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Migration policy is still largely under the control of the European Union member countries. However, due to the free labour, capital and product markets within the union (with some temporary constraints in a transition period for the new member countries), there is a need to harmonize the single-country migration policies across Europe.

The European Community has been implementing various political strategies. Among recent initiatives have been the Lisbon Agenda and Eastern enlargement, whose aim is to rapidly raise living standards in the new member states and to improve economic conditions in the European Union in general. The Eastern enlargement process has caused debates about additional immigration from the East, since all labour markets will eventually have to open up to workers from the new member states.

In June 2003, the European Commission adopted a "Communication on Immigration, Integration, and Employment" that studied immigration in the context of demographic change and proposed a strategy to promote the better integration of immigrants and to prepare for attracting more immigrants in the medium -term future. The need for such initiatives is suggested by the fact that even if the Lisbon targets are achieved by 2010, employment in Europe will start to fall significantly afterwards, due to the aging of the population as a result of demographic changes. Achieving sustained economic growth would require a greater increase in productivity than what can probably be achieved. It is, therefore, important to mobilize the current stock of migrants to enter the labour market, and to prepare for new immigration by implementing better integration strategies.

This investigation has identified three important issues:

- the success of the Lisbon Agenda will depend mainly on the ability to provide jobs for the low-skilled and females into work;
- non-EU national migrants are largely underemployed. If more is done to attract the low -skilled population in general to enter employment, this may also help the non-EU national migrants since they are largely low-skilled;
- a selective immigration policy could help to reduce the inflow of low -skilled people and to obtain a creditable position on the international labour markets for high-skilled and well-trained workers. However, such a strategy is nowhere systematically employed in Europe. Migrants are more attracted to those industries that face high import competition and employ less qualified workers. Some have concluded that an influx of cheap low-quality labour may lead to a loss of competitiveness of the host country in the long-run, since it induces a slow-down in the adjustment process from low-quality production to high-quality production.

Currently, there are mobility restrictions for non-EU migrants and country-specific immigration rules for them. The wave of EU enlargement was similarly accompanied by strong concerns over the possibility of a wave of migration from new to old Member States – particularly of low-skilled workers – and, as a result, restrictions on labour mobility from the new to the old Member States were imposed for up to seven years by the introduction of the part of Community law on the free movement of workers across the enlarged EU. These 7 years were broken down into three sub periods in a 2+3+2 system. The first two-year period commenced on 1 May 2004 and finished on 30 April 2006. Policies towards migrants for this period you see in Appendix 1. Member States that decided to lift their restrictions on 1 May 2006 included Greece, Portugal, Finland and Spain and from July 2006 also Italy, while Belgium, Denmark, France, the Netherlands and Luxembourg decided to alleviate them. The restrictions remain unchanged in Austria and Germany. Slovenia decided to no longer apply reciprocal restrictions.

At the end of the seven-year period – on 30 April 2011 – all EU Member States must open up their labour market to the new EU countries in all circumstances.

Despite these restrictions will be temporary the delay may be costly for the EU-25, limiting the most productive use of labour resources at a time when EU populations are ageing and leaders are concerned about Europe's international competitiveness. Furthermore, the temporary restrictions on cross-border mobility stand in contrast with one of the central principles of the EU – the free movement of labour. Today's East-West labour migration flows include a large number of temporary workers, some of whom work illegally. Such employment relationships deprive immigrants from the protection of employment laws and prevent the host country from collecting tax revenues. Finally, it would not be desirable for the EU-25 if a significant part of the most agile and talented individuals from the new Member States are diverted to traditional migration centers (e.g. United States, Canada) instead of taking on employment in other EU Member States.

Labour inflexibility has been seen for long as the major determinant of the employment crisis and the persistent slump of economic growth in Europe. In particular, geographical labour mobility has been suggested as a strong instrument to foster fast economic adjustment and growth.

While economic growth and the creation of new jobs is strongly associated with the willingness to take up chances across regions, the supply of jobs also regulates the flow of people seeking work. Only when a significant rise in economic growth will boost the demand for labour and create new jobs, geographic mobility of natives will rise significantly.

Hence, immigration from outside the European Union has become a potentially very crucial role for the creation of a higher level of labour mobility in Europe. If there is labour mobility it is largely due to international migration.

Migration challenges can be decomposed into a number of channels.

- A first channel is unskilled migration. So far, immigration has not caused much measurable unemployment among natives. However, if current trends

prevail, unemployment among immigrants and unskilled native workers may increasingly rise.

- A second channel is migration of the most skilled in the labour force. All developed economies face a strong and increasing excess demand for skilled labour, fostered by technological change, population aging and a subsequent decline in the future native European workforce. The upcoming needs cannot be satisfied sufficiently by the local labour force or the educational system in the particular countries. Unlike traditional immigration countries as the United States, Canada or Australia, Europe has no reputation on the international labour markets for high-skilled people.
- A third channel for the global impact of migration on the economy is the required productive mix of skilled and unskilled workers at the workplace. It is increasingly observed that the lack of qualified workers decreases the incentives to hire low -skilled workers.
- Factor mobility is the fourth channel of labour competition. If people do not move or are not allowed to move, trade or capital mobility may take its place. For instance, cheap labour is embodied into the imports of goods, and this threatens home production and low -skilled workers in particular. Virtual migration is the ultimate threat: Many jobs can be exercised through the internet. Companies more and more outsource their jobs by going global.

For the EU as a whole, cross-border labour mobility is likely to offer a number of advantages by allowing a more efficient matching of worker skills with job vacancies and facilitating the general up-skilling of European workforces. It may also offer an important adjustment mechanism within EMU, where in the absence of country-specific monetary and exchange rate policies, labour market mobility would be beneficial in promoting the ability of national labour markets to adjust in the face of economic fluctuations and asymmetric shocks.

Empirical evidence shows that employment protection in EU reduces the speed of reallocation on the labor market, especially between the employment and

unemployment states. If workers cannot move anywhere when their region is doing bad, they will vote for employment protection. If workers can migrate easily to better horizons, they will prefer their jobs not to be protected, so that they can be reallocated quickly to better places. It's easier for an unemployed person to find a job in a flexible country than in rigid one. Protection plays two important roles for the workers. First, it protects their jobs and enables them to bargain higher wages. Second, it reduces job creation and job destruction. It means it's more difficult for an unemployed worker to find a job and, second, some low productive jobs are maintained only because they are protected.

Such situation is in sharp contrast with neoclassical economics on migration the strong public resistance. Neoclassical economic theory suggests that migration is beneficial for everyone, when assuming a labour shortage in the host countries and excess labour in the sending countries. According to these theories, immigration eliminates the scarcity of labour in the host country, reduces possible inflationary pressure from wage growth in receiving countries and leads to a better use of productive capital. At the same time, the home country also benefits from a removal of unemployment and through the receipt of workers' remittances; and migrants themselves benefit through higher wages.

In real life, these assumptions do not often hold, and besides the benefits of labour migration, emphasized by neoclassical economists, there are also costs for both the host and home countries. The costs and benefits of labour migration depend on a number of factors, most of which are related to the labour market conditions of the home country and the composition of (the non- homogeneous) migrants by skills, age etc. Moreover, the costs and benefits tend to be distributed unevenly across various groups of society. The major concerns can be summarized in the following points:

1. migrants drive down wages;
2. migrants take away jobs from the native population;

3. migrants place a heavy strain on the social security systems of the host countries.

But most empirical studies find a small negative effect of increased migration on wages. These studies conducted on Western European countries find the impact of migrants on employment to be weak and ambiguous. But if migrant workers concentrate in certain industries or geographical areas, they may decrease the job prospects of the local labour force. As to the third point in some countries the welfare dependence of migrants appears to be higher than for the local population and in some – it is not. The 2006 European Commission report concludes that early experiences following the 2004 enlargement show that fears concerning the overuse of social security systems by migrants have not been realized.

While the migration of young and skilled labour from the new EU countries is likely to bring significant positive effects for the EU-15, for the home countries, it may also present a number of risks, especially in the short run, especially in the short run. The loss of a sizable share of young people may aggravate the already negative population growth in the bulk of the new EU countries, and may also result in the loss of public funds invested in the education of the young migrants.

However, if migrants from the new EU countries return to their home countries with upgraded skills, this may offset the initial losses caused by the brain drain. Emigration benefits home countries with a high unemployment rate. Having job seekers work abroad may prevent the unemployed from losing their skills and decrease the burden on social security in the home countries. However, the generally low level of labour mobility within the new EU countries suggests that this role for migration has so far been limited. Evidence from a number of countries suggests that also remittances played a significant role in the development of home countries. Remittances can be sources of investment and consumption.

Migration decisions respond largely to differences in regional disparities in prosperity. Hence, differences in earnings, unemployment rates, costs of living,

public goods and public transfers are important determinants of a move. The decision to move is also affected by the costs of moving that not only include monetary costs like travel expenses, and foregone earnings during the move, but also psychological costs arising from the separation from family and friends. According to the human capital model, the likelihood of migration is decreasing with age, reflecting the smaller expected lifetime gain from moving for older people. Individuals with higher education should exhibit a higher migration probability, because higher education reduces the risks of migration through a higher ability to collect and process information. Most migrants move within the context of ethnic networks, resulting in the formation of ethnic clusters in the host country.

Crucial here are the conditions on the labour markets of the host country; they might be either competitive or in disequilibria when labour supply equals labour demand or not, respectively. Thus high levels of unemployment at home relative to a host country is a factor put forward by the economics literature as likely to increase the incentive to migrate.

In conclusion one can say that institutional constraints on the labour markets, high unemployment among the lowskilled and excess demand for the skilled workers describe the predominant situation in the European Union, currently and in the longer-term future. An inefficient allocation of labour resources may negatively affect the longer-term level and growth rate of potential output and, in the short run, limits the pace at which an economy can grow. In a flexible labour market, a high degree of labour mobility is desirable to help employment adjust favorably to changing demand conditions. Therefore, the free movement of labour constitutes one of the central principles of the EU and is an important component of the completion of the single market. It has been pointed out that immigration can successfully increase the flexibility of the labour market, provide incentives to slow down wage growth, and thus allow more people to obtain gainful

employment. This substantiates how migrants can be economically good friends to natives in the labour market.

Sources:

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Appendix 1.

<b>Policies towards migrants from the EU-8 for the period 1 May 2004 to 30 April 2006</b>	
Belgium, Greece, Spain, Austria,	Applied its system of work permits.
Denmark	Immigrants could enter the country to seek work, however they had no automatic access to benefits during this period. On finding a job, immigrants from the EU-8 had to apply for a special work and residence permit, which was only granted for full-time positions on terms corresponding to those normally applying on the Danish labour market. If unable to find a job, or on losing their employment, immigrants lost the right to a resident permit and had to leave Denmark.
Germany	It maintained its existing system of work permits. Existing deals with EU-8 members, such as with Polish seasonal workers, continued to apply. Quotas continued for temporary workers in construction and agriculture.
France	Permits are issued on the basis of a number of criteria, including the job offer, salary offer and qualifications of the applicant. Immigrants from the EU-8 managing to obtain a work permit had the same access to social security as French citizens and could bring their family with them, who had full access to the labour market. Different rules applied for seasonal workers, students, au pairs and researchers.
Ireland	It opened its door to immigrants from the EU-8, but restrictions on the receipt of welfare benefits applied. Immigrants from the EU-8, and all other EU countries with the exception of the United Kingdom, were not eligible for welfare benefits in Ireland for the first two years of employment.
Italy	It imposed restrictions on labour migration from the EU-8. An immigration quota was in place, which limited the number of migrants from the EU-8 to a maximum of 20,000 per year.
Netherlands	For EU-8 nationals, access to the labour market through the issue of a work permit was granted only when Dutch nationals were unavailable to fill a position.
Portugal	Migrants were required to apply for a work permit, however the annual number of work permits issued to foreign workers was limited to 6,500 per annum. Any new work permits issued to EU-8 nationals therefore had to fall within this quota.
Finland	In normal circumstances, migrants had to apply for a work permit and were able to fill a position without a work permit only in the case that no local labour was available. Summer fruit pickers were exempt.
Sweden	Some measures were introduced to allow the greater control of subcontractors in building projects, the monitoring of false self-employment and to allow trade unions to check that collective agreements were being observed in workplaces where they have no representatives. A commission was set up to look at ways to limit the right to social welfare of citizens of other EU states looking for work in Sweden.
The United Kingdom	EU-8 nationals had to register under a Workers Registration Scheme if they wished to work and only received unemployment and income support benefits following continuous employment for one year. Other benefits were available immediately for those in work. Workers could bring their family with them, who then had full access to the labour market.
Luxembourg	It imposed restrictions on labour migration from the EU-8.

Source: F.F. Heinz, M. Ward-Warmedinger. Cross-border labour mobility within an enlarged EU // ECB occasional paper series. NO. 52 – October, 2006