
Main findings of the joint EC/OECD conference on growing free labour mobility areas and trends in international migration, 14-15 November 2011, Brussels

by

Maria Vincenza Desiderio, Consultant to the OECD

Introduction

Since the 1950s, in many parts of the world, labour migration movements have been facilitated – to a lesser or greater extent – among selected groups of countries, generally characterised by close geographical proximity and historic and economic ties. Such liberalisation of international labour mobility has generally developed in the context of a broader process of regional economic integration, and has tended to be introduced in the latter phases of this process. The degree to which labour migration is facilitated varies with the level of regional integration. Only in a limited number of cases has the liberalisation of international labour mobility in the context of regional economic integration processes led to the establishment of free labour mobility areas, involving full and equal labour market access for all member countries' nationals. The great majority of such free-movement areas are to be found among OECD countries.

The development of free labour mobility areas can have a significant impact on the characteristics and the size of migration movements within the areas concerned, as well as in neighbouring countries. Free mobility of workers among a group of countries may affect the allocation of labour within the whole area, and play a role in shaping the response of the member countries' labour markets to asymmetric economic shocks. To shed more light on migration and labour-market issues related to the establishment and expansion of free labour mobility areas, the EU Commission and the OECD Secretariat co-organised a joint technical conference in Brussels on 14 and 15 November 2011.

The papers presented and the discussions held at this conference have contrasted the developments of the EEA free labour mobility area with other experiences of free labour mobility zones across OECD countries and have examined the labour migration patterns induced by the establishment of free movement areas as well as their impact on member countries' economies. In the context of the EC/OECD joint project on “Matching economic migration with labour market needs”, the conference has also addressed the role of free labour mobility in responding to labour shortages that are expected to arise in the European Union and in other OECD countries over the medium to long term, mainly as a consequence of ageing populations and workforces. This publication presents the proceedings of this conference and summarises the main findings.

The facilitation of international labour mobility in different regional economic integration zones

Since the second half of the 20th century, regional economic integration has developed in various contexts in parallel to globalisation of the economy. Neighbouring countries with strong economic relations have identified efficiency gains in the reciprocal liberalisation of trade, capital movements and sometimes of labour flows, as a means of enhancing the competitiveness of national and regional economies. According to the degree of interdependency agreed upon by member countries, regional economic integration has taken a variety of institutional forms, ranging from free or preferential trade areas to common markets to economic unions, which imply the harmonisation of selected domestic policies and the adoption of common standards and regulations.

The degree to which labour migration is facilitated varies with the level of regional integration. When it is allowed, facilitated labour market access for member countries' nationals within free trade areas may be limited to certain sectors and to specific categories of workers – generally highly skilled. Higher levels of economic integration, such as those reached within common markets and economic unions, may involve the recognition of a right to free labour mobility to all member countries' nationals, although it is not unusual that this right is implemented gradually, through transitional arrangements. Accompanying measures, such as mutual recognition of qualifications, international transferability of social security rights, and facilitated rules for family reunification also indirectly affect the possibility to relocate in another country. These measures are frequently enacted in free labour mobility areas but are not systematic in other contexts (Chapter 1).

The European Economic Area (EEA) currently represents the most significant example of a free labour mobility area, both in terms of the number of countries involved and of the extent of the facilitation granted to member countries' nationals in entering the labour markets of other participating countries. Workers of EEA countries have the personal right to free mobility, entailing the right to move freely, without any visa requirement, within the territories of all member countries of the area to look for a job and to take up employment, under the same conditions applying to the nationals of the countries concerned, the right to reside there for the purpose of working, and, subject to minimum income requirements, the right to remain after having been employed. According to the principle of equal treatment, EEA workers are entitled to the same social and tax benefits as nationals in all the member countries of the free-mobility area, including access to employment and housing services. To further facilitate the mobility of workers in the area, accompanying measures have been foreseen, providing for the coordination of social security systems between member countries (including pension systems), and for the mutual recognition of professional qualifications. In addition, family members of a worker who exercises the right of free movement are entitled to establish themselves together with the worker in the respective host country, regardless of their nationality, and to take up employment. Thus, in this specific case, the right of free movement within the EEA is extended to third-country nationals.

This exceptionally high degree of liberalisation of labour movements among EEA countries is the result of a unique process of economic and political integration which has its origins in the establishment of a common market within the European Economic Community, and which has evolved following the creation and the expansion of the European Union, and the establishment of the European Economic Area. Since 2002, the same rights to free mobility as those granted to EEA workers in each

others' countries, apply as well between the EEA and Switzerland, as a result of the implementation of the bilateral Agreement on the Free Movement of Persons between Switzerland and the European Union (also subject to some transitional arrangements).

Other free labour mobility areas across OECD countries are to be found, respectively, between Australia and New Zealand, under the Trans-Tasman Travel Arrangement, and among MERCOSUR members and associated countries (including Chile), even though a lower degree of facilitation of labour mobility – notably in terms of accompanying measures – is provided for in those areas, compared with the EEA and Switzerland (Chapter 1).

A significantly lower degree of liberalisation of workers' movements in the context of a regional economic integration process is to be found among the member countries of the North American Free Trade Agreement (NAFTA). Free labour mobility is limited to specific categories of member countries' nationals – *i.e.* qualified professionals – who have a job offer in one of the occupations listed in the NAFTA treaty. NAFTA nationals meeting the requirements can apply for a TN temporary visa in each member country of the free-trade area. Under this visa, the job for which an offer has been made is exempted from a labour market test and from the need to qualify under the host country's certification standards (Chapter 12).

Despite strong historic and economic ties, facilitation of labour mobility among the member countries of the Community of Independent States (CIS) is in theory limited and mainly implemented at the bilateral level. However, with growing labour migration among some of the member countries of the region – notably from former USSR member countries to the Russian Federation – in the context of a visa-free regime introduced since the 1990s, there are some indications of improving co-operation among CIS countries on regional labour migration management. Under this regime, workers can search for work and, if a job is found, must obtain a work permit from the Russian authorities (Chapter 11).

The impact of the establishment of EU enlargement on labour migration patterns within the European Union

The gradual extension of the EEA free labour mobility area as a consequence of the two latest EU enlargement rounds of 2004 and 2007 provides an interesting case study for the analysis of the impact of the establishment of a free labour mobility area on international migration flows, as well as on member countries' labour markets, due to the unprecedented number of countries involved and to the high migration potential of accession countries. In addition, the economic crisis, which started in 2008 on the heels of these two major enlargement rounds, hit EEA countries unevenly, offering a unique opportunity to observe how free mobility migration adjusted to asymmetric economic shocks.

There was increased international labour mobility within the area, albeit unevenly distributed

Shortcomings in existing data are a challenge to analyses of the scale of post-enlargement labour mobility flows from the accession countries to the former EEA member countries. The main limitation is that national statistics in some EEA countries do not identify or report inflows of nationals from other member countries of the area.

Analysis based on available data on inflows of foreign workers (OECD series), has shown a marked increase in international labour mobility from EU accession countries (EU8 and EU2) to the EU15 and Norway in the period 2004-08, at the aggregate level (Chapter 1). Average annual inflows of workers from EU8 countries into the EU15 doubled over the period 2004-07, compared with 2000-03, hitting a record high of 708 000 entries in 2007. Similar trends were observed, in the corresponding period, for EU8 worker inflows in Norway (Chapter 6). Administrative data on post-accession flows from Bulgaria and Romania to other EEA member countries also suggest an increase in international labour mobility. However, a certain proportion of the flows registered after the two latest EU enlargement rounds may have been the result of *de facto* regularisation of EU8 and EU2 nationals already present and employed (illegally) in other EEA countries prior to their countries' accession to the European Union.

The breakdown of flows by nationality reveals significant heterogeneity in the extent of post-enlargement free labour mobility flows, both among origin and destination countries within the EEA, and a marked polarisation in their distribution, particularly in the first years following the EU enlargements. A few EEA countries have received the majority of post-enlargement worker inflows from the accession countries. The increase in the inflows of EU8 workers in former EEA countries after 2004 is largely accounted for by two of the three countries which fully applied free labour mobility rules since 2004, namely the United Kingdom and Ireland. Similarly, post-enlargement intra-EU worker movements from the EU2 have headed preferentially to Spain and Italy. On the other hand, the bulk of workers inflows from the new EU member countries into the former EEA countries have originated from Poland and Romania, which are also the most populated enlargement countries. The Baltic countries – notably Lithuania and Latvia – Bulgaria and the Slovak Republic, on the other hand, have seen large outflows of working-age nationals headed to the EU15 and to Norway, relative to their populations.

The selective opening of their labour markets to workers from EU8 and EU2 countries by the EU15 and Norway, resulting from different national transitional arrangements, are only part of the explanation for such a heterogeneous and polarised distribution of post-enlargement intra-EU labour mobility flows. Other factors such as labour demand, the language spoken and existing networks in destination countries have played a role at least as important as the transitional arrangements in directing labour migration flows from new EU member countries to the other EEA countries.

The dramatic rise in workers' inflows from EU8 countries into the United Kingdom and Ireland in the four years following the 2004 enlargement was undoubtedly spurred by the fact that the two countries immediately lifted restrictions to labour market access for EU8 nationals. However, what boosted free labour mobility inflows from the accession countries into Ireland and the United Kingdom was sustained economic and employment growth, under favourable labour market conditions – including relatively high wages – and flexible labour market institutions. Furthermore, the possibility to improve their proficiency in English may have acted as an additional incentive for young workers in the EU8 countries to move to the United Kingdom and Ireland. The absence of those factors may have made Sweden – which also immediately opened its labour market to nationals from the new EU member countries – a less attractive destination.

Common linguistic roots and high labour demand – both formal and informal – in specific sectors such as construction and domestic and elderly care, together with existing networks, a favourable regulatory framework, prior bilateral agreements and favourable

transitional arrangements compared to other potential destination countries, have been the main drivers for EU2 workers' inflows in Spain and in Italy.

Among the Central and Eastern European countries that joined the EEA in 2004, Poland witnessed the highest population outflow – in absolute numbers – headed to other EEA countries, in the early post-accession period. Between 2004 and the end of 2007 the total stock of Polish migrants abroad rose spectacularly, increasing by almost 1.5 million, to reach 2.3 million (from 0.75 million to 1.9 million in the EU27) or 6.6% of the total population. 80% of those migrants were staying in other EU countries, mainly the United Kingdom, Germany and Ireland. An important shift in the EEA destination countries of Polish emigrants was observed, compared to the pre-accession period, with Germany losing its top position and hosting less than 25% of Polish migrants in 2008. On the other hand, the stock of Polish migrants staying in the United Kingdom rose from 24 000 in 2002 to almost 700 000 in 2008, while corresponding figures for Ireland went up from 2 000 to 200 000 (Chapter 7).

Historically, the evolution of labour migration among the member countries following the establishment of a free-movement area does not seem to have affected proportionally worker inflows from third countries. In particular, increased free labour mobility flows in the case of the two recent EU enlargement rounds, have not resulted in a decline of international labour migration from third countries to the EEA. When it has occurred, the decrease in the number of work permits granted to third-country nationals in those EEA countries which have received the highest share of post-enlargement movers, has been temporary and small compared with the increase in free-mobility inflows. Similar results were found in the case of Switzerland, after the implementation of the Agreement on the Free Movement of Persons with the European Union. On the other hand, evidence of growing inflows of workers from third countries has been found for some of the new member countries of the EEA free labour mobility area. However, the extent of the increase in the number of work permits granted to third-country nationals was small compared with the scale of labour migration of the country's own nationals under the free-movement regime (Chapter 1).

Free-movement migration is slowing down in the aftermaths of the economic crisis

The global economic crisis and the consequent job crisis have resulted in a drop of free-movement flows by one third on average over OECD Europe, even though not all countries were affected in the same way. The decline in migration from enlargement countries was strongest in Ireland, Spain and the United Kingdom. These countries, where large inflows of nationals from the EU8 and EU2 had supplied a big part of the sustained employment growth in the years immediately preceding the crisis, were hit earliest by the drop in labour demand. As a result, the number of new applicants to the United Kingdom's Worker Registration Scheme (WRS, dedicated to workers from the new EU member countries) fell by 27% in 2008 and by a further 34% in 2009. In Ireland, the number of citizens of these countries registering for a social security number (PPS) fell by 42% in 2008 and an additional 60% in 2009 (Chapter 2).

Across OECD countries, free movement migration was the type of migration most affected by the decline in labour demand as a result of the onset of the economic crisis. A drop in free labour mobility flows was observed not only in the EEA and Switzerland but also from New Zealand to Australia in the context of the Trans-Tasman Travel Arrangement. Within free-mobility areas, costs of migration are lower and information

about job opportunities is readily available, which helps make migration more responsive to changing economic conditions.

While the drop in free mobility was the strongest impact on labour migration witnessed in EEA destination countries as a result of the crisis, the overall adjustment of free mobility migration in the EEA during the crisis appears to have been more limited than might have been expected. However, the continuation of the gradual lifting of the restrictions on flows between the former and new members, has been a confounding factor in this respect, with the resulting positive effect on flows limiting the apparent negative impact of the crisis on free mobility. In particular, inflows from Romania and Bulgaria continued strongly in many countries during the crisis. In addition, non-labour flows maintained themselves, as many previous free-mobility migrants were joined by their families who had stayed behind in origin countries. Thus, although free movement flows – in particular of workers – declined during the crisis, the overall population of free-mobility migrants continued to increase, except in Ireland and Iceland, two countries that were particularly hard hit by the crisis.

Free mobility flows did not fall off completely as a result of the crisis, and this can be explained in part by the varying effect of the crisis on individual origin countries. While migration from Poland – the only EU country to experience positive growth in 2009 – slackened significantly, the crisis in the Baltic countries of Lithuania and Latvia, whose economies contracted by 16% and 19% respectively, led to increased emigration. This is evident in the shift in the national distribution of free-mobility flows to the United Kingdom after 2008, with the share of Poles declining and that of Latvians and Lithuanians rising (Chapter 4).

As there is no risk of losing one's residence status within a free-mobility area, recent migrants should be more willing to leave when employment conditions worsen than third-country migrants who must either remain or lose their status if they leave. Still, overall outflows of immigrants from within the free-mobility zone have not increased to the same extent as inflows have declined. Unemployed recent intra-EEA migrants, especially those having stayed long enough in destination countries to qualify for unemployment benefits and related social benefits, appear to have preferred, at least in the short term, to remain in their receiving countries rather than moving elsewhere or returning back home. Return migration within the free-mobility zone has been modest in most cases, and more sensible to labour market conditions in the country of origin rather than in destination countries.

There has been an overall positive, but small, impact of free labour mobility flows on the labour markets of destination countries

The impact of the free-labour mobility flows created by the 2004 and 2007 EU enlargements on the labour markets of EEA destination countries appears to have been small yet positive, globally, both on wages and on employment levels. In the United Kingdom, where a total of over 1.1 million WRS registrations had taken place over the period May 2004 to April 2011, the effects of such important immigration flows on wages and employment prospects of domestic workers were found to be small or absent overall, even though certain groups were more negatively affected. Negative employment effects for native workers with intermediate levels of education were “counterbalanced” by positive effects on the better qualified. No statistically significant impact of EU8 and EU2 migration was detected on unemployment, either in total or for any identifiable subgroup, with the exception of young lesser-skilled workers, notably men. Nor was a significant impact observed on wages, either on average or at any point in

the wage distribution. However, the 2008-09 recession and the ensuing sluggish growth may have modified this situation, especially for the more vulnerable groups in the labour market, which are more likely to be displaced during a downturn, when competition for jobs is greater (Chapter 4). This issue needs to be looked at more closely.

Evidence from Italy suggests that on the whole the country's labour market has benefited from free-mobility inflows from the accession countries, with very small average effects on wages and unemployment. Those results may be related in part to the geographic distribution of EU8 and EU2 immigrants, who migrated mainly to those Italian regions characterised by higher wages and lower unemployment. The trend in the geographic distribution of post-accession migrants in Italy, contrasts with a more dispersed pattern observed in other major receiving countries of post-enlargement free-movement flows. However, worker inflows from accession countries seem to have worsened employment opportunities of immigrants already residing in Italy. This finding is consistent with the segmentation of the Italian labour market and the complementary distribution of immigrants and natives across occupations, as well as with the characteristics of the Italian immigration system, in which – in contrast to many other EU/OECD countries – third-country labour migrants are selected into lesser-skilled occupations (Chapter 5).

Generally, in the main receiving countries, the increased inflows of EU8 and EU2 workers in the period 2004-07 have fuelled strong economic and employment growth and sustained the rapid expansion of certain economic sectors, among them construction. Free-mobility migration has provided a flexible supply of workforce to receiving countries, responding more promptly than other types of migration to deteriorating labour market conditions since 2008. On the other side, in some countries, this inflow has contributed to fuel the housing bubble.

Also in Norway, the dramatic increase in the inflows of migrants from EU accession countries after 2004 (from less than 1 500 annually in the period 2000-03 to 25 000 in 2010, mostly from Poland) was a response to an economic boom, which created strong demand for labour in construction and manufacturing. Over the period 2004-10 employment in Norway increased by 10%. Immigrants from EU8 and EU2 countries accounted for one fourth of total employment growth (Chapter 6).

In Ireland, where the economy boomed around 2004, the labour that flowed in as a result of EU enlargement dampened wage pressures. With labour demand growing strongly, wages would have risen in the absence of large inflows. This would have choked off the increased labour demand and, consequently, employment growth, and hence GDP growth, would have been constrained. With the economic crisis hitting the country hard in 2008-09, outflows of free-movement workers helped to alleviate pressure on the labour market (Chapter 3).

A comprehensive analysis for EEA countries suggests that free mobility has played an equilibrating role, in the face of the uneven impact of the crisis across member countries of the free-movement area, contributing to a 6% reduction in unemployment across the area. However, the size of the effects has been too small overall for free-movement migration to be seen as an adjustment mechanism for asymmetric regional labour market shocks across Europe. Nevertheless, given the limited numbers of free-mobility migrants in the overall labour force, this contribution in the adjustment is not negligible (Chapter 2).

There have been no adverse effects on the welfare systems, in the short-term

In the main receiving countries of post-enlargement labour flows from the EU8 and the EU2, the concerns expressed on the exploitation of the welfare system by immigrants are not supported by analyses. In Italy, studies based on EU-SILC have shown that there are no behavioural differences in access to welfare programmes between migrants and natives (Chapter 5). In the United Kingdom, post-enlargement EU8 immigrants who had at least one year of residence and were therefore legally eligible to claim benefits, were found to make much less use of benefits and public services than natives, even after controlling for demographic characteristics. In the longer term, however, the balance may change due to the effects of the economic crisis, and more generally, as a result of the evolution of migration patterns, with free-movement migrants settling in the United Kingdom with their families, and thus consuming more benefits (Chapter 4).

While in the short-term, migration from the accession countries has brought substantial economic gains for the Norwegian society, increased segmentation and dualisation has been observed in the lower end of the labour market, as EU8 and EU2 migrants have tended to concentrate in low-skilled occupations, accepting lower wages than residents. It has been pointed out that, in the long run, this trend may challenge the sustainability of the Norwegian social model based on a universal and comparatively generous welfare state and on a compressed wage structure. However, this challenge does not seem to stem necessarily from the free movement of workers itself, but rather from shortcomings of national labour market institutions in adapting to increasingly transnational labour markets (Chapter 6).

In some receiving countries, the rapid increase in the inflows from accession countries has generated pressures on local housing stocks and social services, especially in those localities where significant immigration was a new phenomenon. Notably, a presentation on the case of Switzerland, pointed out that, despite overall positive economic impact of the Free Movement of Persons Agreement with the EU, high immigration rates, mostly originating from the EU15, resulting from such agreement represent a challenge for the country's infrastructure system and put unprecedented pressure on the local housing market.

The labour markets in origin countries have not been adversely affected by significant outward migration in the short-term

There is some evidence that, in the short-term, important outflows of workers – either in absolute numbers or relative to the population – have benefited the labour markets of accession countries. In the early post-enlargement period, most of these countries were experiencing economic transition, characterised by an oversupply of labour. In this context, large-scale emigration may have acted as a safety valve, reducing the supply of labour and thus contributing to improving the labour market situation. However, emigration was not the primary cause of the positive developments generally observed in the labour markets of accession countries in the period 2004-07 (decline of unemployment levels and increase in wage levels), but rather a factor that facilitated or accelerated a process which had already started prior to the entry of those countries in the European Union and which resulted mainly from structural changes in the whole economy. In Poland, for example, in the short to medium-term the impact of the relatively massive supply shock at the macro-scale was small if not negligible. In the post-accession period, the situation in the Polish labour market improved significantly, but this was mainly due to the process of job creation and, generally, to the favourable economic

climate. In that context, post-accession migration served essentially to offset the negative impact which structural mismatches and large unemployment could have had, in the short-term, on the transition process, thus helping to improve the long-term development potential (Chapter 7).

Generally, post-accession migration from the EU8 and the EU2 has been characterised by a selective mobility of the youngest and well-educated. In some countries, significant losses of young and highly qualified persons have raised concerns about brain drain. However, it was found that a significant share of the well-educated young people who moved from the accession countries into other EEA countries in the first years following enlargement could not find appropriate work at home. Furthermore, available evidence suggests that low skilled workers were overrepresented notably among recent migrants originating from Bulgaria and Romania.

In the case of Poland (Chapter 7) there was a clear pattern of positive selection of persons who completed tertiary education. This has been described as an *overflow* of economically redundant well-educated young persons. It originated mainly in rural areas. The labour shortages observed in Poland during the post-accession period were comprised mostly of qualified workers but not necessarily highly skilled ones. The main sectors suffering shortages of labour included construction and manufacturing. Thus it seems unlikely that the posts could be filled by expatriating well-educated migrants. Although such migrants were ready to take on such lesser-skilled jobs while abroad, they were not willing to do so in their countries of origin.

In a few cases post-accession flows from the EU8 and the EU2 have strengthened the demand for foreign workers. This process has been amplified by demographic changes in the accession countries, characterised by extremely low birth rates and population ageing. In the long term, one of the effects of post-accession migration and related demographic and labour-market changes maybe an increase in the scale of immigration and a rising participation of foreigners in the labour markets of the EU8 and the EU2. In Poland, this tendency was already visible as of 2008, with a dramatic increase in seasonal workers from neighbouring non-EU countries. However, in most other accession countries, whose labour markets have been badly affected by the economic crisis, neither significant immigration from third-countries nor return migration of the domestic workforce seem to be occurring at present, which poses a challenge to long-term recovery and economic growth prospects.

With the boost in outflows headed to the EU15 and Norway in the post-accession period, EU8 and EU2 countries have recorded a significant increase in remittances, which have increased living standards of persons resident in these countries but have sometimes been an inducement to inactivity.

The benefits of free labour mobility to the immigrants themselves are less clear-cut

Despite a relatively high average educational attainment, the overwhelming majority of post-enlargement movers from accession countries have taken up medium- to low-skilled jobs in their EEA receiving countries, concentrating in a few sectors, notably construction, manufacturing, hotel and restaurants, employment in private households and agriculture. A mismatch between educational attainment and job skill levels has been particularly evident for EU8 workers, and especially for Polish workers, who constituted the most educated group (almost 20% of recent Polish intra-EEA movers held a university degree but even higher figures are recorded for Estonia, the Czech republic, Hungary and the Slovak Republic) (Chapters 1 and 7).

In the United Kingdom, in 2007, only 3% of WRS registrants were managers and senior officials or in professional or associate professional and technical positions, compared with 91% of all work permit holders. In contrast, elementary occupations accounted for 72% of WRS registrants but only 2% of work permit holders. Thus, while the work permit system for non-EEA workers responded to shortages of the highly skilled, the WRS responded mainly to demand for the lower-skilled (Chapter 4). This might also explain why the dramatic increase in the inflows from accession countries in the early post-enlargement years was not associated with a corresponding decline in the inflows of third-country nationals.

This strong overqualification pattern was also reflected in the higher earnings disadvantage observed for EU8 and EU2 migrants relative to third-country nationals in some EEA receiving countries. In Ireland, for example, immigrants from accession countries were found to have the biggest wage gap across all immigrant groups (Chapter 3). Similar results were recorded for the United Kingdom.

Among the factors that may explain the disproportionate overqualification observed for EU8 and EU2 workers in the EEA labour markets, in addition to problems in language proficiency, are the predominantly temporary nature of post-enlargement labour flows from accession countries, as well as much higher wages in destination countries, compared to those in the countries of origin of free-movement migrants. Most of the free-mobility movers from accession countries were young people willing to take on jobs immediately upon arrival, accumulate human capital – including language skills – and savings, and return back home. Overqualification is not observed for New Zealanders in Australia, for example, who do not face language barriers when exercising their right to free mobility under the Trans-Tasman Travel Arrangement.

In most countries, the unemployment rate of recent free-mobility migrants was higher than that of the native-born already at the onset of the crisis. However, during the crisis, at the aggregate level, the average unemployment rate of recent migrants from accession countries does not seem to have grown more strongly than that of the native-born, in spite of the fact that the former tend to be in a more vulnerable position in the labour market (Chapter 2).¹

This seems mainly due to two factors. First, free-mobility migrants tend to be more mobile than the native-born and, in response to deteriorating labour market conditions, have changed jobs and/or moved within the free-mobility area more frequently than the native-born, either by returning to their origin country or by moving to other regions within the free-mobility area. Thus, the fact that recently arrived workers from accession countries did not show higher levels of unemployment than natives in their EEA receiving countries might not necessarily mean that those immigrants suffered less than natives during the crisis. In Ireland, the sharp decrease in the employment rates for EU8 and EU2 immigrants between the first and the last quarter of 2008 did not translate into a corresponding increase in the numbers of unemployed and inactive. Instead, the population of immigrants fell, indicating that outward migration was occurring (Chapter 3).

A second factor explaining the lower increase in unemployment for workers from accession countries at the aggregate level is that, during the crisis, employers may have been more reluctant to lay off those workers than other workers, because of their higher productivity compared with their native-born peers, resulting from higher educational attainment of workers from accession countries compared with the native born employed in the same sectors and occupations. Indeed, there is evidence that with the crisis the

overqualification pattern for EU8 and EU2 migrants in the labour markets of EEA receiving countries has become even more marked (Chapter 2).

However, the picture is far from uniform and sharp differences in the impact of the economic crisis on recent intra-EEA movers have been observed across countries and sectors. More recent data and more detailed analysis are needed in order to see if free-mobility migrants have indeed fared better or worse than their native-born peers during the recession and sluggish recovery.

For those free-mobility migrants returning back to their EU8 and EU2 origin countries, difficulties in the insertion in their home countries' labour markets have been reported. In Poland, the majority of returning emigrants seems to have opted for self-employment (Chapter 7).

Free-labour mobility remains limited

Despite a fairly favourable legal framework for free labour mobility within the European Economic Area, intra-EEA mobility remains a relatively limited phenomenon, even after the increase recorded after the 2004 and 2007 enlargements. According to the Analysis and Evaluation Directorate of the Directorate-General for Employment, Social Affairs and Inclusion (DG Employment) of the European Commission, at the end of 2010, of the total foreign population living in the EU27, 39% came from another EU member country (respectively 22% from the EU15, 9% from the EU2 and 8% from the EU10), compared with 61% from non-EU countries.

Another presentation from the DG Employment has pointed out that, to fully grasp the potential of free labour mobility to respond to labour market needs in the EEA, further efforts are required, namely in terms of enforceability of the already existing accompanying measures with regard to social security rights of intra-EEA movers, as well as the recognition of professional qualifications. Administrative burden, together with difficulties in accessing to information on how intra-EEA free-labour mobility works in practice, have been reported to be important disincentives to free mobility. These remaining obstacles call for measures to improve transparency and to increase awareness of the rights linked to the free movement of workers.

In addition, the labour market outcomes of recent migrants from accession countries – especially those who are staying for longer periods than originally foreseen in their EEA receiving countries – need to be improved, particularly in terms of the returns to education.

Free labour mobility and future labour and skills shortages in the European Union

Demographic forecasts for the next decades point to trends of a shrinking workforce in most OECD countries. In the European Union, after decades of growth, the decline of the working-age population will start in 2013, according to Eurostat demographic projections, which indicate a loss of more than 2.5 million persons in the active population of the EU27 in the decade 2010-20, and of 10 million persons in the following decade. It is expected that, as a consequence of those trends, labour and skill shortages will rise in the European Union over the next decades, challenging economic growth prospects.

In order to maintain growth rates and living standards in the European Union over the medium-term, large increases in employment rates at all ages and in productivity will be

required, although incentives to increase working hours might also play a significant role. Educational policies can contribute to increase productivity, by fostering further increases in educational attainment, by improving the quality and relevance of educational programmes, and stimulating educational research and innovation. Activation policies aimed at enhancing the labour market participation of under-represented groups are also key to reaching medium-term employment targets under the Europe 2020 strategy and beyond. In addition, within a comprehensive package of policies aimed at addressing short to medium-term labour and skill shortages in the EU, migration management has an important role to play, as it is unlikely that improvements in productivity and in the mobilisation of the domestic labour force will be sufficient to fully satisfy future labour market needs (Chapter 9).

At the national level, the relative importance of education, activation and migration policy measures to tackle increasing labour and skill shortages varies depending on the average levels of educational attainment and participation rates of the domestic population in each EU member countries, as well as on its migration history and the capacity to deal with integration issues. Thus, it seems that in the short- to medium-term, for the countries that acceded to the European Union in 2004 and 2007, education and activation policies will be more relevant instruments than migration of third-country nationals in meeting labour market needs, while the role of migration for the EU15 economies seems likely to be more significant (Chapter 10).

The potential of free-mobility of workers within the EEA, to address expected shortages in member countries' labour markets appears limited. According to Eurostat estimates, both demographic and educational trends in the new EU member countries are likely to converge, in the medium-term, to the patterns currently observed in the EU15. Population ageing and increasing rates of enrollment in higher education – which, in the short-term, reduce the labour market participation of the youngest cohorts of the working-age population – are already observable tendencies in the countries which acceded to the European Union in 2004 and 2007 (Chapter 10). Free mobility can act to encourage labour reallocations across regions, reducing regional mismatches between labour supply and demand, but the possibility to satisfy labour and skill shortages in this way is limited if all countries are subject to the same trends. In order to benefit from the still untapped potential of free-labour mobility within the EEA, it is necessary to eliminate remaining obstacles to intra-EEA worker mobility and to improve the labour-market outcomes of free-mobility migrants in their receiving countries. Nonetheless, at some stage, greater recourse to third-country migration will appear inevitable.

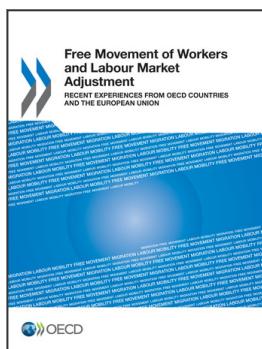
An important reservoir of young skilled persons willing to migrate for labour purposes can currently be found in some neighbouring countries of the EEA, and, notably, in those countries located on the southern mediterranean shores, provided employers in the destination countries are able and keen to select from this pool of workers. Improving the co-operation on migration management with those countries may be a necessary step to draw on this potential in order to tackle future labour and skill shortages in the EU. A presentation on migration patterns from south Mediterranean countries to the European Union has drawn an outlook for long-term perspectives of job-skills matching through this channel. At present, growing co-operation among neighbouring countries in the field of migration management to respond to complementary labour market needs can be observed in the CIS region, where demographic prospects for the Russian Federation – which is the centre of the CIS migration system – represent a challenge for the future economic growth and welfare prospects of the country (Chapter 11).

Current employment rates among tertiary-educated immigrants and their children in the EEA are lower than among the native-born and their offspring of comparable educational attainment. This calls for further integration efforts to make more appropriate use of immigrants' skills, if increased immigration is to contribute as expected to meeting future labour and skill shortages. Demographic projections for the EU27 point unequivocally to a growing shortage of young graduates in the medium-term. Well-managed selective immigration could fill part of the needs. However, against the prospect of developing selective immigration based on the level of education, it is important to tackle the mismatches between migrants' educational attainments and labour market outcomes in EEA countries. The capacity of immigration to help manage demographic bottlenecks depends not only on the characteristics of the immigrants themselves, but also on the achievements of labour market integration and non-discrimination policies in the host countries. The various forms of underemployment or misallocation of migrants imply a waste of resources which has economic and social costs. No selective immigration policy can be effective if it does not endeavour simultaneously to reduce these forms of underemployment and sub-optimal allocation of immigrant workforce (Chapter 8).

In conclusion, the potential of the free-mobility regime within the European Union to respond to the demographic changes and the consequent labour and skill shortages to come will be limited. In order to meet the challenges of demographic change, it will be necessary to both better mobilise the available domestic labour supply – including making better use of immigrant skills – and, at the same time, increase labour migration from third countries. As demonstrated by a presentation on the case of Canada, the experience of other OECD countries that have been implementing for several years already a mix of education, activation, integration and migration policy measures to tackle demographic shortages in the workforce, can serve as an example to the EU countries.

Note

1. However, there appear to be large differences by country of origin, with some indications that Bulgarian and Romanian workers suffered significantly more than EU10 nationals.



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