

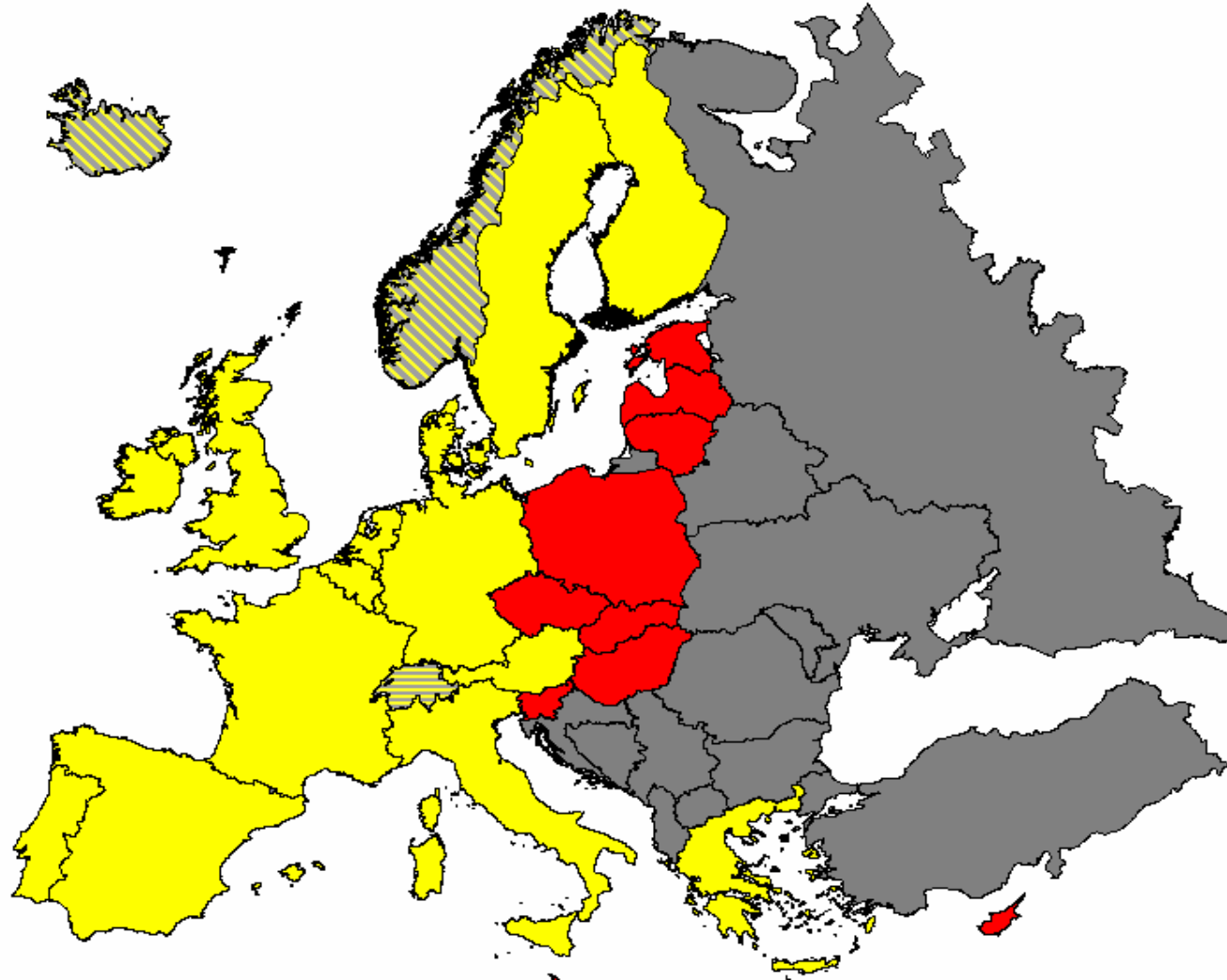
Temporary Workers After EU-Enlargement. A Comparison Between Austria, Germany, Sweden and the UK

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From EU15 to EU25



Enlargement in figures

May 1, 2004:

+ 10 new EU Member States

+ 20% population (74 million)

+ 4.5% GDP

Average GDP/capita in A, Ger, Swe, UK: €30,140

GDP/capita in Latvia: €5,400

EU8 citizens: stock in EU15

**1 million = 0.3% of total EU15 population
of which:**

- 57% in Germany**
- 10% in Italy**
- 7% in Austria**

Largest net emigration from EU8 to EU 15 (2000-2005):

- Poland**
- Lithuania**
- Slovakia**

Migration forecasts

Boeri and Brücker:

Hypothetical flows in case of free movement of workers from EU8 to EU15:

- 2004: 270,000**
- 2005: 300,000**
- 2010: 120,000**

Main inflows were expected to Germany, and also to Italy, Austria and Greece.

The transitional measures

Four types of transitional regimes in EU15; period 2004-2006

		Member State	
Regime Type	Liberal I	<ul style="list-style-type: none"> - Open labour market access - Open access to social welfare 	Sweden
	Liberal II	<ul style="list-style-type: none"> - Open labour market access - Curtailed access to social welfare 	Ireland, United Kingdom
	Restrictive I	<ul style="list-style-type: none"> - Work permits - Labour market tests - Quotas 	Austria, Italy, the Netherlands, Portugal
	Restrictive II	<ul style="list-style-type: none"> - Work permits - Labour market tests 	Belgium, Denmark, Finland, France, Germany, Greece, Luxembourg, Spain

Sweden: effects of a liberal regime 1

Very limited inflow of EU8 labour:

- 2003: 3,800; 2004: 5,200; 2005: 4,500**
- employment sectors: construction; agriculture and gardening, health care; entertainment**

Why not larger registered inflow?

- jobless growth**
- strongly regulated labour market, strong unions**
- Swedish labour's insider advantages; language skills**
- unclear extent of irregular work**
- some inflow of service providers in construction sector**

No restrictions, but far-reaching monitoring to avoid social tourism and irregular work

United Kingdom: effects of a liberal regime 2

Workers' Registration Scheme; Habitual Residence Test

May 2004–July 2006: EU8 labour +428,000

Up to 15% possibly in UK before EU enlargement

Employment sectors: administration, hospitality and catering, agriculture, food processing

Low-skilled and low-paid jobs

United Kingdom: effects of a liberal regime 2

Many EU8 citizens worked in UK prior to EU-enlargement in Seasonal Agricultural and Sectoral Workers' Schemes

General strong demand and increasing employment among local labour force

Widespread labour shortage in construction industry, hospitality services and agriculture

EU8 migrant employment rate <60% in 2003 \Rightarrow >75% in 2004

Much less media attention to self-employed persons than in Sweden and Austria

Sweden and the UK in comparison: effects of liberal regimes 3

Different labour market outcomes depending on extent of regulation of labour markets

UK: regular job opportunities for EU8 citizens; but cases of wage exploitation; sub-standard working conditions; abuse by recruiters; continued work in the black labour market

Sweden: highly regulated working conditions; no regular job opportunities for EU8 labour; unclear extent of irregular work

Sweden and UK: No social welfare tourism

UK: marginal negative effects on employment and wages;

Sweden: no effect

Germany: effects of restrictive regimes 1

Germany: higher initial inflow from EU8 – in particular from Poland (in 2004) despite declining immigration

In 2005: no further increase.

186,000 EU8 nationals (2005) economically active in Germany; 113,000 contributing to social security

330,000 seasonal workers and 21,000 project-tied workers from EU8

Reduction in the short-term permits issued EU8 agricultural workers

Austria: effects of restrictive regimes 2

Austria: Increase in EU8 workers (with permit) from 48,000 (2003) to 2005 (56,000); 16,000 without permit

EU8 workers replace non-EU 3rd country nationals

Increasing numbers of EU8 workers – in particular from neighbouring Hungary and Slovakia

Initially strong inflow due to family reunion (no direct labor market effect)

More (partly fake) self-employment of EU8 citizens

Germany and Austrian comparison: effects of restrictive regimes 3

Austria: flexible handling of short-term permits bridging the tension between additional demand for labour and a restrictive implantation of transitory arrangements.

Germany: unfavourable labour market conditions reduce the inflow of EU8 labour and even reverse some flows.

Overall picture 1

Effect 1: Regularization of formerly irregular EU8 citizens living in EU15

Effect 2: Increased legal migration from EU8 to Western Europe (EU15) since 2004

Additional flows: 300,000 people per year

Total amount in line with earlier forecasts; but different “geography”

Flows rather driven by demand than by regime

Diversion effect 2004-06:

Some EU member states with open labour markets received much larger inflows than expected

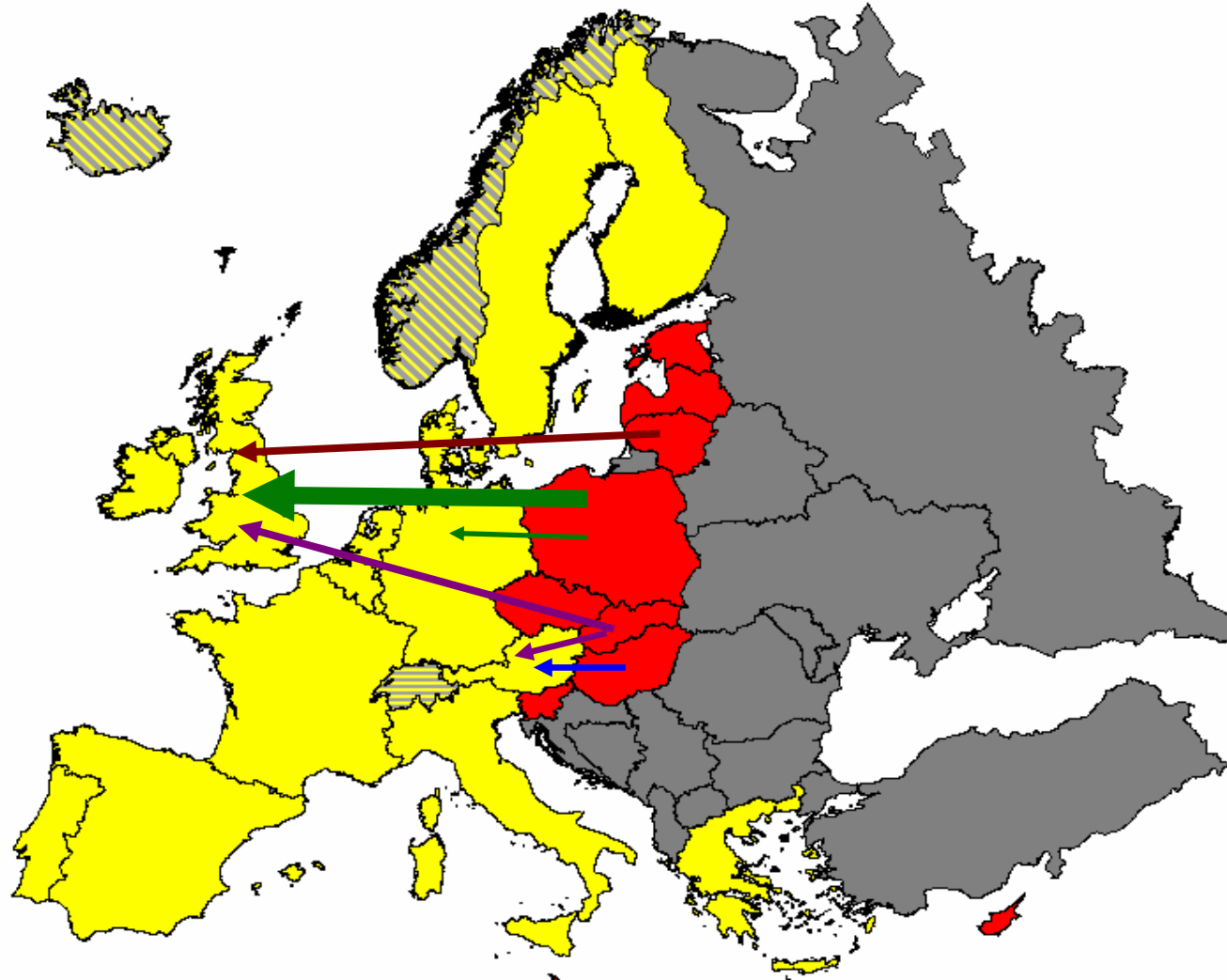
- Ireland, UK,
- not Sweden

Some EU member States with transitional regimes received much larger inflows than expected

- For example Austria
- not Germany

Continued inflow and residence of irregular labour

Additional flows from EU8 to A, Ger, Swe, UK



Overall picture 2

Share of EU8 labour 2004-2005:

- **Remained stable**
 - in **Germany**: at **0.7 per cent** of total labour force
 - In **Sweden**: at **0.2 per cent** of total labour force
- **Increased significantly**
 - in **Austria**: from **1.2 to 1.5** of total labour force
 - in the **UK**: from **0.2 to 0.4** of total labour force

General labour market effects in EU15

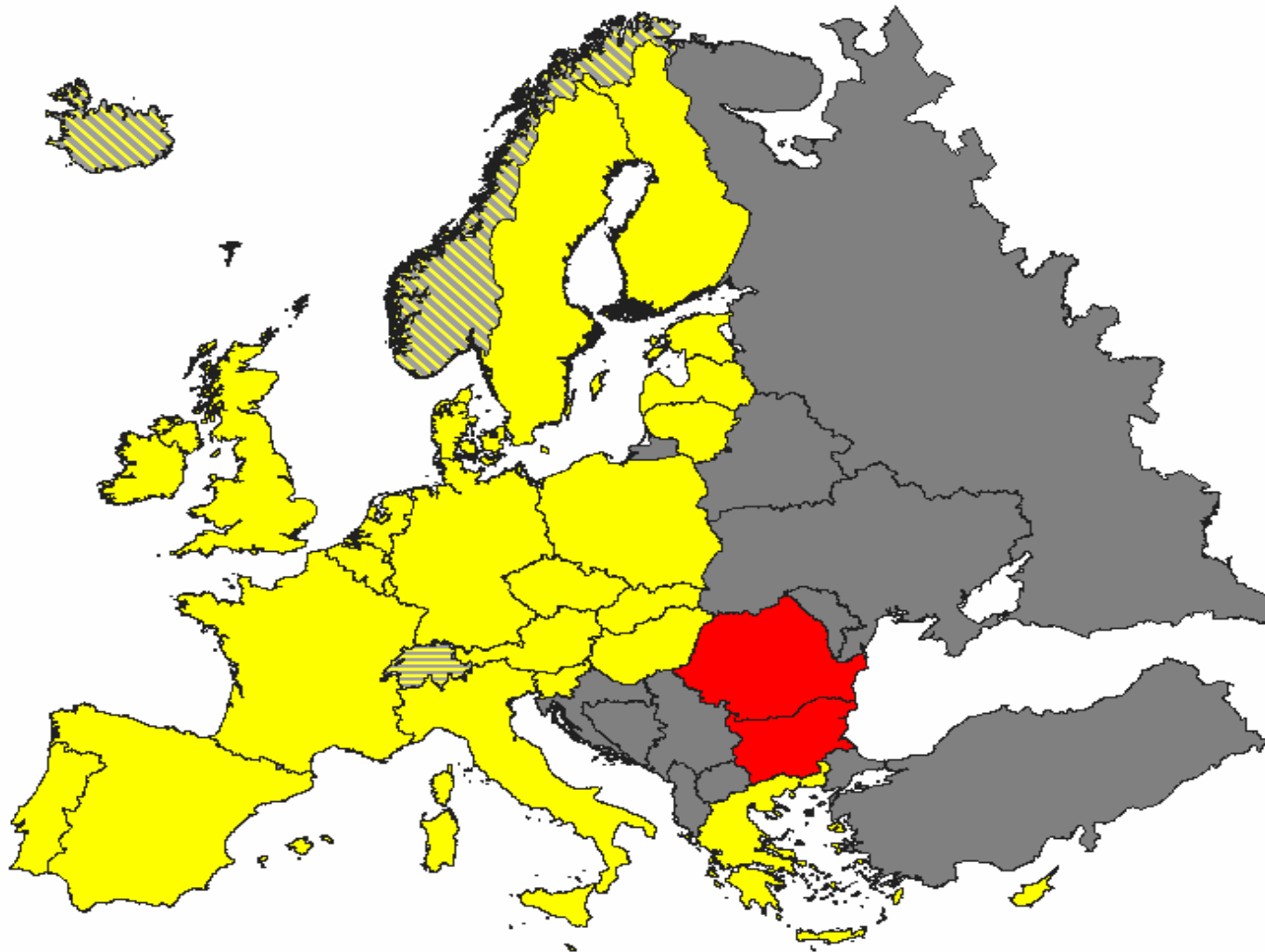
Favourable skills composition of EU8 migrants:

- low-skilled (EU8: 21% / EU15 nationals: 31%);**
- medium skilled (EU8: 57% / EU15 nationals: 46%)**
- highly skilled (EU8: 22% / EU15 nationals: 23%)**

But most EU8 labour migrants work on short-term contracts and in low skilled jobs.

Most new EU8 workers see migration to Western Europe as temporary.

From EU25 to EU27



Outlook

In May 2006: 4 more EU15 countries have opened their labour markets for EU8 citizens – Finland, Greece, Portugal, Spain.

January 2007: the Netherlands are likely to open its labour market.

January 2007: Bulgaria and Romania will join the EU.

New transitional regimes will be put in place by some EU member states for Bulgaria and Romania.

Publication

Labour Migrants Unbound? EU Enlargement, Transitional Measures and Labour Market Effects

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