



# Labor Migration in the enlarged EU

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Panel "Intra-EU mobility under attack. Why?"  
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# Central European Labour Studies Institute – CELSI

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- ❑ Established in 2008 by Marta Kahancová and Martin Kahanec
- ❑ Non-profit non-partisan independent research institute based in Bratislava.
- ❑ Fosters multidisciplinary research about the functioning of labour markets and institutions, work and organizations, business and society, and ethnicity and migration in the economic, social, and political life of modern societies.
- ❑ 45 Research Fellows; 6 Research Affiliates; In-house team in Bratislava, hosts Bratislava WageIndicator Office



# EU mobility under attack. Why?

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- **NATIVES' HOSTILITY TO IMMIGRANTS on the RISE**

Natives' opinion (Integrated Values Survey 80-2010):

"I do not want immigrants or foreign workers as neighbors:" **18** pct.

"I agree that employers should give priority to [nation] workers, when jobs are scarce:" **64** pct.

"I think that my government should place stricter limits on the number of immigrant workers or prohibit immigrants to come:" **50** pct.

- **Growing support to far right parties with xenophobic campaigns** (MANIFESTO database)

- The role of crises
- The role of EU enlargements towards the East

# EU mobility under attack. Why?

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**EU mobility got a lot of attention in connection with the 2 large EU enlargements towards the East in 2004 & 2007**

- Example from Danish newspapers:

Billigt østarbejde koster kassen (Jyllands Posten, 2014)

Østarbejdere smadrer den danske drøm (Jyllands Posten, 2013)

Østarbejdere gavner vores velfærdssamfund (Politiken, 2014)

DF's initiative in 2014: [www.meldenøsteuropæer.dk](http://www.meldenøsteuropæer.dk)

Polakker strømmer til danske job (Jyllands Posten, 2007)

Håndværksfirmaer trues af østarbejde (Politiken, 2011)

Polakker på dansk socialhjælp (Jyllands Posten, 2010)

# Emigration from Central and Eastern Europe

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- One of the Acquis: Free movement of people; Fear of mass migration; restrictions on mobility => "transition periods"
- Rule 3+2+2 years

## **1<sup>st</sup> EU enlargement towards the East - 2004 enlargement:**

- UK, Ireland and Sweden have opened from day one of EU enlargement in May 2004, the rest of "old" EU members imposes restrictions to free movement of workers.
- 2006 - Spain, Portugal, Greece, Italy, Finland and Iceland
- 2007 – the Netherlands and Luxembourg (November 2007)
- July 2008 - France
- May 2009 – Belgium, Denmark and Norway
- May 2011: Austria, Germany hold a maximum period of restrictions

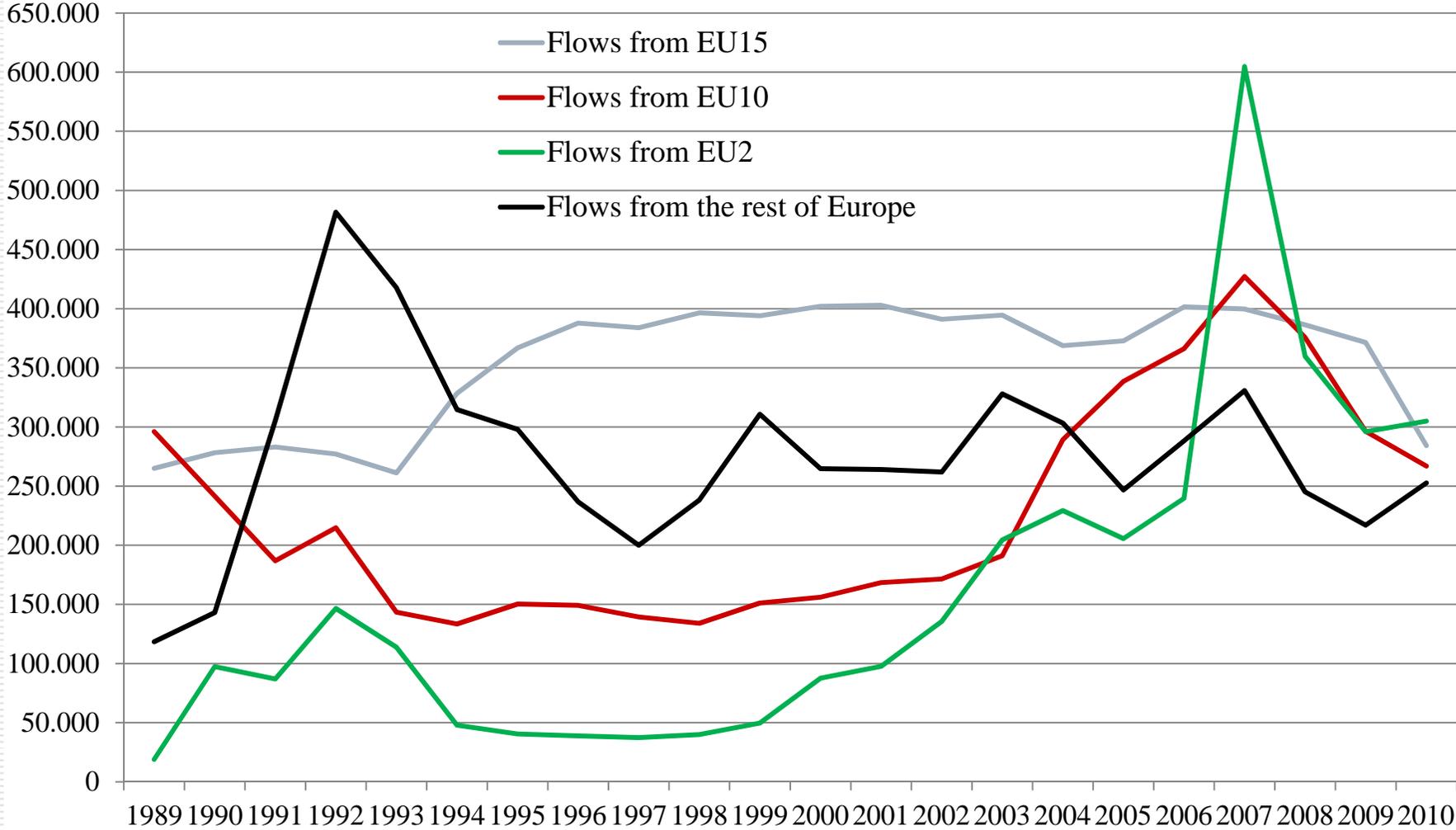
# Emigration from Central and Eastern Europe

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## 2<sup>nd</sup> EU enlargement towards the East - 2007 enlargement:

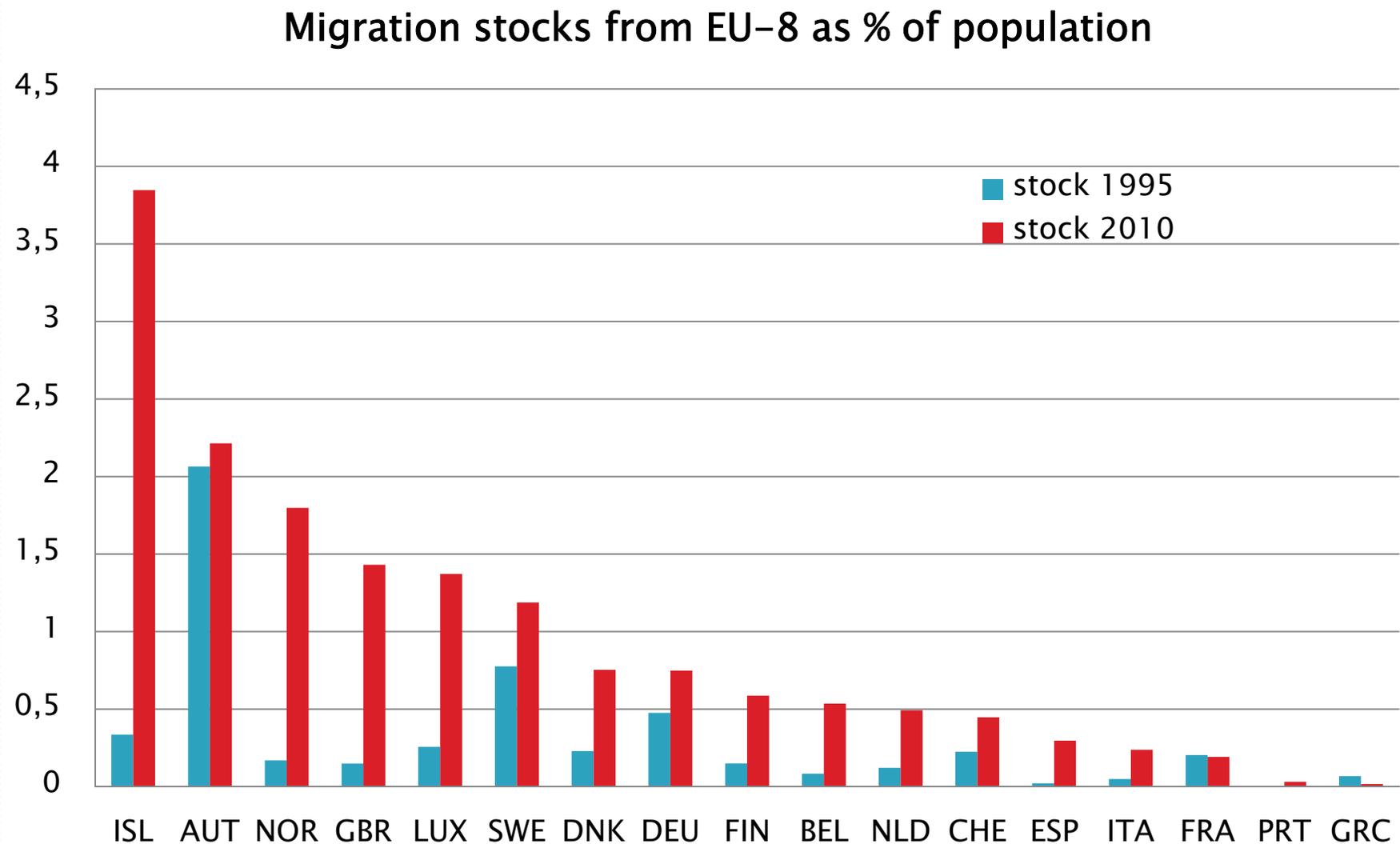
- **Bulgaria and Romania** joined the EU on January 1, 2007.
- Restrictions on labour markets possible until 2014;
- **Open doors for 2007 entrants:**
  - 2007 - Finland, Sweden, Cyprus, Czech Republic, Estonia, Latvia, Lithuania, Poland, Slovakia, Slovenia
  - 2009 - Denmark, Greece, Portugal, Spain
  - 2011 - Spain reimposes restrictions for workers from Romania
  - 2012 – Iceland, Italy
  - 2014 - the rest of the EU holds a maximum period of restrictions

# Migration flows to EU15 destination countries from Europe, by European regions of origin, 1989–2010



Source: National statistical offices; Own calculations.

**EU8 foreigners in EEA countries as a % of destination population. 95 & 2010.**

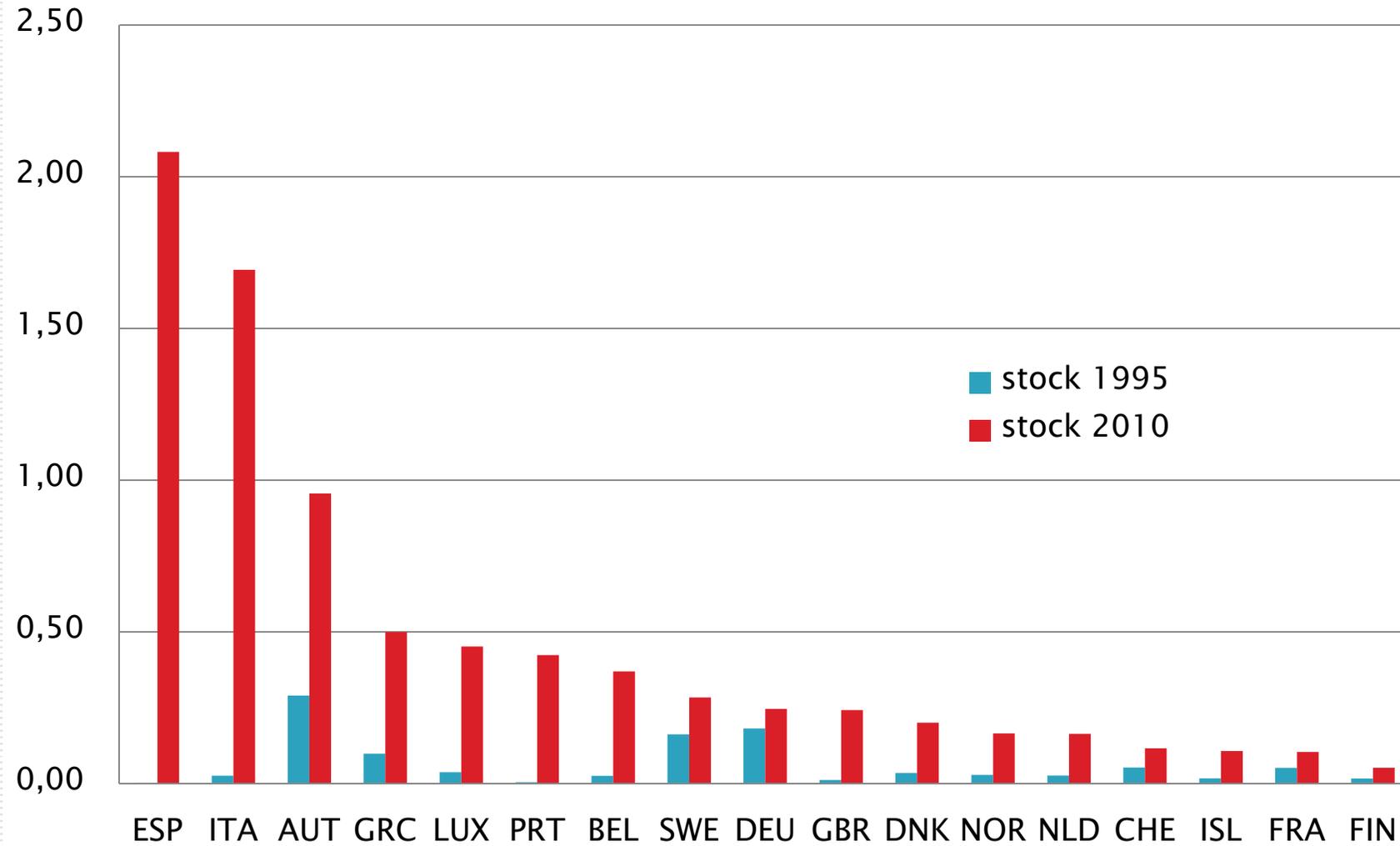


Source: National statistical offices; Own calculations.

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**EU2 foreigners in EEA countries as a % of destination population. 95&2010.**

**Migration stocks from EU-2 as % of population**



Source: National statistical offices; Own calculations.

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# WHY DO PEOPLE MIGRATE? Theory I

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## □ ECONOMIC FACTORS:

- Wage differences (Hicks, 1932),
- Human capital model (Sjaastad, 1962; Becker, 1964): Move if net discounted future expected benefits > costs of migration
- Income expectations conditioned on probability of being employed (Harris & Todaro, 1970; Hatton, 1995),
- Family or households decision (Mincer, 1978),
- Relative deprivation approach (Stark, 1984),
- “Welfare magnet” (Borjas, 1999)

# WHY DO PEOPLE MIGRATE? Theory II

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## □ MIGRATION NETWORKS:

- **migration networks:** "...sets of interpersonal ties that connect migrants, former migrants, and non-migrants in origin and destination areas through ties of kinship, friendship, and shared community origin" (Massey, 1993)
- **help to explain persistence in migration**

## □ NON-ECONOMIC FACTORS:

- **Political and institutional factors, conflicts**
- **love/marriage, taste for adventure**

## □ OTHER (UN)OBSERVABLE COUNTRY SPECIFIC FACTORS

## **WHY DO PEOPLE NOT MIGRATE?**

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- Less than **2 percent** of the world's population is living in a country other than they were born (2009).
- **Europe** -slightly more than **2 percent** of EU citizens currently live in another EU Member State (2009)

***?? WHY THERE IS NOT THAT MUCH MIGRATION ??***

### **BARRIERS TO MIGRATION:**

Immigration policies

Costs of migration (out-of-pocket exp., psychological costs)

Cultural and linguistic distance (Adsera &Pytlikova, 2014)

Language barriers

Skill transferability

Native's attitudes (Gorinas and Pytlikova, 2014)

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# WHAT DOES THE EMPIRICAL EVIDENCE SAY?

## Importance of:

- *economic factors* – pull stronger than push, no direct welfare magnet effect.
- *migration networks* – networks more important for immigrants coming from poor countries
- *Distance variables*: cost of migration, cultural and linguistic distance between the countries.
- *Institutional factors* – free movement of labour, immigration policy
- *Conflicts, natives attitudes*

*Literature*: e.g. Pedersen, Pytlikova and Smith (2004), Pytlikova (2005, 2006), Belot and Ederveen (2011), Adsera and Pytlikova (2014), Kahanec, Pytlikova and Zimmermann (2014). Others: G. Peri, F. Docquier, H. Rapoport, G. Hanson, Gorinas and Pytlikova (2014).

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# Measured impacts of mobility

# IMPACT OF CEE MIGRATION – receiving countries (based on country studies)

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## *Gains or Losses?*

*Impact on employment, wages of natives and general welfare*

*Empirical Evidence from country studies:*

- find no negative impact on receiving countries' economies
  - common “occupational downgrading” (employment of EU8 immigrants below qualifications)
  - Even if displacement took place in some sectors (e.g., in Ireland), since no rise in aggregate unemployment, “upgrade” jobs for nationals
  - No evidence of an impact on unemployment
  - No wage pressure can be observed even in manufacturing sector with the largest share of new immigrants
  - No evidence of “welfare tourism” (number of applications for social assistance negligible)
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# Macro impacts of past EU mobility – receiving countries (based on macro data)

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## *Empirical Evidence from multi-country studies:*

- Kahanec and Pytlikova (2014):
  - Unique data about bilateral migration flows and stocks
  - Endogeneity of migration – 2SLS
- We find positive effects of migration within the EU on
  - GDP
  - GDP per capita
  - Employment rate
- Some small negative effects on output per worker

**Macro impacts positive**

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# IMPACT OF EU MIGRATION and MOBILITY– a mechanism to solve asymmetries & shocks

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## *Gains or Losses?*

- Analyses of EU mobility in years 1995-2010 (Kahanec, Pytlikova and Zimmermann, 2014):
- destination country's business cycle matters and migration responds to it—stronger GDP growth and lower unemployment lead to additional immigration from NMSs.
- helps Europe to adjust to east-west asymmetries, as well as short-run shocks across EU member states

# IMPACT OF MIGRATION – receiving countries

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## *Gains or Losses?*

- *Impacts of immigration and ethnic diversity on firms and economies:*
  - Innovation
  - Productivity
  - Entrepreneurship
  - Trade

# IMPACT OF MIGRATION – receiving countries

## *Impacts of ethnic diversity*

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- different cultural backgrounds => diverse perspectives and ideas, problem-solving abilities, and also knowledge about global markets and customers tastes => creative solutions => stimulate innovations, entrepreneurship, affect firm performance positively
  - BUT communication barriers, reduced workforce cohesion => can bring high costs of “cross-cultural dealing”
  - *Studies using regional data:* a positive effect of ethnic diversity on economic performance
  - *Studies using comprehensive register data:* a positive significant effect of ethnic diversity on innovation, entrepreneurship and trade. BUT no significant or negative effect of ethnic diversity on firm productivity => diversity management policies necessary to turn the diversity effects into firms' competitive advantage.
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# IMPACT OF CEE MIGRATION – sending countries

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## *Gains or Losses?*

- based on the little empirical evidence:
- Mostly: temporary migrants
- Decrease in unemployment rate+ shortages of skilled and also low-skilled in certain professions
- Impacts on wages of stayers (Rosso, A.)
- Remittances
- concern for brain-drain

## IMPACT OF CEE MIGRATION –a summary

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- Overall, *potential* impact of enlargement on welfare and labor markets was estimated to be, in general, **positive**
- Econometric studies usually find **small or no wage and employment effects** of immigration
- There is no (early) evidence on the negative impact on the receiving countries' labor markets and public budgets
- Usually **positive effects of ethnic diversity on innovation, productivity, entrepreneurship and trade**
- little evidence on sending countries, decreased unemployment/higher wages, concerns of brain drain
- EU mobility helps to adjust to economic shocks and asymmetries

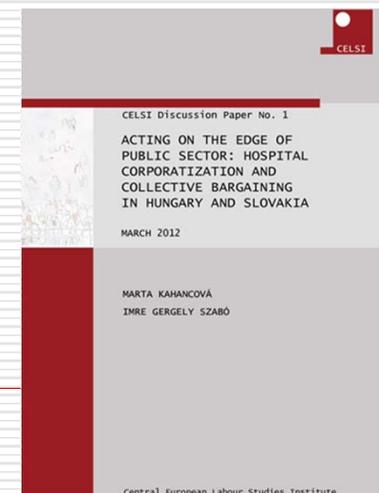
# Thank you!

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## Central European Labour Studies Institute – CELSI

- ❑ Discussion Papers since 2012; Research Reports since 2013
- ❑ International research projects: FP7, FP6
- ❑ Advisory research projects funded by the EC, WB, ILO, EU Parliament...
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# IMPACT OF MIGRATION – receiving countries (theory)

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## *Gains or Losses?*

*Impact on employment and wages of natives and on general welfare*

*In theory depends on:*

- Size of immigration flows
  - Substitutability between natives and immigrants
  - Relative abundance of natives in different skills, education, occupation and or experience groups
  - Integration of the host labor market with other markets.
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# IMPACT OF MIGRATION – receiving countries

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- **Impacts of ethnic diversity:**
    - different cultural backgrounds => diverse perspectives and ideas, problem-solving abilities, and also knowledge about global markets and customers tastes => creative solutions => stimulate innovations and affect firm performance positively
    - BUT communication barriers, reduced workforce cohesion => can bring high costs of “cross-cultural dealing”
  - *Studies using regional data:* a positive effect of ethnic diversity on economic performance (e.g. Ottaviano and Peri, (2005), Alesina and La Ferrara, (2005), Sparber (2009) and Suedekum et al.(2009), Blien et al. ).
  - *Studies using the comprehensive register based data:* a positive significant effect of ethnic diversity on innovation (Parrotta, Pozzoli and Pytlikova, JOPECON 2014) BUT negative or no significant effect of ethnic diversity on firm productivity (Parrotta, Pozzoli and Pytlikova, EER 2014) => diversity management policies necessary to turn the diversity effects into firms' competitive advantage.
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