

Foreword

Demographic projections for the next decades point to shrinking workforces in most OECD countries. In the EU member states, the working-age population is expected to contract by 12% by 2030. In addition, the increasingly competitive global economic environment induces an accelerating pace of structural change. As a consequence, despite the high unemployment rates currently observed in many OECD countries, labour and skills shortages are anticipated to rise over the next two decades, challenging economic growth prospects. In this context, maintaining a high-quality workforce represents a key strategic goal for both employment and economic growth.

Together with education and training and activation policy measures, the implementation of more effective systems for migration management and of integration measures to improve the labour market outcomes of immigrants are a key part of equipping workforces with the necessary skills to cope with demographic and occupational changes and to contribute to the competitiveness of EU and OECD economies.

Against this background and in the context of increased importance of migration-related issues in the EU employment policy agenda, the Directorate General for Employment, Social Affairs and Inclusion of the European Commission and the OECD's Directorate for Employment, Labour and Social Affairs launched in 2011 a two-year joint project on "Matching economic migration with labour market needs". The project aims at providing new insights on the policies needed to ensure that economic migration can effectively respond to labour market needs.

As part of this project, a conference on "Growing free labour mobility areas and trends in international migration" (14 and 15 November 2011, Brussels) was jointly organised by the European Commission and the OECD, bringing together policy makers, experts, observers from international organisations, as well as representatives of employers' associations and of trade unions. It aimed at shedding light on the role which free-mobility migration could play in addressing labour and skills shortages.

The present publication consists of the papers presented at this conference. It contrasts the development of the EEA free labour-mobility area with experiences of other free labour-mobility zones, investigates the impact of the establishment of a free-movement area on labour migration patterns among its member countries, and examines the economic impacts on origin and destination countries.

Since the second half of the 20th century, free labour-mobility areas have expanded widely, in the context of the development of regional economic integration processes. On average, free-movement migration accounted for almost a quarter of all *permanent-type* migration flows to OECD countries in recent years. Several examples of free-movement zones across OECD countries are the Trans-Tasman Travel Arrangement between Australia and New Zealand, free labour-mobility between Switzerland and the

EEA countries, the MERCOSUR Free Movement and Residence Agreement and, to a lesser degree, the North American Free Trade Agreement.

The share of free-movement flows in total permanent migration movements is highest in the EU/ETFA area (37% in 2009). It currently represents the most significant example of a free labour-mobility zone, both in terms of the number of countries involved and the scope of the liberalisation. The recent expansion of the free labour-mobility area in Europe as a consequence of the 2004 and 2007 EU enlargements and the bilateral agreements between Switzerland and the European Union provide interesting case studies for an analysis of the impact of free-movement flows on the labour markets of both origin and destination countries.

Post-enlargement labour mobility from the new EU member countries to the EU15 and Norway was extensive. However, the majority of the inflows went to a few destination countries where labour market conditions were initially favourable and the host-country language not a major obstacle to many of the migrants, such as the United Kingdom and Ireland in the case of the countries that joined in 2004, and Spain and Italy following the accession of Bulgaria and Romania in 2007.

Prior to the economic crisis, free-mobility migration accompanied sustained economic growth and fuelled the rapid expansion of certain economic sectors. The new migrants were generally young, better educated than average and spread out over the countries they went to, moving where job opportunities were more plentiful and not just to large cities. Many movements were *temporary* in nature as migrants accumulated experience, skills and savings abroad and then returned to their countries of origin, but others opted to settle in the countries of destination. Often they took on jobs that were below their formal education levels, providing a motivated, flexible workforce working for wages which may have been low by destination-country standards but were still several times higher than what they could have expected to earn at home. The evidence presented during the conference suggests that free mobility has had an overall small, but generally positive, impact on the labour markets in destination countries, both on wages and on employment levels. However, some negative effects have also been observed in particular occupations at the lower end of the skills distribution and on specific groups of resident workers, such as low-skilled youth and non-EU/EFTA nationals.

The effects on origin countries varied. Some saw limited outflows relative to the total population, others – notably Bulgaria, Romania and the Baltics – much larger ones, with significant losses of population. Some of the loss occurred among young, highly-qualified workers, who could not always find appropriate work opportunities at home. Some of those countries saw an increase in inflows of workers from non-EU/EFTA countries, but the magnitude of such inflows was dwarfed by the outflows to EU/EFTA-countries.

Taking stock of the experience of the recent economic crisis which did not hit all countries to the same degree, this publication also addresses the effects of uneven economic shocks in free-mobility zones. It suggests that free mobility has played an adjustment role in the labour market, even though the size of the effect does not appear to have been large enough to reduce regional differences in unemployment substantially.

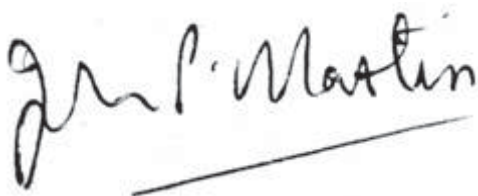
Finally, this publication analyses the forecasts for demographic and educational trends in the medium-term, with the aim of assessing the extent to which free labour-mobility could contribute to meeting future labour and skills shortages. Because of similar socio-demographic trends and the assumption of continued economic convergence across regions, the potential for free labour mobility to address emerging labour market

needs is limited. Notwithstanding, there remain some administrative obstacles to full free mobility even in the EU/EFTA region which call for further harmonisation efforts, in order to release the full potential of free mobility to respond to labour market needs.

Against this background, over the medium-term significant increases in employment rates at all ages and in productivity will be required if economic growth is to be secured and the funding base for public social protection preserved. Better mobilising the available domestic labour supply – through activation, education and training as well as integration policies – as well as improving the matching between labour demand and supply within free-mobility areas through policies aiming at fostering mobility – will be necessary in order to maintain growth rates and living standards, although in many cases these policies may not be sufficient. Opening clear pathways to labour migration, in the context of a more effective management of migration flows, will be needed in the future, together with efforts to improve the labour market outcomes of immigrants and their children. Success on the latter front would also enable public opinion to take a more positive outlook on migration and its potential contribution to sustainable growth.

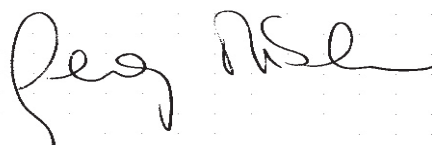
John Martin

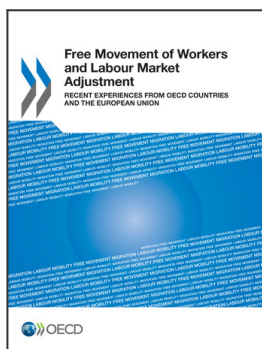
Director for Employment, Labour
and Social Affairs, OECD

Handwritten signature of John Martin in black ink, written over a horizontal line.

Georg Fischer

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Handwritten signature of Georg Fischer in black ink, written on a dotted grid background.



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