Ireland vs Germany/Italy/Spain) – in the post-2004 period migrant networks ceased to play a decisive role in shaping the scale and momentum of Polish migration; nonetheless, they are still responsible for massive movements to “traditional” destinations such as Germany or Southern European countries.

In summary, in contrast to previous flows, “new” migrants from Poland tend to be male, strongly work-oriented,

young, and relatively well-educated, and their migration is temporary. Importantly, current migration from Poland, although different in structural terms, follows a similar logic to that of previous decades. It is driven by differences in economic conditions and employment opportunities, networks and social ties, and institutional changes (e.g. the introduction or relaxation of transitional arrangements). Migrants' strategies are also different. First of all, due to its transitory, transnational and temporary patterns, recent migration from Poland (as well as from other CEE countries) is labelled as “liquid” or “fluid” migration.<sup>11</sup> Second, for many Poles, migration has become part of an occupational career or complex life project and not part of a household's survival strategy, which was common among “incomplete migrants”.

### Impacts

Massive outflows of people are expected to affect many spheres of socio-economic life, with the most important issues related to remittances and the labour market. In this paper, we will refer predominantly to issues affecting the latter.<sup>12</sup> According to economic and migration theory, a massive outflow from the labour force should result in specific effects within particular time periods. In the short term, the main effects are related to changes in labour supply and thus refer particularly to changes in employment, unemployment and inactivity. In the medium term, adjustments to the market equilibrium may be visible, which may result in, among other things, pressure

11 G. Engbersen, E. Snel, J. de Boom: A Van Full of Poles. Liquid Migration In Eastern and Central European Countries, in: R. Black, G. Engbersen, M. Okólski, C. Pantiru (eds.): A Continent Moving West? EU Enlargement and Labour Migration from Central and Eastern Europe, Amsterdam 2010, Amsterdam University Press; I. Grabowska-Lusińska, M. Okólski: Emigracja ostatnia?, Warsaw 2009, Scholar.

12 According to the statistical data available, the inflow of remittances to Poland in the post-2004 period was significant, however, in absolute rather than relative terms. Value of remittances was as high as PLN 10 billion in 2004 and increased to around PLN 29 billion in 2007 (peak period) – as a consequence the share of remittances in Polish GDP increased from one per cent to 2.5 per cent (still relatively low as compared to the most important recipients of remittances) (see M. Anacka, A. Fihel, P. Kaczmarczyk: Wpływ członkostwa w UE na krajowy rynek pracy i zjawisko migracji zarobkowej, Warsaw 2014, OBMF). Even if importance of remittances is modest on the country level, flows of money from migrants play a vital role for migrants themselves and for certain Polish regions. One of the recent studies showed that the share of Polish households cyclically receiving remittances was as high as 2.5 per cent. According to the estimates presented over the period 1996-2011 around 0.2 per cent of the total real increase in disposable incomes is to be attributed to inflow of remittances. Moreover, remittances have been presented as an important pro-egalitarian factor (responsible for a two percentage point decrease in the poverty rate). See L. Barbone, K. Piętka-Kosińska, I. Topińska: Wpływ przepływów pieniężnych na polską gospodarkę w latach 1992-2012, raport Western Union, przygotowany przez Centrum Analiz Społeczno-Ekonomicznych (CASE), Warsaw 2012.



on wages; structural features of the outflow will also be of some importance (brain drain/brain gain). In the long term, a set of adjustments is possible, including changes in the structure of the economy (capital/labour ratio, demand side modifications), occupational and social mobility of native workers, and immigration of foreign labour.<sup>13</sup>

As in other transition economies, one of the most important economic issues in Poland was serious oversupply of labour. As a result, during most of the pre-accession period, the unemployment rate was very high, and in 2002, it reached over 20 per cent. Additionally, the Polish labour market used to be described in terms of low participation and employment rates, structural mismatches and a large amount of long-term unemployment.<sup>14</sup> The situation started to improve before the EU enlargement as the Polish economy grew, which was particularly important directly before the accession (GDP grew by 3.9 and 5.3 per cent in 2003 and 2004 respectively). In 2004 the number of unemployed started to gradually decrease: according to LFS data, the number of unemployed decreased from 3.2 million in early 2004 to 1.2 million in late 2008 (the unemployment rate decreased from 19.1 per cent to 7.1 per cent).

A simple analysis suggests that the decline in unemployment may have been an outcome of spectacular post-accession migration. This observation alone cannot serve as a proof of the causality between migration and unemployment (or an “unemployment export” hypothesis). First of all, the fall in unemployment, as observed since 2004, was also strongly correlated to a rise in employment: employment rates increased from 44 per cent to 50.1 per cent between the second quarter of 2004 and second quarter of 2008. Second, the general trends in the labour market continued even once emigration rates had stabilised, i.e. in 2007 and 2008. This indicates that post-accession emigration could not have been the primary cause of the changes in the labour market; instead, the changes were mainly caused by structural and business cycle changes in the whole economy. Third, the LFS data show that the stock of migrants rose by approximately 300,000, whereas unemployment fell by two million. Even if emigration did have a direct impact on the level of unemployment, only a small proportion of changes in the latter variable could be attributed to the former.<sup>15</sup>

13 G. Borjas: *Labor Economics*, 2004, McGraw-Hill; IOM: *Migration and Development*, World Migration Report Series, Geneva 2005; P. Kaczmarczyk, M. Mioduszevska, A. Zylicz, op. cit.; A. Janicka, K. Kowalska: *Współczesne migracje zagraniczne Polaków a polski rynek pracy*, in: *Studia Migracyjne – Przegląd Polonijny*, No. 4, 2010, pp. 79-106.

14 P. Kaczmarczyk, M. Mioduszevska, A. Zylicz, op. cit.

15 See also P. Kaczmarczyk, M. Mioduszevska, A. Zylicz, op. cit.

Thus more sophisticated methodologies are needed to disentangle the relationship between migration and the labour market. Bukowski et al. investigated the impact of three factors on unemployment: demographic structure, changes in economic activity and changes in employment.<sup>16</sup> They found that changes in the level of unemployment among people of mobile age should be attributed predominantly to a rise (or decline) in the level of employment. In the pre-accession period, the increase in unemployment was predominantly a consequence of the number of (lack of) job places available. In the post-accession period, the most important factors negatively influencing the level of unemployment remain the employment level and the process of job creation. Effects of the two other factors were marginal; however, there was an effect caused by changes in economic activity that can be attributed to migration. This effect seems important, particularly in the case of those in the younger age brackets: over the years 2003-2006, the number of unemployed people in the 15-24 age group decreased by over 260,000. Of this number, more than 110,000 can be attributed to changes in employment; however, the remainder is related to changes in participation patterns. These changes can be linked to two processes: a growing tendency to obtain tertiary education and massive post-accession outflow.<sup>17</sup> The results of the study by Bukowski et al. are supported by a study by Lo Turco and Parteka,<sup>18</sup> which showed that, in the case of tradable sectors, domestic employment was positively affected by employment in trading partner countries. Consequently, the correlation between labour emigration from Poland and a decline in Polish unemployment results from the fact that both are affected by the same factor: the business cycle in an enlarged EU.

In the medium term, the most important labour market equilibrium adjustment due to a massive outflow of the labour force, which causes a decline in labour supply, should be wage pressure.<sup>19</sup> Budnik attempted to address this issue and to measure directly the impact of migra-

16 M. Bukowski, G. Koloch, P. Lewandowski: *Labour market macrostructure in NMS8 – shocks and institutions*, in: M. Bukowski (ed.): *Employment in Poland 2007 – Safety on the Flexible Labour Market*, Warsaw 2008, MPIPS.

17 See P. Kaczmarczyk, M. Mioduszevska, A. Zylicz, op. cit.

18 A. Lo Turco, A. Parteka: *EU Enlargement, Economic Interdependence and the Labor Markets in Old and New Member States*, paper presented at the National Bank of Poland's conference “Migration, Labour Market and Economic Growth in Europe after Enlargement”, Warsaw, 8-9 December 2008.

19 P. Mishra: *Emigration and Wages in Source Countries: Evidence from Mexico*, in: *Journal of Development Economics*, Vol. 82, No. 1, 2007, pp. 180-199; G.H. Hanson: *Emigration, Labor Supply, and Earnings in Mexico*, NBER Working Paper No. 11412, 2005; A. Aydemir, G.J. Borjas: *A Comparative Analysis of the Labor Market Impact of International Migration: Canada, Mexico, and the United States*, NBER Working Paper No. 12327, 2006.

tion on wage levels (search and matching model).<sup>20</sup> A comparison of the actual migration scenario and a counterfactual scenario with migration rates fixed at the 2002 level revealed that the steady-state impact on the wage rate of an increase in the outflow of workers of around 4.5 per cent (as observed between 2002 and 2006) was moderate and lower than one per cent (in 2006). Similar results arose from analysis completed by Kowalska, who estimated the elasticity of wages in Poland with respect to migration from Poland (based on the LFS data).<sup>21</sup> The aggregate and individual data analysis revealed that a ten per cent labour supply shock caused an increase in wages between two and four per cent (on average, depending on assumptions). Interestingly, elasticity of wages with respect to international mobility was higher for men than for women and for employees under 30 than those over 30. These observations point again to selectivity issues as previously discussed.

Moreover, the impact of large-scale emigration on the supply of labour may be both quantitative and qualitative. Qualitative effects include changes in the composition of the labour force due to the selectivity of migration, and this leads to the ongoing debate on the mobility of highly skilled people, with many discussants arguing about the negative and positive effects of such mobility.<sup>22</sup>

The labour market impacts of highly skilled mobility can be both short and long term. Following the widely acknowledged paper by Beine et al.,<sup>23</sup> a distinction can be made between static (or *ex post*) effects of the outflow, which can be termed as the “drain effect”, and dynamic (*ex ante*) “brain effects” related to a possible increase in investment in education induced by the prospect of migration. Fihel et al. referred to the model proposed by Beine et al. to assess the impacts of post-accession migration from Poland and showed that there was a clear pattern of positive selection of those who had completed tertiary education.<sup>24</sup> The term “brain drain” is appropriate; however, the

assessment of the impacts caused by this phenomenon remains open. As far as the drain effect is concerned (i.e. the short- and medium-term effects of the outflow), it is extremely difficult to assess the impact of post-accession migration on the skill mismatches in specific sectors and regions in Poland. Statistical data suggest that the labour shortages observed in the post-accession period are comprised mainly of qualified workers but not necessarily those described as highly skilled. In fact, the main sectors suffering a shortage of labour include construction and manufacturing.<sup>25</sup> Thus these posts are unlikely to be filled by well-educated migrants choosing EU labour markets. Additionally, due to the oversupply of labour in the Polish labour market, post-accession migration should be assessed in terms of “brain overflow” rather than “brain drain”.

In methodological terms, the analysis of the “brain effect” is even more challenging. The structure of educational attainment of Poland is still changing, but empirical evidence shows that this process is caused by a set of non-migratory factors (e.g. social change, growing interest in obtaining higher education, structural change within the system and the introduction of transitional arrangements) and it is impossible to extract any post-accession brain effects. What is of far greater importance is the performance of Polish migrants abroad. One of the key assumptions of the model proposed by Beine et al. is that the rate of return to education should be higher abroad than in the country of origin (as people want to invest in their education in order to engage in gainful international migration).<sup>26</sup> However, recent studies suggest that Polish migrants abroad are employed in positions far below their skills (severe over-education).<sup>27</sup> Additionally, as shown by Kaczmarczyk and Tyrowicz, the rate of return to education in the case of well-educated Polish migrants choosing the UK as their destination was among the lowest in the British labour market and, additionally, lower abroad than in the domestic labour market.<sup>28</sup> This signifies that the outflow of skilled workers from Poland has the characteristics of a “brain waste”, which undermines the theoretical rationale for increased human capital formation.

Neoclassical economic theory suggests that in the long run migration is neutral to the labour market, i.e. changes

20 K.B. Budnik: Search Equilibrium with Migration: the Case of Poland, National Bank of Poland Working Paper No. 45, 2008.

21 K. Kowalska: Does the post-enlargement emigration from Poland impact on wages of Poles? Mimeo, 2011, University of Warsaw.

22 H.B. Grubel, A.D. Scott: The international flow of human capital, in: *The American Economic Review*, Vol. 56, No. 1/2, 1996, pp. 268-274.; J. Bhagwati, K. Hamada: The brain drain, international integration of markets for professionals and unemployment, in: *Journal of Development Economics*, Vol. 1, No. 1, 1974, pp. 19-42; O. Stark, C. Helmenstein, A. Prskawetz: A brain gain with a brain drain, in: *Economics Letters*, Vol. 55, No. 2, 1997, pp. 227-234; J.-C. Dumont, G. Lemaître: Counting immigrants and expatriates in OECD countries: a new perspective, Mimeo, 2005, OECD.

23 M. Beine, F. Docquier, H. Rapoport: Brain drain and economic growth: theory and evidence, in: *Journal of Development Economics*, Vol. 64, No. 1, 2001, pp. 275-289.

24 A. Fihel, P. Kaczmarczyk, N. Wolfeil, A. Żylicz: Brain drain, brain gain and brain waste, in: H. Brücker, op. cit.

25 P. Kaczmarczyk, M. Mioduszevska, A. Żylicz, op. cit.

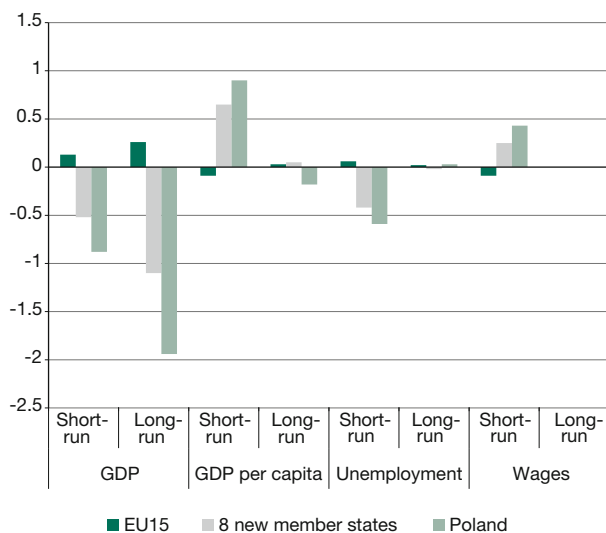
26 M. Beine, F. Docquier, H. Rapoport, op. cit.

27 S. Drinkwater, J. Eade, M. Garapich: Poles apart? EU Enlargement and the Labour Market Outcomes of Immigrants in the UK, 2006, Mimeo; A. Fihel, P. Kaczmarczyk: Migration: A Threat or a Chance? Recent Migration of Poles and its Impact on the Polish Labour Market, in: K. Burrell (ed.): *Polish Migration to the UK in the 'New' European Union After 2004*, London 2009, Ashgate.

28 P. Kaczmarczyk, J. Tyrowicz: Winners and losers among highly skilled Polish migrants, WNE UW Research Seminar Paper, 2013.

**Figure 5**  
**Macroeconomic impacts of post-accession migration – sending and receiving countries**

in %, as compared to the counterfactual scenario assuming migration at the pre-accession level



Source: Author's elaboration based on H. Brücker (ed.): Labour mobility within the EU in the context of enlargement and the functioning of the transitional arrangements, Nuremberg 2009, IAB.

in the supply of workers should be internalised by structural changes in the labour market and an adjustment of the capital/labour ratio. An exemplification of this thesis is the study presented by Brücker, who looked at the macroeconomic impacts of post-accession migration from the new member states – see Figure 5.<sup>29</sup>

Brücker argued that: 1) post-accession migration brought serious benefits for the receiving countries (particularly the UK) and reduced the growth potential in migrant sending areas; 2) impacts on wages and unemployment were moderate and positive in the short/medium term; and 3) most labour market effects were negligible in the long run.<sup>30</sup> Similar results have been provided by Fic et al.<sup>31</sup>

This kind of approach does not take into account those effects related to demographic aspects of migration and possible structural changes in the domestic labour market. We argue that, in the case of post-accession migration by Poles, these effects may be of larger importance than short- and medium-term adjustment in wages and employment/unemployment.

29 H. Brücker, op. cit.

30 Ibid.

31 T. Fic, D. Holland, P. Paluchowski: Labour mobility within the EU – The impact of enlargement and the functioning of the transitional arrangements, NIESR Discussion Paper No. 379, April 2011.

If we look at the demographic dimension of recent migration from Poland, it is necessary to emphasise the relative importance of this phenomenon both in terms of numbers as well as structural features. According to estimates, the number of migrants staying temporarily abroad increased by over one million between 1 May 2004 and early 2007 (i.e. in the most important phase of post-accession outflow).<sup>32</sup> After considering settlement mobility, the total net loss of population in this period was around 1.1 million (i.e. 2.8 per cent of the total population). For working age people, this loss was significantly higher and amounted to four per cent of the total population of that age (slightly over one million migrants).<sup>33</sup> This number suggests that we should not expect significant impacts of migration at the country level. However, more in-depth analysis reveals severe challenges with respect to particular groups and, particularly, the spatial dimension.

First, the demographic loss was more significant for males than females (4.4 per cent vs 2.2 per cent). Second, the highest outflow referred to those aged 25-29 years (9.3 per cent) and 20-24 years (8.8 per cent), compared to 3.3 per cent overall (of the total population). Third, net losses were similar for those with completed tertiary, post-secondary, or secondary and vocational education (in all cases around four per cent). Fourth, even if the loss of population in urban and rural areas displayed similar patterns, serious differences were noted for the most mobile age groups: for the 25-29 age group (i.e. the age group most strongly affected by the population outflow), the loss in the rural population was 9.5 per cent; it amounted to ten per cent in medium-sized and small towns and to 8.2 per cent in large towns. Finally, the demographic impacts of migration were significantly different when considering region of origin prior to migration. For the total population, the loss varied from 1.8 per cent (Mazowieckie voivodship and particularly the Warsaw area) to over seven per cent (Podkarpackie voivodship, marked by the highest propensity to migrate in the post-accession period). These differences were even more striking when we account for the type of settlement and age group: in the younger age brackets and rural areas of south-eastern Poland, losses were commonly close to 25-30 per cent – see Figure 6.<sup>34</sup>

The above data are highly relevant in understanding the origins of those Poles who have recently migrated. Available evidence (including correlation between migration rates and variables such as level of economic develop-

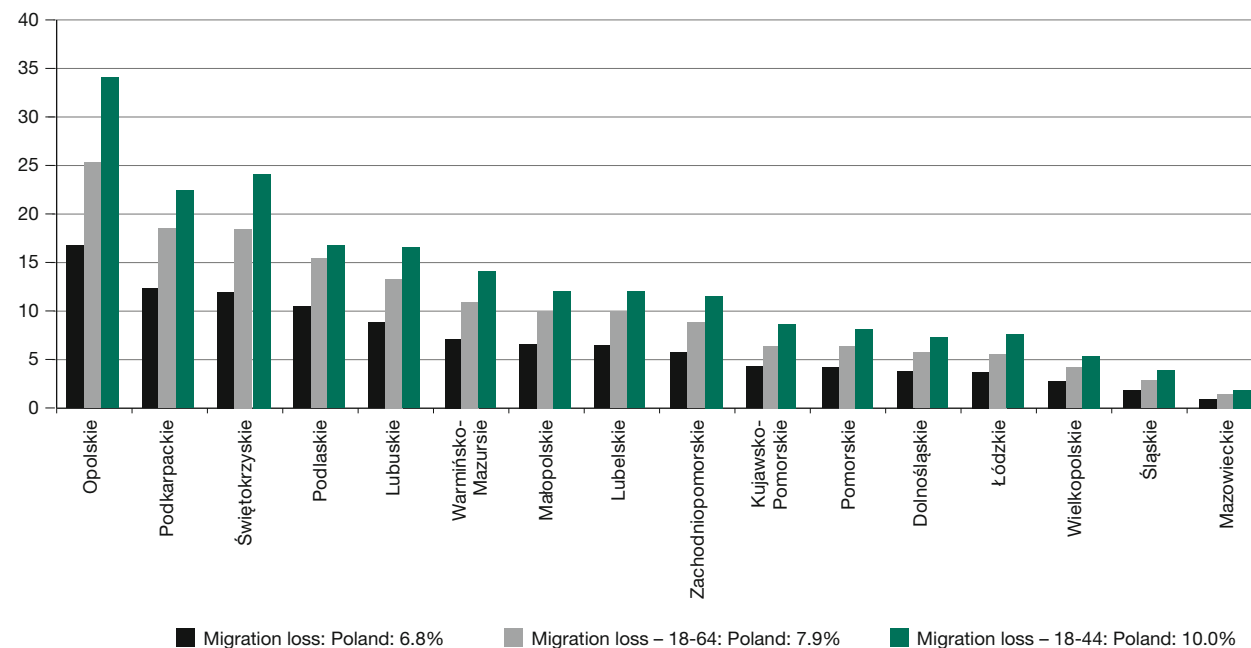
32 M. Anacka: Najnowsze migracje z Polski w świetle danych Badania Aktywności Ekonomicznej Ludności, CMR Working Papers No. 36/(94), Warsaw 2008, CMR; I. Grabowska-Lusińska, M. Okólski, op. cit.

33 P. Kaczmarczyk, M. Okólski, op. cit.

34 Ibid.

Figure 6  
Demographic losses due to post-2004 migration from Poland, 2010

in % of the total



Source: Author's elaboration based on Centre of Migration Research Foundation (FOBM) data.

ment, structure of local economy, activity patterns of inhabitants, etc.) suggests that migration was more intensive in regions with a relatively higher share of the population living in rural areas and, additionally, those with younger populations (particularly in the post-accession period). In fact, one of the most important post-accession migrant groups comprised young and relatively well-educated people leaving regions with weak labour markets and a significant semi-subsistence economy or remnants of a semi-subsistence economy. This kind of people can be termed as economically “redundant” and their outflow should be described in terms of overflow rather than drainage.<sup>35</sup>

This observation is highly relevant when we look at the long-term impacts of recent migration. As pointed out by Layard et al.,<sup>36</sup> one of the preconditions for development in post-war Europe was the massive outflow of surplus labour. This phenomenon happened in other countries, such as Italy and Spain, and created a stimulus for improvement in the efficiency of their labour markets. Political conditions, i.e. policies prohibiting massive migration, meant that this kind of process did not happen in Poland.

<sup>35</sup> Ibid.

<sup>36</sup> R. Layard, O.J. Blanchard, R. Dornbusch, P. Krugman, op. cit.

As a consequence, during the transition period the Polish labour market was characterised by an enormous surplus of labour. Additionally, structural and spatial distribution of the labour force did not match labour market needs: relatively large portions of the population were “trapped” in rural areas in subsistence sectors. Accession into the EU and post-accession mass migration facilitated – for the first time in contemporary history – the outflow of the “economically redundant” population originating from economically backward regions. Kaczmarczyk and Okólski argue that even if post-accession flows have only had a moderate impact on sending economies in the short run (including unemployment, economic activity or wages), this kind of labour market “pre-emption” or “crowding out effect” can significantly improve development potential in the long term.<sup>37</sup> Recent migration can bring about significant changes in the labour market structure and institutional set-up. Predominantly affecting the oversupply of labour, it also makes reforms of the labour market easier (or even generally feasible). In this context, return migration – so welcomed by many policymakers in Poland and other new member states – may seriously limit this development potential (at least if it happens “too early”, i.e. before completion of labour market reforms).

<sup>37</sup> P. Kaczmarczyk, M. Okólski, op. cit.

### Lessons to be learnt

Recent Polish migration constitutes one of the most important and interesting migration processes in contemporary Europe. In quantitative terms it is only comparable to the large wave of Romanian citizens moving abroad in the post-2007 period. In qualitative terms it goes far beyond the migration patterns of other Central and Eastern Europeans due to its diversity and increasing complexity. The analysis presented in this article allows the identification of a few important issues to be presented as general lessons to be learnt from the post-2004 migration experience:

1. Granting freedom of movement is expected to increase the scale of overall mobility but not necessarily bring dramatic effects in terms of settlement migration. Migrants tend to use “well-trodden social spaces” and refer to well-known migration strategies. In Central and Eastern Europe, many of those strategies comprise short-term or circular movements.
2. The scale of migration and its selectivity patterns go far beyond institutional factors (such as labour markets opening). Post-2004 patterns of mobility are to be explained in terms of labour market related factors (structure of demand for foreign labour, institutional framework at destination, role of trade unions), cultural factors (language, cultural proximity), migrant networks and, last but not least, the dynamics of the enlargement process (transitory periods). It shows that intra-European mobility is a complex phenomenon – difficult to forecast and difficult to manage.
3. Post-2004 mobility of Polish migrants shows that they go where the jobs are and they are present in all European labour markets (from Cyprus to Iceland). It indicates that: (a) recent intra-EU mobility is to a large extent demand driven; and (b) EU enlargement is to be treated as an important step towards a Common European Labour Market. The latter feature became more clearly visible during the economic crisis.
4. A significant portion of recent Polish mobility constitutes labour and short-term/circular migration. It shows that, even with severe wage gaps and persisting differences in standards of living, granting the freedom to move (and to return) can lead to short-term/circular migration strategies. The preconditions include the structure of demand for foreign labour in the destination region and development potential in the region of origin.
5. Despite the relatively high (and in certain cases, such as the UK and Ireland, very high) level of human capital involved, the migration of Poles hardly contributes to an improvement in the occupational positions of the people involved. On the contrary, the common pattern of employment abroad comprises serious over-education and skill mismatches.
6. This situation is only partially attributable to (low) quality of education or the lack of transferability of skills (e.g. due to low language skills). Rather, empirical research points to the demand for foreign labour being strongly concentrated at the low-skilled end of the occupational ladder. It shows that, contrary to official rhetoric, Western European economies desperately need low-skilled workers to fill niches in their labour markets and this kind of worker is far more important than highly skilled migrants.
7. The common phenomenon of employment below one’s skill level can have very serious long-term consequences. First, it leads to inefficient utilisation of human capital (at the EU level). Second, it brings few incentives to invest in human capital (important in the context of brain gain). Third, it may (negatively) affect future integration prospects of residing immigrants.
8. Post-enlargement migration experience shows that while destination countries, on average, benefit from immigration, countries of origin tend to bear relatively high costs from the outflow (particularly in the long term). It shows that we need a pan-European approach to internal mobility and co-operation between migrant sending and migrant receiving countries to create win-win situations in terms of migration.
9. For many Polish people, migration has ceased to be part of the household’s survival strategy. On the contrary, it has started to play an important part of migrants’ life projects. Moreover, those projects are becoming more and more complex, both in terms of their content as well as spatial patterns. It creates both risks (migration is difficult to manage) and opportunities (development potential) for both origin and destination countries.
10. Intra-EU migrants face severe problems accessing the labour market, finding (proper) jobs and integrating into social and economic spheres. Thus innovative labour market measures are needed to amplify the developmental impacts of migration (training, coaching, labour market assistance). The same refers to countries of origin and to returnees.

Timo Baas

## The Macroeconomic Impact of Intra-EU Migration on the German Economy

The freedom of movement is a fundamental right guaranteed to EU citizens. Today, 3.4 million out of seven million foreigners in Germany use this right to live and work in Germany, an increase of 900,000 people in the last seven years. Most of these mobile citizens have the nationality of one of the member states that acceded to the EU in or after 2004. There were two reasons for the strong increase in mobility: the end of transitional periods in 2011 (for 2004 accession countries) and 2014 (for Bulgaria and Romania), and the long-lasting impacts of the financial and economic crisis.

Transitional periods were agreed with the accession countries to protect the labour markets of old members for a period of up to seven years. After applying transitional periods for the maximum duration, Germany opened its labour market in May 2011 and January 2014. The application of transitional agreements, however, did not fully prevent labour mobility. Exceptions applied for academics, EU citizens studying in Germany and a limited number of posted workers. For skilled workers, there was the possibility to apply for a work permit, which had to be approved by the federal employment agency.

The financial and economic crisis has affected labour mobility in at least two ways. First, mobile workers intending to move to Spain or Italy have been faced with unfortunate labour market conditions. Some of those have chosen Germany as an alternate destination. Second, natives from the countries most affected by the crisis have faced high unemployment rates and declining wages, and thus have decided to move. Both channels increase the number of people moving to Germany, but the first channel clearly dominates.

In this paper it is shown that labour mobility has strongly increased with the opening of labour markets in 2011 and with the worsening of labour market conditions after the crisis in 2007. Using a CGE (computable general equilibrium) model, the optimum allocation of labour to the different sectors of the economy is derived and the impact of recent trends in labour mobility on the German economy is shown. Naturally, this is not the only study addressing the macroeconomic impact of labour mobility. Baas and Brücker, and Barrell et al. analyse the impact of expected migration flows after the opening of labour

markets;<sup>1</sup> Heijdra et al. use a recursive dynamic model prior to EU enlargement.<sup>2</sup> In contrast to these studies, we analyse the recent migration trend and put a special emphasis on the adjustment of the capital stock, which was identified by previous studies as having a strong impact on the labour market effects of intra-EU labour mobility.

This paper first discusses the impact of transitional periods and the economic crisis on non-native EU citizens living in Germany. It then presents the age structure of EU citizens, their labour market status and employment by economic activity. Finally, this study simulates the impact of labour mobility on the German economy.

### The scale of mobility

According to the federal statistical office, the number of mobile EU citizens<sup>3</sup> living in Germany has increased from 2.5 million prior to the economic crisis to 3.4 million in 2013 (see Table 1). With an increase of more than 270 per cent from the 2006 value, Bulgarians are the fastest growing community within the group of EU citizens, followed by Romanians (260 per cent), then Latvians and Hungarians (150 per cent). For mobile workers from other EU countries, the increase was much smaller. The number of EU citizens from Lithuania increased by 90 per cent, from Poland and Cyprus by 70 per cent, while the growth in the number of citizens from the countries most affected by the economic crisis (GIPS) is far below these values: Italy (35 per cent), Spain (27 per cent) and Portugal (ten per

- 1 T. Baas, H. Brücker: Macroeconomic Impact of Eastern Enlargement on Germany and UK: Evidence from a CGE Model, in: Applied Economics Letters, Vol. 17, No. 2, 2009, pp. 125-128; T. Baas, H. Brücker: Wirkungen der Zuwanderungen aus den neuen mittel- und osteuropäischen EU-Staaten auf Arbeitsmarkt und Gesamtwirtschaft, WISO-Diskurs, No. 59, 2010; T. Baas, H. Brücker: The Macroeconomic Consequences of Migration Diversion: Evidence for Germany and the UK, in: Structural Change and Economic Dynamics, Vol. 23, No. 2, 2012, pp. 180-194; R. Barrell, J. FitzGerald, R. Riley: EU Enlargement and Migration: Assessing the Macroeconomic Impacts, National Institute for Economic and Social Research, Discussion Paper No. 292, 2007.
- 2 B.J. Heijdra, C. Keuschnigg, W. Kohler: Eastern enlargement of the EU: Jobs, Investment and Welfare in Present Member Countries, CESifo Working Paper No. 718, 2002.
- 3 Mobile EU citizens in this paper refers to non-Germans moving to or living in Germany. In principle, Germans can also be mobile EU citizens returning home but personal characteristics and labour market performance differ heavily.

Table 1  
Non-German EU citizens living in Germany

	2006	2007	2008	2009	2010	2011	2012	2013
EU countries	2 523 281	2 562 543	2 584 515	2 589 130	2 663 529	2 822 204	3 050 411	3 366 504
Austria	175 653	175 875	175 434	174 548	175 244	175 926	176 314	178 768
Belgium	22 365	22 559	22 801	22 388	22 811	23 125	23 846	25 005
Bulgaria	39 053	46 818	53 984	61 854	74 869	93 889	118 759	146 828
Croatia	227 510	225 309	223 056	221 222	220 199	223 014	224 971	240 543
Cyprus	846	875	864	855	878	998	1 152	1 467
Czech Republic	33 316	34 266	34 386	34 337	35 480	38 060	41 865	46 484
Denmark	18 502	18 658	19 014	18 789	18 929	19 211	19 629	20 312
Estonia	3 970	4 065	4 003	4 108	4 394	4 840	5 224	5 780
Finland	13 175	13 394	13 400	12 901	12 960	13 182	13 359	13 915
France	104 085	106 549	108 090	107 257	108 675	110 938	113 885	120 045
Greece	303 761	294 891	287 187	278 063	276 685	283 684	298 254	316 331
Hungary	52 347	56 165	60 024	61 417	68 892	82 760	107 398	135 614
Ireland	10 093	10 059	10 207	9 899	10 164	10 595	11 130	11 911
Italy	534 657	528 318	523 162	517 474	517 546	520 159	529 417	552 943
Latvia	9 775	9 806	9 980	11 650	14 257	18 263	21 790	25 489
Lithuania	19 030	19 833	20 285	21 423	23 522	27 751	32 523	36 316
Luxembourg	8643	9796	10964	11701	12231	12708	13261	14613
Malta	379	410	428	438	438	482	500	548
Netherlands	123 466	128 192	132 997	134 850	136 274	137 664	139 271	142 417
Poland	361 696	384 808	393 848	398 513	419 435	468 481	532 375	609 855
Portugal	115 028	114 552	114 451	113 260	113 208	115 530	120 560	127 368
Romania	73 353	84 584	94 326	104 980	126 536	159 222	205 026	267 398
Slovakia	23 835	24 458	24 477	24 930	26 296	30 241	35 372	41 436
Slovenia	21 109	20 971	20 463	20 054	20 034	20 832	21 819	24 094
Spain	106 819	106 301	105 526	104 002	105 401	110 193	120 231	135 539
Sweden	16 919	17 126	17 317	17 099	17 116	17 347	17 625	18 228
United Kingdom	96 507	97 070	97 560	95 852	96 143	98 406	100 385	103 427

Source: Federal statistical office (Destatis), foreign population, 2014.

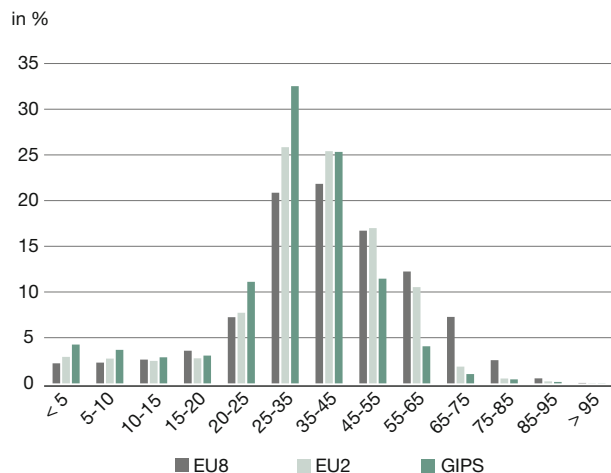
cent) followed by Greece (four per cent). In general, we can distinguish three groups that dominate or are expected to dominate labour mobility towards Germany. The group of mobile Bulgarians and Romanians (EU2) experiences the strongest growth. Workers from the Baltic countries, Poland, Hungary, the Czech Republic, Slovenia and Slovakia (EU8) still dominate in size, while the number of workers from countries heavily affected by the economic crisis is below expectations but may increase in the near future.

The opening-up of the labour market was one of the most important reasons why the number of mobile workers from EU8 countries increased sharply by 250,000 between 2010 and 2013. Transitional periods, nevertheless,

did not fully prevent people from moving. Mobile workers from EU8 and EU2 countries could apply for work permits granted to skilled workers after a proof of precedence. For highly skilled workers,<sup>4</sup> managers and seasonal workers, the employment agency abstains from the proof of precedence. Additionally, the freedom of establishment, another fundamental right granted to EU citizens, enables mobile entrepreneurs to open businesses in Germany and firms from EU countries to operate in Germany with their own workforce. Restrictions were applied for some sectors, such as construction, the cleaning of buildings

<sup>4</sup> For the highly skilled, the employment agency has abstained from the proof of precedence since 2009.

Figure 1  
Age structure of EU citizens living in Germany,  
selected countries, 2013



Source: Federal statistical office (Destatis), foreign population, 2014.

and public transport systems, as well as surface care and temporary employment agency work. Given these institutional settings, the number of mobile workers increased by 53,000 in the three years prior to the opening of labour markets.

The second reason for the increase in mobility towards Germany was the economic crisis in 2007 that turned into a sovereign debt crisis in early 2009. The most affected countries – Portugal, Spain, Ireland, Italy and Cyprus – experienced a sharp increase in sovereign debt as they had to support their banking systems. Greece was an exception as the increase in government debt was caused by a correction of previous governments' misreporting. Given the risk of default, those countries experienced difficulties in repaying or refinancing their debt. To increase investors' confidence and to get access to IMF and EU credits, they agreed to austerity measures. As contraction set in, labour market conditions worsened, the unemployment rate increased and wages declined. According to migration theory, a worsening of the value of staying should foster migration.<sup>5</sup> Indeed, the number of GIPS mobile workers living in Germany increased by 120,000 between 2010 and 2013.

The impact of the crisis via the channel of the countries affected is not as strong as expected: a second channel turned out to be more important. The crisis not only affected GIPS citizens, it also affected EU2 workers suffering from worsening labour market conditions in Spain,

5 L.A. Sjaastad: The Costs and Returns of Human Migration, in: Journal of Political Economy, Vol. 70, No. 5, 1962, pp. 80-93.

Table 2  
Age structure of mobile workers, 2013

in %

	<18	18-25	25-50	50-65	>65
EU8	7	20	60	13	1
EU2	9	19	64	7	0
GIPS	13	21	56	8	2

Source: Federal statistical office (Destatis), migration statistics, 2014.

their preferred destination country. Some headed towards Germany, but most chose to go to Italy. In 2007, 1.4 million mobile workers from EU2 countries lived in Spain, 580,000 in Italy and only 130,000 in Germany. In 2013, 1.7 million mobile citizens lived in Spain, 1.4 million in Italy and 414,000 in Germany. Given unfortunate labour market conditions in Spain, the increase of 300,000 people is still remarkable, while Italy evolves as the preferred destination. Even though the number of mobile EU2 citizens living in Germany more than tripled between 2007 and 2013, there still exists a huge gap between the number of EU2 citizens living in Germany and those living in Italy and Spain.

## EU citizens in Germany

### Age structure of EU citizens living in Germany

The age pattern of mobile citizens is influenced by labour market conditions in the source and destination countries. From migration theory we know that young migrants are more sensitive to wage differentials, while older migrants are more responsive to change in the unemployment rate. According to Hunt,<sup>6</sup> the reason for this phenomenon might be the higher financial and social burden of older workers, which increases the costs of unemployment. Young workers, instead, have no obligation to support family members and might benefit from transfers from their parents. The non-money, especially "psychic", costs of migration can be expected to be larger for older migrants.<sup>7</sup> In an extreme case, where these costs are extremely high, a high unemployment rate would not lead to an increase in worker mobility.

As we see in Table 2, in all three country groups, the share of mobile citizens between 18 and 25 years old is roughly 20 per cent. Given the age structure in Figure 1, the 26-35 age group is expected to be the largest among mobile workers. Surprisingly, the proportion of elderly workers

6 J. Hunt: Stanching Emigration from East Germany: Age and the Determinants of Migration, in: Journal of the European Economic Association, Vol. 4, No. 5, 2006, pp. 1014-1037.

7 L.A. Sjaastad, op. cit.



**Table 3**  
**Qualifications of EU workers in Germany, selected countries, 2013**

in %

	Vocational training (ISCED 3)		Vocational school (ISCED 3)		Post-secondary non-tertiary education (ISCED 4/5)		Applied university (ISCED 6/7)		University (ISCED 6/7/8)		Without formal qualification (ISCED 0/1/2)	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Population	41.9	39.8	1.6	2.7	8.6	6.5	5.8	3.2	8.4	7.0	10.8	19.3
Greece	24.6	18.2	/	/	/	/	/	/	7.3	7.0	54.5	64.5
Italy	30.9	19.8	/	/	3.3	/	/	/	4.6	7.7	50.6	60.5
Poland	49.7	41.1	4.0	4.3	10.3	8.1	4.1	4.2	6.1	8.9	16.5	25.5
Romania	47.8	33.1	2.9	3.6	6.8	5.9	5.6	3.4	13.0	13.7	14.7	31.3

Source: Federal statistical office (Destatis), foreign population, 2014.

(50 to 65 years old) from the EU8 is larger than that from GIPS.

According to Hunt, elderly workers are more sensitive to a change in unemployment rates than younger workers.<sup>8</sup> As unemployment increases in the countries most affected by the crisis, one would expect a higher share of elderly workers moving to Germany. The low share of elderly workers might indicate a lag between increasing unemployment and the movement of workers, a relatively immobile population in Southern European countries or that elderly workers are less affected by unemployment in these countries.

### Qualifications of EU citizens

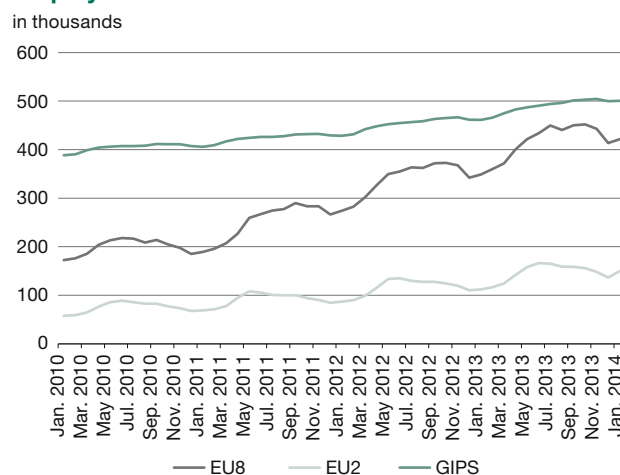
According to Grogger and Hanson,<sup>9</sup> individuals choose destinations according to the net benefits of migration. If average wages are similar, countries with a higher premium on education can attract more qualified migrants than countries with a smaller gap. In recent years, wage inequality has been rising in Germany. The inequality, however, is present within qualification groups, making it difficult to predict the impact on the self-selection of mobile workers.<sup>10</sup> In Table 3 we see a high share of mobile workers living in Germany and holding a university degree. In particular, Romanians (17 to 19 per cent) and female workers from Poland and Italy are more highly qualified than the overall population in Germany.

The share of workers without a formal qualification is extraordinarily high for EU citizens from Greece and Italy and for females from all four countries. The reason for the first phenomenon is a high share of elderly workers that were low qualified when recruited from Germany in the 1960s. The reason for the second phenomenon might be a growing market for low qualified female workers employed in private households and seasonal jobs. The private household market is expected to grow in the near future as the population gets older and the demand for cleaning services and care is rising while seasonal employment stays unchanged.

### Employment of EU citizens

The number of employees from the EU8 increased by 104,000 persons in April 2012 compared to the previous year (Figure 2). The increase is much higher than one

**Figure 2**  
**Employment of selected EU citizens**



Source: Federal Employment Agency Statistics, 2014.

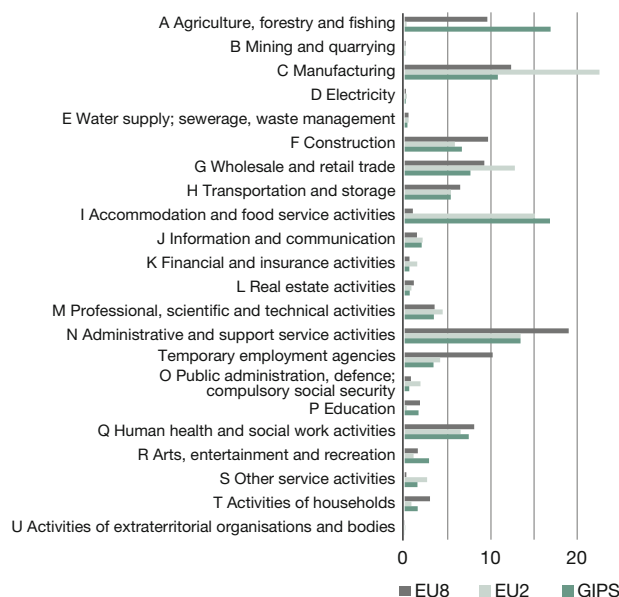
8 J. Hunt, op. cit.

9 J. Grogger, G.H. Hanson: Income Maximization and the Selection and Sorting of International Migrants, in: Journal of Development Economics, Vol. 95, No. 1, 2011, pp. 42-57.

10 C. Dustmann, J. Ludsteck, U. Schonberg: Revisiting the German Wage Structure, in: Quarterly Journal of Economics, Vol. 124, No. 2, 2009, pp. 843-881.

**Figure 3**  
**Employment of EU citizens in Germany, 2013**

% of all workers in a specific sector



Source: Federal Employment Agency.

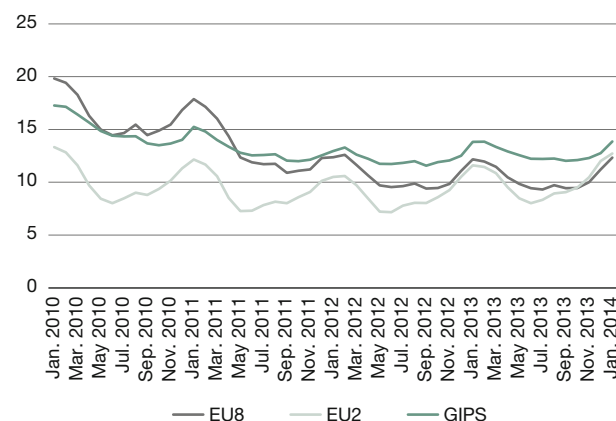
would expect given the increase in net migration. A reason for this effect is the ending of transition periods in 2011. As the labour market is opened, self-employment and certain forms of illegal employment are replaced by regular employment, especially employment subject to social security contributions. The gap between employment figures in the German microcensus and employment figures provided by the public employment services was more than twice that of the whole population.<sup>11</sup> For the EU2 and GIPS mobile workers, the increase in employment is more in line with figures on mobility. Seasonal employment, however, is more pronounced for EU2 and EU8 citizens.

As for seasonal employment, the distribution of mobile workers across sectors differs between GIPS, EU8 and EU2 citizens. While a large share of EU2 and EU8 citizens work in agriculture, manufacturing, and administrative and support service activities, the share of GIPS citizens in manufacturing is much higher, while the share in agriculture is negligible. Instead, EU8 citizens have a large presence in construction and temporary employment agency work, while there is a high share of GIPS and EU2 citizens employed in the hotel and restaurant sectors.

11 T. Bass, H. Brücker: Wirkungen der Zuwanderungen ..., op. cit. As the public employment services count employment subject to social security contributions and minor employment only, there is always a gap to the broader definition of the microcensus where clerks, the self-employed and, if households provide this information, illegal employment are included.

**Figure 4**  
**Unemployment rates of EU citizens in Germany**

in %



Source: Federal Employment Agency, Background information freedom of movement, 02/2014.

Only a small share of citizens from all of the selected EU are employed in public administration, however, mobile workers have a large presence in the health and social work sector, as well as in professional scientific and technical activities.

#### Migration, unemployment and welfare

In the literature on the impact of migration on the labour markets of destination countries, nearly all studies find a small increase in unemployment and decreasing wages.<sup>12</sup> For Germany, improving labour market conditions may delay this effect. This might, however, not be true for EU citizens, as substitution between different groups of foreigners is expected to be higher than that between natives and foreigners.<sup>13</sup>

In Figure 4 we see declining unemployment rates for EU8 and GIPS citizens and stable unemployment rates for EU2 citizens. Interestingly, unemployment rates seem to converge at a value significantly higher than that for the whole population, but more than seven percentage points below the unemployment rate of EU8 citizens in 2010. These figures tend to support the hypothesis mentioned in Brücker et al. that high unemployment is a phenomenon of pre-

12 R. Barrell, J. FitzGerald, R. Riley, op. cit.; G. Untiedt, B. Al-ecke, T. Baas, G. Biffel, H. Brücker, F.O. Gardiner, E. Hönekopp, P. Huber, A. Lamour, T. Mitze: Auswirkungen der EU-Erweiterung auf Wachstum und Beschäftigung in Deutschland und ausgewählten EU-Mitgliedstaaten, Bundesministerium für Wirtschaft und Technologie, 2007; T. Baas, H. Brücker: Wirkungen der Zuwanderungen ..., op. cit.

13 H. Brücker, E.J. Jahn: Migration and Wage-Setting: Reassessing the Labor Market Effects of Migration, in: Scandinavian Journal of Economics, Vol. 113, No. 2, 2011, pp. 286-317.

**Table 4**  
**Job seekers**

	2013	Change from 2012	Change in %
Population	5 092 194	-10 243	-0.2
EU8	96 071	18 298	23.5
EU2	44 007	17 028	63.1
GIPS	121 297	13 882	12.9

Source: Federal Employment Agency, Background information freedom of movement, 02/2014.

enlargement migration cohorts competing with post-enlargement, significantly younger mobile workers.<sup>14</sup>

In addition to increasing unemployment, Germans fear welfare migration. The theory of migration implies that among similar destinations, migrants choose those with generous welfare provision.<sup>15</sup> Especially if migration costs are similar, migrants are sensitive to welfare provision. This is the case for the United States, but due to differences in language and culture, this may not be as pronounced in Europe.

Table 4 shows that the number of job seekers has increased heavily for EU2 citizens, and also for GIPS and EU8 citizens in recent years. Given that the number of EU2 mobile workers has increased by 28 per cent, the increase seems substantial and fosters fears among Germans about an increase in EU citizens receiving unemployment benefits.

Job seekers from other EU countries, nevertheless, are not entitled to receive welfare. According to a recent judicial decision, the only way for EU citizens to receive welfare is to be in great need. An increase in the number of job seekers, therefore, might not increase the number of welfare recipients.

In Table 5, however, we see a strong increase in EU2 welfare recipients. The reason might be an increase in unemployment of EU2 citizens who have lived for some time

14 H. Brückner, T. Baas, I. Beleva, S. Bertoli, T. Boeri, A. Damelang, L. Duval, A. Hauptmann, A. Fihel, P. Huber, A. Iara, A. Ivlevs, E.J. Jahn, P. Kaczmarczyk, M.E. Landesmann, J. Mackiewicz-Lyziak, M. Markovec, P. Monti, K. Nowotny, M. Okólski, S. Richter, R. Upward, H. Vidovic, K. Wolf, N. Wolfeil, P. Wright, A. Zyllicz: Labour mobility within the EU in the context of enlargement and the functioning of the transitional arrangements, Institute for Employment Research (IAB), Nuremberg 2009.

15 G.J. Borjas: The Economic Analysis of Immigration, in: O. Ashenfelter, D. Card (eds.): Handbook of Labor Economics, Amsterdam 1999, Elsevier Science, pp. 1697-1760.

**Table 5**  
**Benefit recipients**

	2013	Change from 2012	Change in %
Population	6 041 123	3 793	0.1
EU8	99 852	16 093	19.2
EU2	45 260	15 249	50.8
GIPS	126 108	11 984	10.5

Source: Federal Employment Agency, Background information freedom of movement, 02/2014.

in Germany, but it is more likely that some EU2 workers have found a job that does not cover the minimum level of subsistence. Those people are eligible to receive welfare to cover the gap.

### Macroeconomic impact of labour mobility

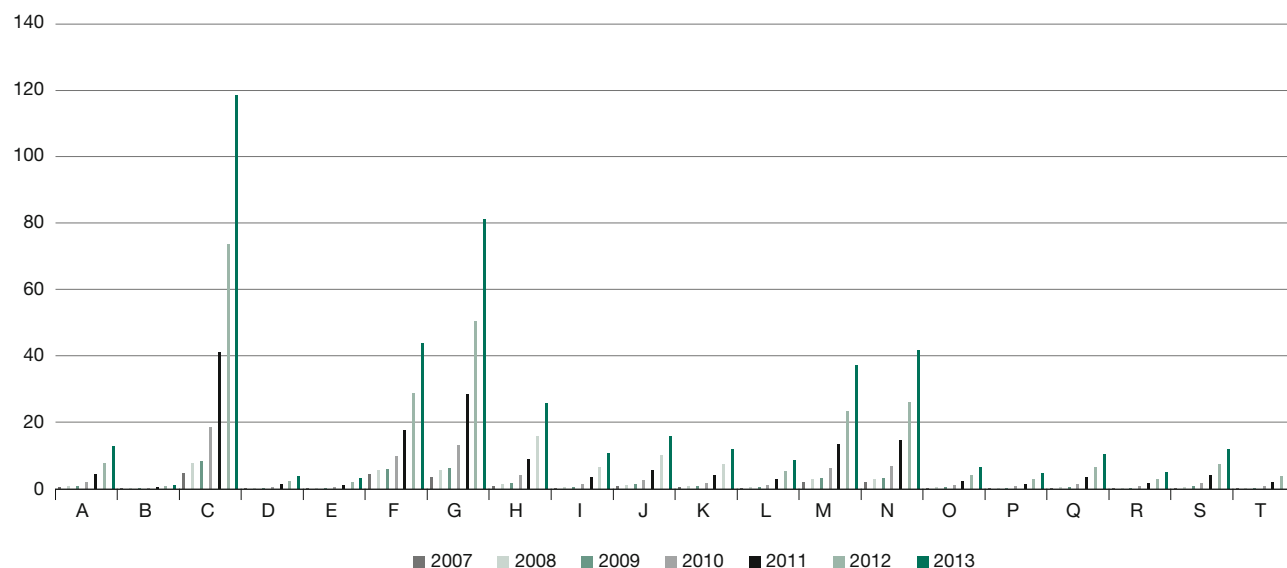
In this section the macroeconomic impact of labour mobility is discussed. The simulation is based on a dynamic CGE model, developed to address the impact of migration on the German economy.<sup>16</sup> We therefore compare a scenario of intra-EU labour mobility with a counterfactual scenario where no mobility occurs. The model runs from 2007 to 2013, and the migration shock is the increase in intra-EU labour mobility for each year.

One of the most important questions is whether labour mobility is able to solve the shortage of skilled labour (*Fachkräftemangel*). Figure 5 shows the optimum allocation of labour that maximises output. If we compare this figure with the distribution of migrants among the sectors of the economy, we see that manufacturing (C), wholesale and retail trade (G), construction (F), scientific and technical activities (M), and administrative and support service activities (N) have the highest demand for additional labour. If we compare these results with Figure 3, mobile intra-EU workers, in general, seem to meet the demand. In all of the identified sectors, except scientific and technical activities (M), the employment of mobile workers is above average. There are sectors, nevertheless, where an optimum allocation of labour would be below the share of mobile workers in these sectors. This holds for agriculture (A), accommodation and food service activities, and, interestingly, human health activities (Q). The latter sector, however, is heavily affected by the aging society not con-

16 A detailed description of the model can be found in T. Baas, S. Melzer: The Macroeconomic Impact of Remittances: A sending country perspective, Norface Discussion Paper Series 2012021, 2012, available at: <http://ideas.repec.org/p/nor/wpaper/2012021.html>, or requested from the author.

Figure 5  
Optimum allocation of labour by industry, 2007-2013

in thousands



Source: Author's calculation.

sidered in this version of the model. Stronger demand in the near future is not implausible.

In sum, labour mobility increases GDP by up to 0.6 per cent (see Figure 6). This result is in line with the findings of previous studies addressing the impact of labour mobility prior to the opening of labour markets. As the manufacturing sector is demanding labour more than other industries, we see an increase in tradable goods production and, therefore, exports. The increase in imports corresponds with the increase in exports as intermediate goods are obtained from abroad. A small share of imports may, nevertheless, increase because mobile workers have a higher preference for foreign products.

The increase in consumption, on the other hand, is small compared to previous studies. The reason for this phenomenon is that most studies relied on static rather than dynamic CGE models. Within the dynamic model, an inflow of labour creates a higher demand for capital. In principle, capital can be increased either by foreign savings or by savings of private households. For a large open economy like Germany, the possibilities to finance additional investment using foreign savings are limited. A large share, therefore, has to be financed by savings or retained profits which, in turn, reduces consumption.

Given the burden of an aging society, the simulation model, however, might overstate the need for additional capital. This would on one hand reduce the need for additional

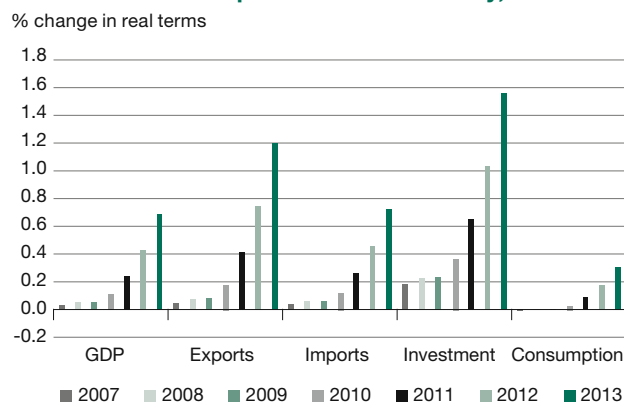
investment but, on the other, might also decrease the impact of migration on wages. This aspect, nevertheless, is beyond the scope of this paper.

### Concluding remarks

In January 2011, Germany had to open up labour markets to the EU8 and in January 2014 to EU2 workers. In both cases, the public were cautious about guaranteeing full freedom of movement. They feared mass migration and a worsening of labour market conditions (EU8) or welfare migration (EU2). According to the federal statistical office of Germany, the net increase in EU8 citizens living in Germany was between 100,000 and 125,000 in the years 2011 to 2013, and the net increase of all EU nationals except Germans was between 200,000 and 300,000. Using these figures, we simulate the macroeconomic impact of intra-EU migration. Our findings indicate that there will be some pressure on wages until the capital stock builds up, but the unemployment rate remains generally stable. The data seems to confirm these findings as unemployment rates strongly decrease for EU8 citizens. In general, we see a strong increase in investment as the capital stock adjusts to additional labour and a moderate increase in consumption as investment is financed by retained profits, reducing dividends, and increased savings.

Alongside fears of worsening labour markets conditions, there was also the hope of covering the labour shortage occurring in Germany soon after the financial crisis.

**Figure 6**  
**Macroeconomic impact of labour mobility, 2007-2013**



Source: Author's calculation.

Our results imply that the distribution of mobile workers among the sectors of the economy is by and large in line with the labour demand derived in the CGE model. Two sectors (agriculture, and accommodation and food service activities) attract a much higher share of additional workforce than the optimum. The reason for this phenomenon is the open labour markets for seasonal employment prior to full freedom of movement.

The second fear of German citizens prior to open labour markets was welfare migration. As Borjas points out,<sup>17</sup> some countries may attract migrants because of a generous welfare system. For EU2 migrants we see a strong increase in welfare benefit recipients. This is surprising, as mobile EU citizens have only restricted access to the welfare system. It is, nevertheless, no widespread phenomenon. Even though the growth rates are high, the overall share of recipients among EU2 citizens is small.

The implications of our simulation exercise and the migration data are two-fold. First, intra-EU labour mobility has a positive impact on the German economy and only a minor impact on the labour market. The application of transitional periods, therefore, seems unjustified from an economic point of view. Serious labour market imbalances could not be observed, neither in the descriptive data nor in the simulation results. Second, Germany is able to attract a high share of mobile workers holding a university degree, and the selection of migrants meets, predominantly, the demand of the different sectors of the economy. As an exception, the share of mobile workers in agriculture and hotel and restaurant services is far from ideal and wage pressure in these sectors may be high. Policy makers, therefore, should rethink privileges for seasonal employment.

<sup>17</sup> G.J. Borjas, *op. cit.*

Mario Izquierdo Peinado, Juan F. Jimeno and Aitor Lacuesta

## The Impact of the Crisis on Migration Flows in Spain

Spain received massive migration inflows during the expansionary period before the crisis that started in 2008. On average, between 2000 and 2007 this was at a rate of 1.4 per cent of the total population per year (see Table 1). These immigration flows markedly changed the composition of the Spanish population: the proportion of non-Spanish nationals was 11.7 per cent in January 2013. The foreign population in Spain is mostly from other EU countries, Latin America and North Africa. In terms of education, the educational attainment of foreigners depends on their country of origin. The current mix of nationalities provides a distribution of education slightly biased towards the lower end of the distribution of education levels.

The labour market effects of the Great Recession in Spain have been remarkable. Since the first quarter of

2008, the loss of employment has been almost 18.5 per cent and the unemployment rate had increased to 27.2 per cent at the beginning of 2013, with the incidence of unemployment much higher among youths (57.2 per cent), immigrants (39.2 per cent) and low-skilled workers. Nevertheless, the increase in unemployment rates has been quite general and has affected all regions and population groups, even those with high educational attainment and skills.

The impact of these developments in the labour market on migration flows has been significant. Immigration inflows continued to be high during the first phase of the recession (about 1.2 per cent of the total population per year during 2008-2010). In 2012, when Spain suffered a double dip recession, inflows decreased to 0.8 per cent (although being still notable), and preliminary data

Table 1  
Immigration flows by nationality and country of birth

	Flow (persons)					Annual rate (per thousand population)				
	Total	Spanish nationality		Spanish nationality	Foreign nationality	Total	Spanish nationality		Spanish nationality	Foreign nationality
		Born in Spain	Born abroad	Total	Total		Born in Spain	Born abroad	Total	Total
1996	29 895	9 359	3 850	13 209	16 686	0.8	0.2	6.8	0.3	28.6
1997	57 877	15 401	6 860	22 261	35 616	1.4	0.3	10.3	0.5	59.2
1998	81 227	15 876	8 156	24 032	57 195	2.0	0.4	13.7	0.6	89.8
1999	127 364	17 494	10 800	28 294	99 070	3.2	0.5	18.2	0.7	132.3
2000	362 468	17 592	13 995	31 587	330 881	8.9	0.5	21.8	0.8	358.1
2001	414 772	9 517	11 207	20 724	394 048	10.1	0.2	16.7	0.5	287.5
2002	483 260	17 826	22 349	40 175	443 085	11.6	0.5	31.7	1.0	224.0
2003	470 010	19 201	21 285	40 486	429 524	11.0	0.5	28.4	1.0	161.2
2004	684 561	19 934	18 783	38 717	645 844	15.8	0.5	23.9	1.0	212.8
2005	719 284	18 468	18 105	36 573	682 711	16.3	0.5	21.9	0.9	183.0
2006	840 844	18 936	18 937	37 873	802 971	18.8	0.5	21.5	0.9	193.8
2007	958 266	18 997	18 735	37 732	920 534	21.2	0.5	19.9	0.9	203.7
2008	726 009	17 044	16 737	33 781	692 228	15.7	0.4	16.1	0.8	131.4
2009	498 977	15 841	13 794	29 635	469 342	10.7	0.4	12.2	0.7	83.1
2010	464 443	15 628	17 481	33 109	431 334	9.9	0.4	14.3	0.8	75.0
2011	454 686	18 617	19 787	38 404	416 282	9.6	0.5	14.8	0.9	72.4
2012	370 515	17 767	16 638	34 405	336 110	7.8	0.4	11.4	0.8	58.6

Source: Municipal Registers (Estadística de Variaciones Residenciales, INE).

for 2013 points to an additional decrease in entries into Spain. Over the same period, the crisis has led to a large increase in outflows. They were negligible during 2000-2007 and increased by about 0.4 per cent per year during 2008-2010. In 2012, outflows increased to 1.2 per cent of the domestic population and an additional pick-up was observed in 2013.

This paper describes the recent evolution of migration flows in Spain during the Great Recession, focusing on differences in the composition of recent immigration and emigration flows and how they differ between Spanish nationals and foreigners. For this purpose, we first describe the data sources being used for the measurement of inflows and outflows. Then we describe the recent evolution of immigration flows and how the crisis has had an impact on entries into Spain, both in terms of their size and their composition. Following that, we focus on outflows from Spain, trying to provide the most recent information available on their composition by nationality and destination country, and the main characteristics of these emigrants from Spain.

## Data

Data on gross migration flows in Spain are not abundant. It is only since 2002, based on municipality registers (*Estadística de Variaciones Residenciales*), that we can track the evolution of migration inflows and outflows in a homogeneous way. However, the statistics based on municipality registers have some drawbacks, mostly in measuring outflows. Whereas foreigners have an incentive to enrol on the register when they enter into Spain – some basic social services (education and health) are linked to being registered – there are fewer clear incentives to unregister when leaving the country.

However, this was addressed in 2006, when a two-year renewal was imposed on non-permanent residents in Spain and non-EU citizens. Then, at least for this subgroup of foreigners, a non-renewal can be used to estimate exits from Spain. The Spanish Statistical Institute (INE) uses alternative sources of information to also capture the exits of permanent Spanish residents and EU citizens. In particular, INE has recently released a new publication,

Migration Statistics, which agrees with *Variaciones Residenciales* about entries into Spain, but it complements that information with additional data sources to measure, for instance, exits of EU citizens. These new statistics are only available from 2008. In the case of emigration and immigration by Spaniards, the information depends on their enrolment at a foreign consulate when they arrive in another country. Therefore, it is likely that there is some delay between the exit from Spain and the registration in the host country. Moreover, one must notice that temporary movements could be poorly captured in these statistics, as temporary migrants may have lower incentives to register at the Spanish Consulate abroad.

The current study mainly relies on data from *Variaciones Residenciales* to track the evolution of entries into Spain, and for exits we complement this information with that provided by Migration Statistics. These data sources provide information not only about the size of immigration and emigration flows but also on their composition by gender, age, nationality, the country of birth, the province of origin and the country of destination for Spanish emigrants. In the case of foreigners, only information on the country of birth is available so we may assume that, when exiting, the country of destination coincides with the birth country.

In order to look at the educational composition of migration flows, it is necessary to access Labour Force Survey (LFS) data. In the LFS, information on the stock of foreigners/Spaniards that resided abroad one year previously is provided and can be used as a good proxy for the characteristics of entries. In the case of emigrants, information about their educational attainment is much more difficult to obtain. One possibility is to look at the statistics of the main destination countries. Driven by anecdotal evidence and given availability restrictions, we do so using the French, British and Argentinian labour force surveys.

### The immigration boom in the expansionary period and the impact of the crisis

#### Entries into Spain

Starting in the early 1990s and, most noticeably, after 1997, Spain became a more popular destination country for migrants. Inflows increased steadily from less than 30,000 per year in 1996 to almost one million in 2007, when they reached their historical maximum and amounted to 21.2 per cent of the total population in that year (see Table 1). This increase is even more noticeable taking into account that, before 2000, around one-third of total en-

tries were of Spanish nationals living abroad, probably returning to Spain after an emigration experience. This is also shown in Table 3, where the entries of Spanish nationals by country of birth reflect that around two-thirds of them were born in Spain. The share of Spanish nationals in total entries decreased to around six per cent in the period between 2000 and 2007.

With respect to the country of origin of these immigrants, at the beginning of the expansionary period, inflows of foreigners were dominated by Latin Americans (especially Peruvians and Bolivians), followed by Europeans and Africans (especially Moroccans). Since 2000, inflows from Europe have increased, especially due to an increase of Romanians and, to a lesser extent, Bulgarians after 2007, when these two countries became EU members, with a decline in the share of Latin Americans in the total stock of foreigners. Overall, as an average for the period 2002-2007 (see Table 2), the share of Europeans in total migration to Spain accounted for 40.5 per cent, while Americans represented 38.3 per cent, and Africans and Asians accounted for 15.8 per cent and 5.3 per cent, respectively. Finally, with respect to the destination region in Spain, the largest regions and some of the coastal and more dynamic regions during the expansionary period received the largest shares of immigrants (Madrid, Catalonia, Andalusia, Valencia).

The beginning of the crisis suddenly stopped the upward trend in migration inflows into Spain. Total entries into Spain have decreased from almost one million in 2007 to around 370,000 in 2012, accounting for slightly less than 0.8 per cent of the total population in that year. This decreasing trend continued in 2013, according to preliminary information provided by Migration Statistics, which estimated a total entry of 134,000 immigrants in the first half of 2013. In terms of the composition by origin, the share of Europeans and Americans decreased over the crisis period, although they continued to be the most prominent origins. In particular, the share of Europeans decreased by around six percentage points, to 34.6 per cent on average from 2008 to 2012,<sup>1</sup> with a significant drop in inflows from Romania. In a similar way, over the crisis period, the share of Americans in total inflows to Spain decreased to 34.2 per cent with a marked decrease in the entries from the major origin countries (Argentina, Peru and Bolivia). On the contrary, entries from Africa have increased, in relative terms, to 20.2 per cent of total entries with an increase in entries from Morocco of around two percentage points. The main recipient re-

1 This decrease was concentrated in the first phase of the crisis (2008 and 2009); from 2010 a recovery in the inflows from EU countries has been observed.

**Table 2**  
**Characteristics of immigrants (aged 16-64) by nationality and place of birth**

in %

Origin	2002-2007			2008-2012		
	Spaniards born in Spain	Spaniards born abroad	Foreigners <sup>1</sup>	Spaniards born in Spain	Spaniards born abroad	Foreigners <sup>1</sup>
<b>Europe</b>	62.1	20.9	40.5	58.1	16.7	34.6
Andorra	4.7	0.9		2.9	0.8	
Switzerland	13.3	3.0		4.2	1.4	
Belgium	2.7	1.3		2.4	0.8	
Italy	2.4	0.5		2.3	0.5	
France	9.8	4.3		7.1	2.9	
Germany	10.7	4.3	1.9	5.6	2.0	1.8
UK	10.0	2.2	5.2	8.7	2.2	3.5
Romania			17.3			12.3
Bulgaria			3.2			2.3
<b>Americas</b>	32.7	75.4	38.3	29.7	78.4	34.2
Venezuela	7.9	19.7		2.8	13.2	
USA	8.3	2.5	0.4	8.1	2.7	0.9
Argentina	4.9	21.8	4.4	1.6	7.1	2.4
Ecuador			5.5			3.2
Bolivia			6.5			1.9
Colombia			4.2			4.8
Peru			2.9			3.2
<b>Asia</b>	1.8	1.0	5.3	5.8	1.6	10.9
<b>Africa</b>	2.6	2.4	15.8	5.5	2.9	20.2
Morocco			10.2			12.2
<b>Oceania</b>	0.8	0.4	0.1	0.9	0.3	0.1
<b>Destination</b>						
Andalucía	12.8	11.5	12.5	12.5	7.6	12.9
Aragón	1.5	0.9	2.8	1.8	1.1	2.8
Asturias, Principado de	2.8	2.7	0.9	2.4	2.4	1.2
Baleares, Illes	1.4	2.9	3.2	1.8	2.8	3.4
Canarias	5.6	13.9	4.7	4.4	17.6	4.8
Cantabria	1.2	0.9	0.7	1.1	0.9	0.8
Castilla – La Mancha	1.4	1.2	4.3	1.9	1.4	3.6
Castilla y León	4.2	2.7	3.2	4.3	2.1	2.9
Cataluña	12.7	13.3	20.6	16.3	18.4	26.4
Comunitat Valenciana	8.6	10.1	14.7	8.7	7.6	11.8
Extremadura	1.3	0.8	0.8	1.2	0.4	0.7
Galicia	20.7	14.3	2.1	11.3	8.4	2.4
Rioja, La	0.4	0.4	0.9	0.4	0.2	0.7
Madrid, Comunidad de	18.3	19.4	21.2	24.0	24.7	17.6
Murcia, Región de	2.0	1.5	4.1	1.8	1.2	3.0
Navarra, Comunidad Foral de	0.9	0.7	0.9	1.0	0.8	1.2
País Vasco	4.4	2.6	2.5	5.2	2.4	3.7

<sup>1</sup> Country of birth is used as a proxy for country of departure for foreigners.

Source: Municipal Registers (Estadística de Variaciones Residenciales, INE).



gions over the expansionary period kept receiving most of immigrants during the crisis, although the increase in the share of immigrants heading to Catalonia is noticeable.

Regarding inflows of Spaniards, over the crisis period, entries have remained roughly constant at around 34,000 per year, showing an inelastic pattern with respect to economic conditions. This evolution, however, has almost doubled the share of Spanish nationals in total entries to close to 9.3 per cent in 2012. According to preliminary data for 2013, this upward trend continued in the first half of the year. It should be noted that not all of the Spanish nationals entering into Spain can be interpreted as returning migrants, as around one-half of them were born abroad (for instance, they may be descendants of Spanish migrants abroad but have never lived in Spain previously). In any case, no major changes in the composition of Spanish nationals by country of birth are observed over the crisis period, with this share being roughly constant at around 50 per cent.

Table 3 provides some evidence of the changes to the characteristics of new entrants during the pre-crisis period and the crisis, using LFS data to analyse educational attainment. In particular, the immigration of foreigners and Spaniards born abroad is a phenomenon particularly important for males that occurs at a young age and is biased towards low educated groups. On the contrary, for Spaniards born in Spain, the differences across gen-

**Table 3**  
**Characteristics of immigrants (aged 16-64) by nationality and place of birth**

in %

	2002-2007			2008-2012		
	Spaniards born in Spain	Spaniards born abroad	Foreigners	Spaniards born in Spain	Spaniards born abroad	Foreigners
<b>Gender</b>						
Male	50.7	53.1	54.2	51.1	49.5	51.9
Female	49.3	46.9	45.8	48.9	50.5	48.1
<b>Age structure</b>						
16-29	18.1	48.3	47.5	18.3	40.3	46.5
30-44	33.7	34.6	36.6	42.9	32.0	37.3
45-64	48.2	17.2	15.9	38.8	27.7	16.2
<b>Education<sup>1</sup></b>						
Primary	19.7	30.5	46.5	14.1	16.7	47.4
Secondary	24.9	46.4	38.1	23.7	41.8	33.3
Tertiary	55.4	23.1	15.3	62.2	41.6	19.3

<sup>1</sup> Education is taken from the LFS using information of individuals who resided abroad one year previously in those particular years.

Source: Municipal Registers (Estadística de Variaciones Residenciales, INE).

der are not so large, but the movement occurs at a later stage of life and is overwhelmingly biased towards high skilled individuals. Over the crisis period, all inflows in

**Table 4**  
**Emigration flows by nationality and country of birth**

Annual rate (per thousand population)

	Flow (persons)					Annual rate (per thousand population)				
	Total	Spanish nationality		Foreign nationality	Total	Total	Spanish nationality		Foreign nationality	
		Born in Spain	Born abroad				Total	Born in Spain		Born abroad
2002		26 102	3 572	29 674		0.67	5.07	0.74		
2003		13 870	2 120	15 990		0.35	2.83	0.40		
2004		10 985	2 171	13 156		0.28	2.76	0.33		
2005		15 914	3 376	19 290		0.40	4.08	0.48		
2006		17 900	4 142	22 042		0.45	4.70	0.54		
2007	227 065	22 527	5 564	28 091	198 974	5.0	0.57	5.91	0.69	44.03
2008	266 460	25 888	8 565	34 453	232 007	5.8	0.65	8.25	0.84	44.03
2009	323 641	25 550	9 822	35 372	288 269	6.9	0.64	8.68	0.86	51.03
2010	373 954	26 693	10 585	37 278	336 676	8.0	0.67	8.67	0.90	58.58
2011	370 540	37 928	14 913	52 841	317 699	7.9	0.95	11.19	1.28	55.24
2012	377 049	37 675	18 717	56 392	320 657	8.0	0.94	12.78	1.36	55.90

Source: Municipal Registers (Estadística de Variaciones Residenciales, INE).

each group have increased the share of female, older and, especially, more educated workers. In particular, among foreigners, the share of entrants with tertiary education has increased from 15.3 per cent to 19.3 per cent, at the cost of reducing the share of those with secondary education. This increase in the mean educational attainment of recent immigrants is not just the result of the changes in the composition by country of origin, as it is observed also when this variable is taken into account. Indeed, although the increase in the share of university degree holders has generally increased for all origins, a higher increase is observed among Americans and Asians, while it is much smaller for recent European immigrants.

### Exits from Spain

Emigration flows accounted for just over 200,000 individuals in 2007, when the pick-up in inflows was observed (see Table 4). Since then, partly due to the deterioration of labour market conditions in Spain as a result of the crisis, outflows from Spain have increased to almost 400,000 people in 2012, according to *Estadística de Variaciones Residenciales*, the same data source used for estimating inflows into Spain. An alternative data source, Migration Statistics (only available from 2008), shows a similar evolution over the crisis period, although the level of exits from Spain is higher in every year, from 288,000 exits in 2008 to 446,000 in 2012. Preliminary data available for the first six months of 2013 point to an additional increase in exits: 260,000 emigrants are estimated for the first half of the year.

Using this latter data source, the increase in emigration flows from Spain is due to the increase in outflows of the foreign population. In 2008, 88.4 per cent of outflows comprised foreigners – see Table 5. This share only slightly decreased over the crisis period to 87.2 per cent in 2012 (although in the first half of 2013 an additional drop is estimated). In absolute numbers, a little more than 33,000 Spanish nationals emigrated in 2008, while this figure increased to 57,200 in 2012 (and almost 40,000 in the first half of 2013). With respect to the main destination countries, Spaniards have moved mainly to three large EU countries (the UK, Germany and France) and the US, although South American countries (Ecuador and Argentina) also appear on the main recipient list. In this respect, it should be taken into account that a significant share of Spanish nationals exiting from Spain were not born in Spain, probably acquiring their Spanish nationality after years of staying in Spain. In particular, the information provided by Migration Statistics shows that this share has increased from 24 per cent in 2008 to 32.3 per cent in 2012 (and 33.8 per cent in the first

**Table 5**  
**Emigration flows from Spain by nationality**

	2008	2009	2010	2011	2012	2013 <sup>1</sup>
Total exits	288 432	380 118	403 379	409 034	446 606	259 227
Spanish (%)	11.62	9.47	9.96	13.56	12.82	15.31
Rest of EU (%)	30.58	34.26	33.60	26.10	30.22	29.37
Rest of Europe (%)	4.02	3.50	3.14	3.00	2.79	2.37
Africa (%)	15.02	14.52	15.56	17.53	16.33	16.35
South America (%)	28.47	28.11	27.15	26.86	25.20	23.09
Rest of America (%)	4.24	3.93	3.96	4.35	4.31	4.72
Asia and Oceania (%)	6.06	6.21	6.64	8.59	8.33	8.79
Spanish born in Spain (%)	24.0	26.8	27.2	27.6	32.3	33.8

<sup>1</sup> 2013 data are preliminary and only refer to the first half.

Source: Migration Statistics (INE).

half of 2013).<sup>2</sup> According to the composition by nationality of foreigners exiting from Spain, no major changes were observed during the crisis period. Exits of EU citizens accounted for the largest share (around 30 per cent of total exits), while there was a decrease in the relative share in total exits of South Americans, from 28.5 per cent in 2008 to 25.2 per cent in 2012.<sup>3</sup>

Regarding the destination country, the second column of Table 6 shows that EU countries receive around 39 per cent of total outflows from Spain, and this percentage has remained roughly constant over the crisis. Among other destinations, South America and Africa are the other main targets for emigrants from Spain. It should be noted, however, that Table 6 also shows that most of these outward movements from Spain could be considered as returning migration to the region of origin. After large inflows of immigrants to Spain over the expansionary period, Migration Statistics shows that outflows since 2008 have mainly been to the origin country. In particular, for most areas, the destination of nearly 75 per cent of emigrants from Spain over the crisis period coincides with their nationality. This share has not shown a significant variation over the crisis period. In any case, focusing on movements from Spain to EU countries, it could be highlighted that EU countries

<sup>2</sup> Most of them were born in South American countries. The number of Spanish nationals born in Spain migrating to other countries has increased from 25,500 in 2008 to 38,800 in 2012 (and 26,300 in the first half of 2013).

<sup>3</sup> Although this could mean a higher propensity to return by Latin Americans.

**Table 6**  
**Emigration flows from Spain by nationality and region of destination in 2008 and 2012**

in %

2008	Total	EU	Rest of Europe	Africa	North America	Central America	South America	Asia	Oceania
Total	100	39.0	4.8	12.6	3.9	2.6	31.5	5.4	0.2
Spanish	11.9	<b>44.5</b>	6.5	7.2	11.3	3.4	17.7	8.4	0.9
Rest of EU	28.3	<b>93.6</b>	1.3	0.7	0.9	0.3	2.7	0.6	0.1
Rest of Europe	4.1	11.6	<b>79.4</b>	1.8	1.0	0.4	5.2	0.6	0.0
Africa	14.8	19.6	0.6	<b>75.7</b>	0.3	0.3	3.0	0.5	0.0
North America	1.9	14.8	1.3	1.6	<b>73.6</b>	0.7	6.0	1.8	0.1
Central America	2.8	12.0	1.2	1.5	10.1	<b>68.6</b>	6.2	0.4	0.0
South America	30.4	6.9	0.7	0.3	1.5	0.2	<b>90.0</b>	0.2	0.1
Asia	5.7	18.9	1.7	2.2	1.1	0.6	5.3	<b>70.1</b>	0.1
Oceania	0.1	24.3	2.0	2.0	1.8	1.3	10.9	1.8	<b>55.9</b>
2012	Total	EU	Rest of Europe	Africa	North America	Central America	South America	Asia	Oceania
Total	100	39.2	4.0	12.9	2.9	2.9	30.8	7.0	0.2
Spanish	12.8	<b>44.7</b>	6.6	7.0	7.5	2.5	22.4	8.3	0.9
Rest of EU	27.9	<b>95.8</b>	1.0	0.4	0.6	0.1	1.5	0.4	0.1
Rest of Europe	2.8	9.4	<b>83.6</b>	1.0	0.4	0.5	4.7	0.3	0.1
Africa	15.9	21.5	0.7	<b>73.9</b>	0.3	0.2	3.1	0.2	0.0
North America	1.5	10.8	2.3	2.0	<b>76.5</b>	2.1	4.8	1.4	0.0
Central America	3.1	9.5	0.9	1.3	5.9	<b>78.4</b>	3.8	0.2	0.0
South America	28.0	4.7	0.6	0.1	1.0	0.1	<b>93.4</b>	0.2	0.0
Asia	7.8	16.7	1.8	1.0	1.3	0.4	5.7	<b>73.1</b>	0.2
Oceania	0.1	16.9	13.7	1.8	2.1	1.1	16.2	2.5	<b>46.1</b>

Source: Migration Statistics (INE).

have increased their share as destination countries for Africans, while that is not observed among South Americans.

Table 7 presents some characteristics of emigrants. In this case, it can be seen that outflows of foreigners and probably a large chunk of outflows of Spaniards born abroad represent returning migration, whereas outflows of Spaniards born in Spain represent a first movement to another country. For foreigners, the share of males who decide to emigrate is much higher than the share of males who were immigrating. On the other hand, outflows of foreigners are more concentrated on middle-aged workers than the inflows, where the share of younger individuals is higher. For Spaniards born in Spain, we observe that men are slightly over-represented, which was not observed in inflows, while the age structure is strongly biased towards the youngest. Analysing the region of origin of Spaniards born in Spain who have emigrated – although the largest regions (Andalucía, Madrid and Catalonia) show higher shares – it is remarkable how some regions, such as Galicia, Canarias and Asturias, present a much higher share of Spanish national emigrants than of foreigners.

Trying to look into the educational attainment of these emigrants over the crisis period is a much more challenging task due to the lack of information in most available data sources. One possibility is to get this information from the LFSs from countries receiving immigration flows from Spain.

Based on data availability, in Table 8 we present the composition of recent emigrants going from Spain to the UK, France and Argentina, using national LFSs as the source of information for France and the UK, and *Encuesta Permanente de Hogares* for Argentina. In this table, we observe that the share of university degree holders among recent immigrants arriving from Spain is high in these three countries, especially in the UK and France, where this share is above 60 per cent in the most recent period. In the case of foreigners, although there is no precise information on the evolution of the mean educational level of the stock of foreigners living in Spain, the Spanish LFS seems to indicate a higher share of low-skilled workers among those who have emigrated, which would be coherent with the larger negative impact of the crisis on this population group.

**Table 7**  
**Characteristics of emigrants (16-64) by nationality and place of birth, 2008-2012**

in %

	Spanish born in Spain	Spanish born abroad	Foreigners
<b>Gender</b>			
Men	52.1	50.4	59.8
Women	47.9	49.6	40.2
<b>Age</b>			
16-29	29.8	31.6	35.8
30-44	50.2	45.8	45.6
45-64	20.1	22.6	18.6
<b>Region</b>			
Andalucía	11.9	9.3	8.2
Aragón	2.2	1.8	2.4
Asturias	2.0	1.6	0.7
Baleares	2.1	3.5	2.7
Canarias	4.4	8.5	2.2
Cantabria	1.0	0.7	0.6
Castilla - La Mancha	4.2	2.4	2.5
Castilla y León	2.1	1.9	3.3
Cataluña	17.4	18.9	29.2
Comunitat Valenciana	9.0	10.2	14.7
Extremadura	1.1	0.6	0.5
Galicia	8.4	7.9	1.6
Madrid	24.2	25.4	21.2
Murcia	2.4	2.1	3.6
Navarra	1.3	1.6	1.3
Pais Vasco	5.2	2.4	4.2
La Rioja	0.5	0.5	0.9
Ceuta	0.3	0.3	0.0
Melilla	0.3	0.4	0.1

Source: Migration Statistics (INE).

### Concluding remarks

This paper provides a first look at the data on migration flows in Spain during the Great Recession. Given the high proportion of recent immigrants to Spain and the high unemployment rates for all population groups and regions, one may expect significant migration flows and varying composition among them depending on recent immigration status. Recent data tend to show a significant pick-up in emigration flows while immigration flows, although still relatively high, have shown a marked downward trend. Looking at the composition of these flows, a higher elasticity to the economic conditions is observed among foreign entrants, while the number of Spanish nationals

**Table 8**  
**Composition of recent Spanish emigrants to UK, France and Argentina**

in %

	United Kingdom		France		Argentina	
	Year of arrival		Year of arrival		Recent emigrants (less than 5 years in Argentina)	
	1998-2007	2008-2012	1998-2007	2008-2012	2003-2007	2008-2012
<b>Age distribution</b>						
<16	23.2	15.9	0.0	0.0	1.2	32.6
16-29	42.7	41.6	100	91.6	17.6	13.0
30-44	10.3	12.7	0.0	8.4	10.8	26.6
45-64	0.0	29.7	0.0	0.0	23.1	9.4
>65	0.0	0.0	0.0	0.0	47.3	18.5
<b>Skill distribution</b>						
High	48.1	60.0	40.8	61.9	5.1	31.7
Medium	19.2	6.6	50.4	21.1	42.2	8.6
Low	8.9	6.1	8.7	17.0	52.7	59.7
NA	23.8	27.4				

Sources: LFS for the UK and France; *Encuesta Permanente de Hogares Argentina*.

entering Spain has remained roughly constant over the crisis. Looking at the characteristics of these immigrants, the crisis seems to have increased the mean educational attainment of those foreigners arriving in Spain.

Emigration flows have more than doubled since the start of the crisis, and they are mostly concentrated around foreigners who had recently arrived in Spain. In any case, emigration of Spanish nationals has also shown a positive trend over the crisis period reflecting a reaction to the deterioration of the labour market. Emigrants are mostly young individuals (80 per cent are less than 45 years old), both in the case of nationals and foreigners leaving Spain. For educational composition, information is scarce; however, emigration flows seem to have concentrated on lower educational levels for foreigners, probably reflecting a higher impact of the crisis on this population group, and on higher educational levels in the case of Spanish nationals, as tends to be the case in migration flows internationally.

These findings need to be further investigated as more data become available, but hints at the possibility of the start of a brain drain that, if extended too long as the crisis persists, or if Spanish emigrants remain in their destination country, could create negative consequences for future potential growth.

Béla Galgóczi and Janine Leschke

## Post-Enlargement Intra-EU Labour Mobility Under Stress Test

Freedom of movement for persons and workers is undoubtedly one of the core values and main building blocks of the EU. This paper examines a number of its aspects that have important political and institutional relevance for the EU and its future.

The accession to the EU of eight Central and Eastern European (CEE) countries (EU8) in May 2004, and the subsequent accession of Romania and Bulgaria in January 2007 (EU2), marked an important step in the history of European integration, but also posed new challenges.<sup>1</sup> A significant consequence was the extension of the free movement of capital, goods, services and people to Central and Eastern Europe. However, given the very wide differences in, for example, wages, there were fears in Western Europe of a massive influx of workers from the new member states with expected negative impacts on the receiving countries' labour markets and welfare systems. As a result, all but three EU15 countries (the UK, Ireland and Sweden) made use of transitional measures in 2004 restricting – to varying degrees – the right to work for EU8 citizens in those countries for a period of up to seven years. The continued and prolonged crisis that is in its sixth year has become a major test not only for the labour markets of individual member states but of the institution of free movement itself.

Post-2004 labour mobility constitutes a historically new phenomenon in a number of respects, exhibiting characteristics that distinguish it from previous forms of mobility resulting from earlier EU enlargements. The coexistence of different forms of cross-border labour mobility, which include commuting, short-term, circular and more permanent migration, but also various “functional equivalents” as (bogus) self-employment, in the framework of free movement of services and posted work plays an important role. An additional new feature is that recent EU10 migrants tend to have a rather high educational profile both in absolute terms and also in comparison with nationals in the receiving countries.

The expectation that labour mobility can deliver a major contribution to a better functioning of European labour markets was clearly stated in EU documents, such as The European Job Mobility Action Plan.<sup>2</sup> According to the 2011 report on employment and social developments, the Commission

stresses that intra-EU mobility can raise overall EU GDP if it improves labour allocation, through a better match of workers' skills and job vacancies.<sup>3</sup> Is this indeed the case? Does evidence on cross-border labour mobility after the 2004 and 2007 enlargement rounds support this positive expectation?

This article addresses a range of questions in an effort to characterise trends in intra-EU cross-border labour mobility in recent years. It builds on empirical evidence from a recent volume edited by the authors that focuses on the qualitative and quantitative dimension of intra-EU labour mobility in the context of economic crisis and labour market pressures with a special focus on skills-occupation mismatch, migration patterns, as well as duration of stay and return.<sup>4</sup> The second aspect this article touches upon is linked to a current debate on the political agenda: is there a negative effect of increasing labour mobility on welfare states, are there indeed signs of “welfare-driven mobility” patterns or is this just a perception?

In the first section, we use data from the European Union Labour Force Survey (EU LFS) to show European trends in cross-border labour mobility during the crisis, also taking into account the labour market outcomes for migrant and local workers. In a further step, we assess the skills-occupation mismatch reviewing the existing evidence and presenting additional evidence from, in particular, Italy and the UK. Indeed, it is often argued that migrant workers can compensate for skills shortages in the receiving labour markets – the question of to what extent they can use their respective skills is less often addressed, however. The article concludes with an evaluation of the costs and benefits of intra-EU cross-border labour mobility with regard to sending and receiving countries, also including potential effects on welfare systems.

### Impact of the economic crisis on cross-border labour mobility

Although intra-EU mobility is still relatively low in terms of the share of the non-national EU population in individual member states, from a sending country perspective the magnitude of outward migration has reached high levels already,

1 Cyprus and Malta also joined the EU in May 2004, but given their small impact, when we use EU10 we refer to both the Central and Eastern European countries (EU8) and Bulgaria and Romania (EU2).

2 European Commission: The European Job Mobility Action Plan 2007-2010, Implementation Report, Brussels 2010.

3 European Commission: Employment and Social Developments in Europe 2011, Brussels 2011.

4 B. Galgóczi, J. Leschke, A. Watt (eds.): Migration and Labour Markets in Troubled Times: Skills Mismatch, Return Migration and Policy Responses, Aldershot 2012, Ashgate.

with around five per cent of the Baltic labour force in the UK and even higher rates for outward migration for Romania.<sup>5</sup>

Severe recessions have historically had a negative impact on net migration flows, and particularly labour migration flows; on the other hand, they have not usually affected long-term migration trends.<sup>6</sup> In 2009, the European Integration Consortium suggested that the current financial crisis may reduce short-term migration substantially as migration is largely determined by employment opportunities in destination countries and foreign workers are disproportionately affected by dismissals in an economic downturn.<sup>7</sup> This was based on the view, which was in line with our findings,<sup>8</sup> that labour demand in the destination countries plays the predominant role as a driver.<sup>9</sup> Simulations by Ahearne et al. focus on the labour market situation in sending countries as a push factor.<sup>10</sup> Overall, they find that the effects of the crisis on net migration are relatively small, while pointing to some important country-specific differences. Labour migration within the EU appeared to be particularly sensitive to economic changes, whereas family and humanitarian immigration was less sensitive to economic conditions.<sup>11</sup>

Another important aspect is that immigrant labour is particularly vulnerable to economic shocks. Migrant workers are usually concentrated in sectors such as manufacturing, construction, hotels and restaurants, which are more sensitive to business cycle fluctuation, and they often have less secure contractual arrangements; migrant workers are often overrepresented in temporary (fixed-term) employment, which was hard hit, particularly in the first phase of the crisis. They have on average lower job tenure and may be subject to discrimination in hiring and lay-offs.<sup>12</sup> The following sec-

tion uses data from the EU LFS to shed some light on recent trends in intra-EU labour mobility and the labour market impacts of the crisis.

### Main trends of intra-EU labour mobility with special attention to the period of the crisis<sup>13</sup>

Figure 1 illustrates the broad developments in East-West labour mobility since enlargement in 2004 and up to 2013. It shows an initial marked increase of the EU8 migrant population in the two receiving countries (UK and Ireland) that opened up their labour markets from the beginning while offering, at the same time, a comparatively favourable labour market situation for the absorption of immigrant labour. The negative impact of the crisis on post-2008 labour migration from CEE countries, however, is visible particularly in Ireland which was especially hard hit by the crisis. In the UK, EU8 population stocks flatten out between 2008 and 2009 but pick up again from 2009 onwards.

At the same time, Germany – a traditional destination country for CEE migrants but which made use of transitional measures up until May 2011 – shows a steady but more moderate growth in its EU8 population up to 2010/2011, whereupon the stocks pick up markedly.

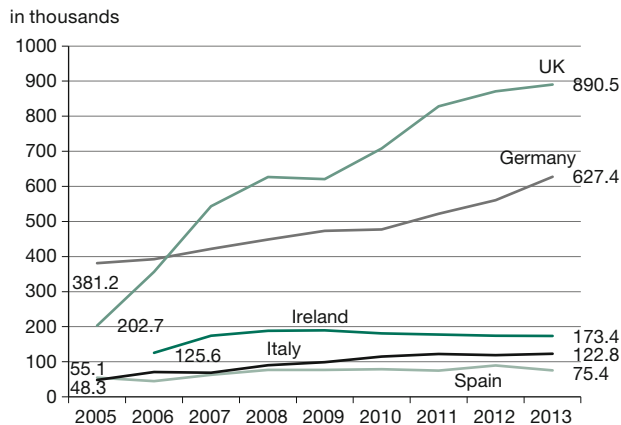
Against this background, it is important to note that, due to continuing EU10 migration inflow, the overall stock of EU10 population in EU15 countries has continued to grow during the crisis (except in Ireland, Spain and Greece, countries hard hit by the economic crisis). This has occurred in the face of declining overall employment (except in Germany and Poland) and seemingly contradicts previous claims in the literature according to which deep recessions may be expected to result in a setback in migration flows as well as forecasts that this was what would indeed happen in the European post-crisis context.

Different migration dynamics from the EU8 and EU2 can be explained by the fact that not only receiving countries but also sending countries differed markedly with regard to the impact of the crisis on their labour markets. Poland, the country with by far the largest migration flows in absolute terms, was doing comparatively well, being the only country not experiencing an output shock, whereas – in particular – the Baltic countries experienced huge increases in unemployment and declines in employment particularly during the initial phase of the crisis. Indeed, during the crisis temporary reductions for some EU8 and, most particu-

- 5 For the Baltic labour force in the UK, see J.-E. Dølvik, L. Eldring: Mobility of Labour from New EU States to the Nordic Region – Development Trends and Consequences, Copenhagen 2008, Nordic Council of Ministers. For Romania's outward migration rates, see J.W. Ambrosini, K. Mayr, G. Peri, D. Radu: The Selection of Migrants and Returnees: Evidence from Romania and Implications, NBER Working Paper No. 16912, 2011, available at: <http://econpapers.repec.org/paper/nbrnberwo/16912.htm>.
- 6 OECD: International Migration Outlook 2009, OECD Publishing, 2009, p. 63.
- 7 European Integration Consortium: Labour Mobility within the EU in the Context of Enlargement and the Functioning of the Transitional Arrangements, Nuremberg 2009, p. 53.
- 8 B. Galgóczi, J. Leschke, A. Watt (eds.): EU Labour Migration since Enlargement: Trends, Impacts and Policies, Aldershot 2009, Ashgate.
- 9 See also OECD: International Migration Outlook 2012, OECD Publishing, 2012.
- 10 A. Ahearne, H. Brücker, Z. Darvas, J. von Weizsäcker: Cyclical dimensions of labour mobility after EU enlargement, Hungarian Academy of Sciences Discussion Paper 2009/10, 2009, available at: <http://www.econ.core.hu/file/download/mtdp/MTDP0910.pdf>.
- 11 OECD: International Migration Outlook 2012 . . . , op. cit.
- 12 On these issues, compare OECD: International Migration Outlook 2009 . . . , op. cit., pp. 19-25; and OECD: International Migration Outlook 2013, OECD Publishing, 2013, pp. 191-230.

13 Throughout the statistical analysis we define the migration status via the nationality of the migrant worker. Migrant workers from Malta and Cyprus are included in the EU8 and EU10 figures, but their numbers are negligible.

**Figure 1**  
**EU8 population (age 15-64) in receiving countries, 2005-2013**



Source: EU LFS.

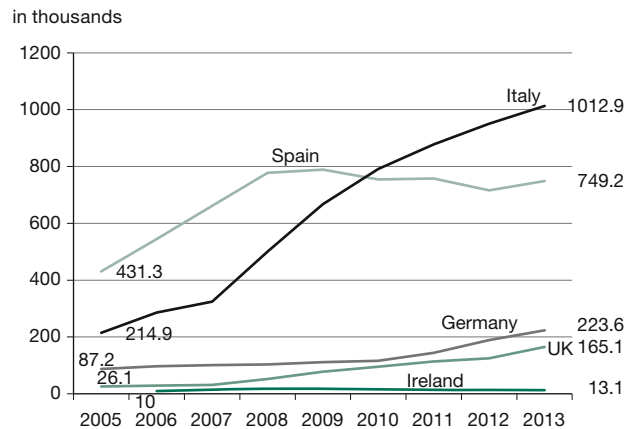
larly, Polish migrants (with signs of return migration but also transmigration) were observed. Fihel and Anacka show that highly skilled workers were not prone to move back to their home countries, a typical returnee profile being a middle-aged rural dweller with a low level of education.<sup>14</sup> On the other hand, Hazans finds, in line with the economic situation, that in Latvia and Estonia the role of push factors (especially unemployment but in Latvia also general dissatisfaction) increased during the crisis, showing also that low-skilled persons disproportionately affected by lay-offs became overrepresented among emigrants.<sup>15</sup>

As Figure 2 shows, there was also a growing intensity of labour flows from Bulgaria and Romania (EU2), particularly to Italy. In line with its affectedness by the crisis, the initial steep increase in population stocks in Spain flatten out and decrease after 2009. The UK, like Germany (from 2010 onwards), has seen much smaller and yet nonetheless rising stocks of EU2 population. The increase in EU2 flows has to be seen also in light of these countries' later accession and the enormous economic (e.g. wages) and social differences between Bulgaria and Romania and EU15 countries.

Changes in receiving country composition were also observed, as receiving countries hard hit by the crisis (Spain, Ireland and, later, Greece) saw a net decrease in EU10 migration stock, while all other receiving countries experienced

14 A. Fihel, M. Anacka: Return Migration to Poland in the Post-accession Period, in: B. Galgóczi, J. Leschke, A. Watt (eds.): Migration and Labour Markets ..., op. cit.  
 15 M. Hazans: Selectivity of Migrants from Baltic Countries Before and After Enlargement and Responses to the Crisis, in: B. Galgóczi, J. Leschke, A. Watt (eds.): Migration and Labour Markets ..., op. cit., pp. 169-207.

**Figure 2**  
**EU2 population (age 15-64) in receiving countries, 2005-2013**

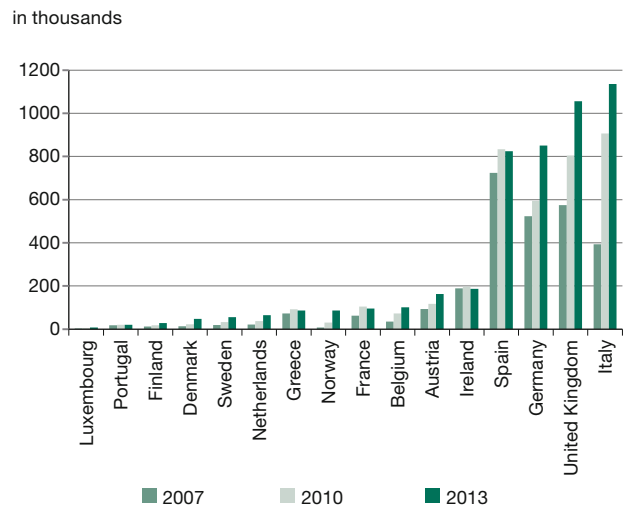


Source: EU LFS.

further growth, as shown in Figure 3. For the size of EU10 migration stock in the EU15 receiving countries, as well as its changes during the crisis, two factors were decisive: labour market access and the extent to which a receiving country was hit by the crisis (labour demand).

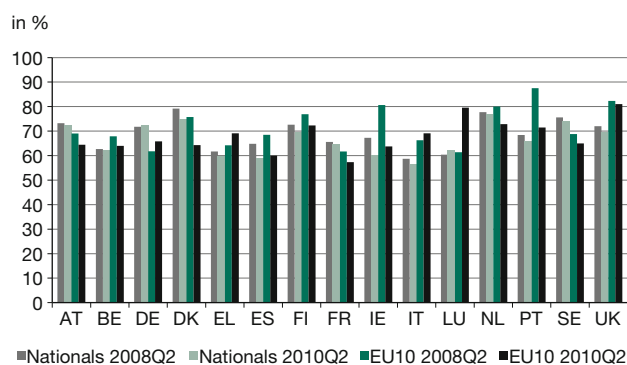
As regards the direct impact of the crisis on labour market outcomes, EU10 migrants were harder hit in the majority of EU15 countries and acted, at least partially, as labour market buffers. This can be illustrated by changes in employment rates for nationals and EU10 migrants (Figure 4). Both groups saw declines in employment rates in the majority

**Figure 3**  
**Impact of the crisis on stocks of EU10 nationals (age 15-64) in EU15 countries**



Source: EU LFS.

Figure 4  
Employment rates of nationals and of EU10 citizens during the most intense phase of the crisis



Source: EU LFS.

of EU15 countries but the declining trend was stronger for EU10 migrants.

At the same time, unemployment increased in all countries except for Germany and Luxembourg, and EU10 migrants were again disproportionately affected in the majority of countries (Figure 5). The most typical pattern indeed is a larger increase in unemployment among migrant workers from a higher initial level. In principle, EU migrant workers have the same rights to unemployment benefits as nationals; in practice, however, they are often covered to a lower extent as not only are they less aware of their rights but they are also more often engaged in irregular and non-standard forms of employment with no or reduced eligibility to unemployment benefits.<sup>16</sup>

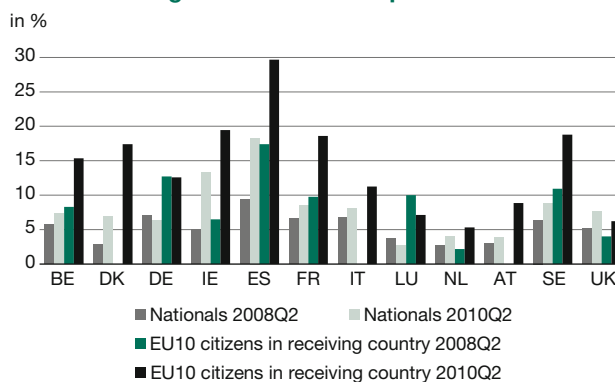
The greater vulnerability of EU10 workers in the crisis also reflects the considerably higher concentration of such workers in sectors disproportionately affected by the slump in output (e.g. construction).

The trends described above suggest that both push and pull factors were subject to dynamic changes during the crisis period. For some sending countries, such as Romania and Latvia, push factors such as affectedness of local labour markets by the crisis and limited welfare benefits remained the dominant force of labour migration during the crisis. Complex combinations of both push and pull factors were also observed with onward migration from formerly very attractive receiving countries that were hard hit by the crisis – such as Ireland – to destinations with better labour market prospects such as Norway.<sup>17</sup>

16 J. Leschke: Segmentation in Welfare and Work: Has the Economic Crisis Contributed to More Segmentation in Labour Market and Welfare Outcomes?, ETUI Working Paper 2012.02, Brussels 2012.

17 During the economic crisis, Norway saw its EU8 population stocks increase from 9.1 (per 1000) in 2008 to 62.3 (per 1000) in 2012.

Figure 5  
Unemployment rates of nationals and of EU10 citizens during the most intense phase of the crisis



Note: Several countries have missing or incomplete data on EU10 nationals.

Source: EU LFS.

The main trends of intra-EU labour mobility during the crisis feature complex processes in a rapidly changing environment and can be summarised as follows: a continued growth of the EU10 population in EU15 countries, especially in Italy, the UK and Germany, however, not in the countries heavily affected by the economic crisis – Ireland, Spain and more recently Greece. There were also changes in sending country composition such as return migration to Poland and partial substitution from other EU10 sending countries. While the number of employed nationals declined or remained stable in almost all receiving countries, the number of EU10 employed grew in all countries except Spain, Ireland, Greece and Portugal.<sup>18</sup> At the same time, employment rates of EU10 migrants tended to decrease more and unemployment rates tended to increase more than those of nationals, showing that employment of migrant workers reacted more sensitively to labour market shocks than domestic labour. To some degree, migrant work has thus functioned as a labour market buffer in receiving countries. This latter trend will also have some significance in the debate on “benefit tourism” that we will address briefly in the last section.

### Skills mismatch: brain drain, brain gain and brain waste in post-accession intra-EU labour mobility

An important “stylised fact” is that EU10 countries have significantly higher shares of medium- and high-skilled persons in their working age population than the EU15 countries. The share of persons having completed at least upper secondary education is almost 20 percentage points higher in the EU10 than in the EU15. Moreover, young migrants, who

18 EU LFS online database, available at: [http://epp.eurostat.ec.europa.eu/portal/page/portal/labour\\_market/introduction](http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/introduction).



on average have higher education levels, have dominated post-accession cross-border movements. This implies that post-2004 migration is qualitatively different from previous migration waves.<sup>19</sup>

In light of increasing human capital investment in the vast majority of EU10 countries, as evident for example in the increasing trend in enrolled tertiary education students, the brain drain hypothesis has been challenged for some new member states and it has been suggested that it should be interpreted rather in terms of a brain overflow: in other words, a lack of employment opportunities commensurate with the high skills that young people, in particular, have to offer.<sup>20</sup>

From a receiving country perspective, the discussion is about brain gain versus brain waste. A brain gain occurs when migrant workers are recruited to fill gaps in the high-skilled segment (for example, doctors) or in specific occupations experiencing shortages (for example, nurses or IT experts). In the context of East-West EU labour mobility, specific programmes to attract high-skilled labour and retain graduates from EU10 countries have been important in, for example, Germany and Austria, and more recently in the UK, for workers from EU2 member states, as part of transitional measures.

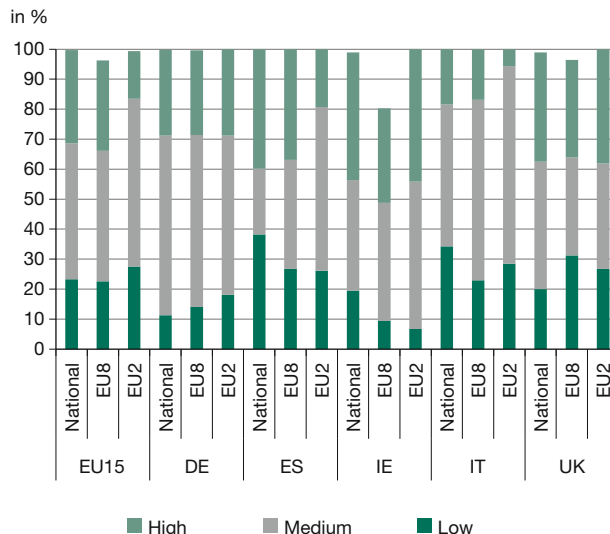
Over-qualification (sometimes termed “brain waste”) describes a situation in which migrant workers are employed in jobs that are substantially below their skill level. This was a key finding of our earlier study.<sup>21</sup> From a European perspective this risks misallocating scarce human capital and, on the individual level, challenges the hypothesis that returning migrant workers really have improved their human capital.

A conclusion from the existing literature is that in most cases neither the “brain drain” nor the “brain gain” will have a strong overall impact on labour markets and the economies of the sending and receiving countries. However, for small countries with large outflows and in certain sectors (for example, medical staff) it may be a cause for concern.

**Evidence on skills-occupation mismatch**

The skills composition of EU8 migrants displays significant differences in various receiving countries; this is also true for nationals. Using special extractions from the EU LFS for 2011, two important features can be identified: EU10

**Figure 6**  
Skills proportion in total employment: nationals, EU8 and EU2 citizens, Q1 2011



Note: Due to missing data, percentage shares do not always add up to 100.

Source: EU LFS, special extractions.

workers on EU15 aggregate level were considerably overrepresented in the medium-skilled category (58 per cent compared with 45 per cent for natives) and correspondingly underrepresented, to approximately equal extents, among the low- and high-skilled categories (Figure 6).<sup>22</sup>

In 2008 the UK had a particularly high share of medium-skilled EU8 migrants (not shown). By 2011, however, the shares of both low- and high-skilled EU8 migrants increased. For Italy it is also true that medium-skilled EU10 migrants were overrepresented, and this is especially true for EU2 migrants who make up the bulk of EU10 migration to Italy. What is different in the two receiving countries is that Italy has a much lower share of high-skilled EU10 migrants than the UK. Moreover, not just EU10 migrants but also nationals in the UK have a considerably higher skills profile than in Italy. Since the majority of EU8 and EU2 immigrants in Italy have completed upper secondary education, they are still relatively more educated than both nationals and non-EU immigrants (Figure 6).

Bettin shows, on the basis of more detailed national labour force survey data, that the skills-occupation mismatch among migrant workers is substantial in both the UK and Italy, with disproportionate shares of migrant workers in both

19 European Integration Consortium, op. cit.

20 On this see, for example, P. Kaczmarczyk, M. Okólski: Demographic and Labour-Market Impacts of Migration on Poland, in: Oxford Review of Economic Policy, Vol. 24, No. 3, 2008, pp. 599-624.

21 B. Galgóczi, J. Leschke, A. Watt (eds.): EU Labour Migration since Enlargement ..., op. cit.

22 Data was extracted from the EU LFS online database, available at: [http://epp.eurostat.ec.europa.eu/portal/page/portal/labour\\_market/introduction](http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/introduction).

countries working in blue-collar jobs.<sup>23</sup> While UK nationals and EU15 citizens are employed mainly as white-collar workers (56 per cent and 64 per cent, respectively, in 2010), the share of blue-collar workers is 82 per cent for EU8 and 79 per cent for EU2 nationals. These data also reveal that 64 per cent of EU8 workers with tertiary education had a blue-collar job in the UK in 2010. Over-education thus seems to be far more widespread across EU8 and EU2 immigrants compared to the other groups. As regards Italy, while Italian nationals are almost equally distributed between white-collar and blue-collar jobs, the foreign-born population is fairly polarised. While eight out of ten EU15 citizens are employed in white-collar roles, the remaining groups are concentrated in low-skilled jobs.

The above findings are confirmed by a number of studies which show that post-2004 migrants from the new member states are employed well below their skill levels (“brain waste”). The European Integration Consortium illustrates this for the UK, as do the chapters in Kahanec and Zimmermann, and Galgóczi, Leschke and Watt for a range of receiving countries.<sup>24</sup> The analysis also shows that post-2004 migrants fare considerably worse than pre-2004 migrants from the new member states, with regards to both skills-occupation match and wages.<sup>25</sup> A simple explanation might be the fact that the amount of time spent abroad (learning languages, acquiring contacts and so on) is a crucial factor in facilitating the transferability of skills. The “brain waste” hypothesis is also confirmed by Dølvik and Eldring for Baltic and Polish migrants in the Nordic countries.<sup>26</sup>

Post-enlargement East-West labour mobility has thus not contributed to better human capital allocation due to large scale skills-occupation mismatches affecting EU10 migrants on EU15 labour markets.<sup>27</sup> The decision to emigrate seems to be driven by absolute differences in wage levels across countries rather than by the relative returns to skills: migrants, particularly those who are planning to return at some point in time, are willing to take up jobs below their skill

23 G. Bettin: Migration from the Accession Countries to the United Kingdom and Italy: Socio-economic Characteristics, Skills Composition and Labour Market Outcomes, in: B. Galgóczi, J. Leschke, A. Watt (eds.): Migration and Labour Markets ..., op. cit., pp. 47-81.

24 European Integration Consortium, op. cit., pp. 97-103; M. Kahanec, F. Zimmermann: EU Labour Markets after Post-enlargement Migration, Heidelberg 2010, Springer; B. Galgóczi, J. Leschke, A. Watt (eds.): EU Labour Migration since Enlargement ..., op. cit.

25 See, for example, S. Drinkwater, J. Eade, M. Garapich: Poles Apart? EU Enlargement and the Labour Market Outcomes of Immigrants in the United Kingdom, in: International Migration, Vol. 47, No. 1, 2009, pp. 161-190.

26 J.-E. Dølvik, L. Eldring, op. cit., pp. 76-77.

27 This is also supported by the findings from the WageIndicator survey by K. Tjeldens and M. van Klaveren: A Skill Mismatch for Migrant Workers? Evidence from WageIndicator Survey Data, in: B. Galgóczi, J. Leschke, A. Watts: Migration and Labour Markets ..., op. cit.

level as long as this allows them to accumulate savings (that can later be invested in the home country) or sent as remittances.

### “Benefit tourism”

Recent political and media debates in a number of net recipient countries in intra-EU labour flows raised the issue of the access to social rights by citizens from other EU member states with residence in the given country. The term “benefit tourism” was first used in the UK context.<sup>28</sup> In general, entitlements to welfare services (contribution or tax-based) across borders are frequently seen as a threat by national citizens with perceived consequences on their own social or employment security. It is also rather particular that the debate flared up in countries not severely affected by the crisis (e.g. the UK, Germany, Denmark and the Netherlands), whereas in receiving countries that were hit hard (Ireland, Spain or Italy) such debates did not make the headlines. Another interesting fact is that we see these debates emerging not only in countries with high and universal benefits (e.g. Denmark) but also in countries with comparatively low benefit generosity and a large degree of means-tested benefits. The institution of the freedom of labour mobility has come under pressure in recent years and this pressure has mostly been fed by populist nationalistic parties, although in certain cases it has come close to the mainstream of the political spectrum (UK and Switzerland). Apart from political campaigns, crisis and austerity fatigue might have played a role. It is worth noting also that although the UK and Germany were not severely affected by the crisis, municipalities in both countries are under heavy austerity pressure; at the same time, the migration population is unequally spread throughout the country, again with high pressure on selected areas and municipalities. These circumstances are likely to have played a role in the building-up of this perception in spite of the fact that – as we will show – there is no evidence to support those fears.

Looking for possible evidence, our data could also provide some orientation. Post-enlargement intra-EU mobility being a rather recent phenomenon, duration of stay is rather short compared to previous migration waves and the large share of mobile citizens are of working age and tend to be younger than both third country migrants and nationals. Employment rates of EU10 migrants tend to be higher than those of both nationals and third country migrants. Recent literature seems to support this: Dustmann and Frattini found that, for the UK between 2007 and 2011, recent EEA immigrants

28 R. Bragg, R. Feldman: ‘An Increasingly Uncomfortable Environment’: Access to Health Care for Documented and Undocumented Migrants in the UK, in: R. Sabates-Wheeler, R. Feldman (eds.): Social Protection and Migration: Claiming Social Rights Beyond Borders, Basingstoke 2011, Palgrave Macmillan.

made an annual average of £2,610 per capita net contribution to UK public finances.<sup>29</sup> At the same time, the annual net fiscal cost of UK natives amounted to about £1,900 per capita.<sup>30</sup> For Germany, Brücker found that EU10 migrants are less likely than nationals to take up unemployment and welfare benefit with a particularly lower take-up from tax-financed welfare and social services: “about 48 percent of all Germans without a migration background receive some form of social transfers, and that only about 30 percent of A2 migrants receive any social transfer, including child allowances”.<sup>31</sup> Although these findings are preliminary, they give an indication of the main trends.

It also needs to be noted that some recent developments may have added to the perceived threat of EU10 migrants to welfare systems. Although the evidence so far seems to indicate that EU8 and EU2 migrants have lower benefit take-ups than nationals or third country migrants, their benefit take-up had increased recently. This, on the other hand, is a plausible consequence of the fact that EU10 migrants were more affected by the crisis than nationals: although they tend to have higher employment rates in general, the decrease of their employment rates and the increase of their unemployment rates was in most countries higher than that of nationals during the crisis. Also with increasing duration of stay in the host country, they are likely to get better access to relevant information to learn about their rights to benefits (e.g. improved language skills, better networks, etc.). This does not mean, however, that the claim of “benefit tourism” could be justified.

Freedom of movement of workers is a core value of the EU and it is not negotiable, as the recent example of Switzerland suggests. Although the movement of persons was initially limited to workers (and later to economically active people), the Maastricht Treaty granted all EU citizens the freedom to move and reside in any EU member state.

## Conclusion

The recent and current manifestations of East-West post-enlargement migration within the EU, as described in this paper, represent an extremely differentiated process entailing numerous wide-ranging aspects with highly diverse implications. The overall process includes various forms of human and labour mobility that have taken place, and con-

tinue to do so, in a rapidly changing economic and regulatory environment. Since the 2004 and 2007 enlargement waves, push and pull factors affecting the behaviour and decisions of migrants have accordingly swung to and fro, subject to rapid and often contradictory forms of change and influence.

The economic and wage convergence between sending and receiving countries that was characteristic of the initial period after accession was stopped sharply by the crisis. However, as regards the impact of the crisis, the dividing line has been not between sending and receiving countries but between one group of European countries that was severely affected by the crisis (especially the Baltic countries, Spain and Ireland) and another group of countries (for example, Germany and Poland) that was much less affected.

It is evident that intra-EU labour mobility is much more reactive to changes in the regulatory and macroeconomic environment than was the case with previous waves of migration. The shock of the crisis was not just a general test of labour markets throughout Europe but provided considerable insight into the relative position and role played by migrants in labour markets. Although both sending and receiving countries' labour markets have performed diversely, migrant workers were more severely affected because short-term migrant labour has acted as a buffer in most receiving countries.

A characteristic feature of EU10 migrants turns out to be over-education, attributable to a whole cluster of explanations. EU10 migrants characteristically have educational attainment higher than non-EU migrants and often also than the local population in the receiving countries. In the history of migration, this would appear to be a new phenomenon. The skills-occupation mismatch, and thus the under-utilisation of human capital which has been highlighted above, points to one of the greatest challenges that intra-EU labour mobility has faced in recent years. This phenomenon can be seen also as a failure of migration-related policies to improve the efficiency of cross-border labour mobility.

In sum, post-enlargement East-West labour mobility did not prove to be a lever of better labour allocation towards a single European labour market. The contribution of migrant labour to labour market flexibility proved to be controversial for both receiving country labour markets (as the “benefit tourism” debate demonstrates) and the migrants themselves. These lessons are particularly important given that increased labour mobility within the EU and the euro-zone – including South-North migration flows – are more and more seen as an additional adjustment channel during crises.

29 C. Dustmann, T. Frattini: The Fiscal Effects of Immigration to the UK, Cream Discussion Paper No. 22/13, University College London, 2013.

30 Ibid.

31 H. Brücker, A. Hauptmann, E. Vallizadeh: Zuwanderer aus Bulgarien und Rumänien Arbeitsmigration oder Armutsmigration?, IAB-Kurzbericht, 2013.