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**“VISEGRAD’ STATES” ACCESSION
TO THE EUROPEAN UNION:
IMPLICATIONS FOR LABOUR MARKETS
AND MIGRATION¹**

*“When the rich north wants to send workers abroad, then that counts as trade in services. When the poor south wants to do the same, it is regarded as immigration!”²
If we substitute “west” and “east” for north and south the above illustrates well the dilemma that many believe is facing the European Union on enlargement.*

INTRODUCTION

One of the fundamental tenants upon which the European Union rests is that of free mobility of labour and full membership of the EU will eventually give workers in acceding countries the right and ability to cross borders and find employment in other states. Free labour mobility is normally granted on accession but concerns from some current members, particularly those contiguous with applicants (Germany and Austria), who fear an influx of migrants from Poland, Hungary, the Czech Republic and states further east, have enforced a transition period before internal borders are completely open.

There are predictions of a major population shift from Central to Western Europe following EU enlargement. A report from the German Migration Council in June 2002 predicted five million migrants by 2020 with 700,000 – 900,000 “already mentally sitting on their packed suitcases...ready to start out for the west”³. Already policies are in place to counteract such “threats”. Poland has agreed that its citizens will not have free access to all EU labour markets for the first seven years of membership and Germany has a law allowing for the flow of skilled workers to be controlled. It is however recognised that in an integrated Union regulation can only be a partial solution as monitoring long land borders that are relatively open is almost impossible.

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¹ Elhangzott a BGF Kereskedelmi, Vendéglátóipari és Idegenforgalmi Főiskolai Kar EU-tanulmányok szakirány alapításának 10. évfordulójára rendezett szekcióülésen, a Magyar Tudomány Napja alkalmából, 2002. november 7-8. között „HÍD KELET ÉS NYUGAT KÖZÖTT” címmel tartott konferencián.

² Jovanović, 1997, 2.

³ Professor Klaus Bade, Institute of Migration Studies, Osnabruck University. Quoted in The Guardian 27.6.2002.

I feel that such efforts are probably unnecessary. There are many unpredictable variables, but following a short run flow from East to West (probably beyond the limits negotiated) migration rates will settle and it is quite possible that in the longer term some current EU states will welcome migrants from new members.

FACTORS INFLUENCING LABOUR MOBILITY

Economic geographers divide the factors that cause migration into:

- Pull Factors (Enticements of the Destination State)
 - ⇒ Higher wages/Improved standard of living
 - ⇒ Availability of Jobs
 - ⇒ Career advancement
- Push Factors (Repelling Factors in the Source State)
 - ⇒ Unemployment
 - ⇒ Repression, discrimination
 - ⇒ Warfare
 - ⇒ Social breakdown
 - ⇒ Starvation/Destitution

In a relatively politically stable environment where most of the more severe push factors are absent we might expect migration for work to be influenced by differential between real wage rates and unemployment creating an efficient labour market. While some might argue that this is the case within the European Union, studies of labour migration show that the labour market within the EU is far from economically perfect.

Barriers to Mobility

- Socio-psychological barriers:
 - ⇒ Language
 - ⇒ Family Ties
 - ⇒ Cultural and Social – Religion, Diet and Customs
 - ⇒ Climate
 - ⇒ Recognition of Qualifications
 - ⇒ Inertia
- Economic barriers:
 - ⇒ Lack of Information about Opportunities for Work
 - ⇒ Working Conditions
 - ⇒ Non-transferability of Social Security Rights
 - ⇒ Availability and Cost of Housing

In addition of course many states impose legal barriers on immigrants: visa requirements, “green cards”, etc., the supply of which is controlled by the state, or in many cases simply making economic immigration illegal.

Traditionally labour mobility in Europe is considered low, both within states, but particularly between states, when compared with say America. Ceteris

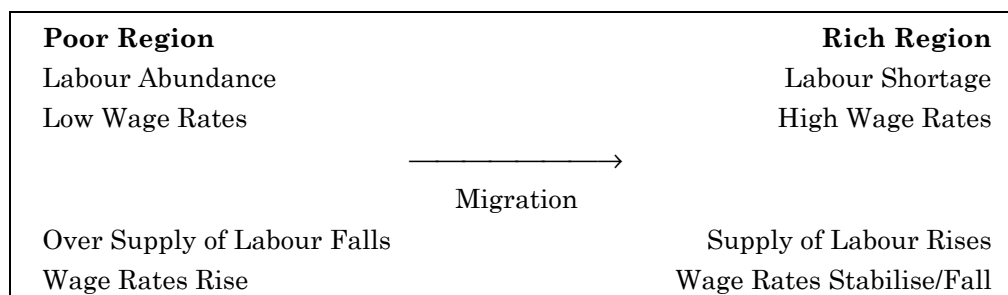
paribus migration between US states runs about three times European levels. There obvious reasons for this, language barriers and cultural differences are much stronger in Europe than America. There are however reliable case studies that suggest that under the right conditions intra-European migration at reasonably high levels can exist: Irish workers to the United Kingdom since the 19th century (though recently reversed) and Greek and Turkish workers to Germany in the 1960s and 1970s – the “gastarbeiterin”.

In the first case the language barriers were non-existent and large-scale movements reduced the cultural barriers as Irish communities developed and worked together, for example building railways. In the second language barriers were present but large-scale movement again reduced social-cultural costs. In both cases there was a shortage of labour in the destination country and great poverty and/or unemployment in the origin country.

Empirical evidence suggests that wage differentials between origin and destination states are relatively weak factors in determining the level of labour migration (some US studies suggest an elasticity of about 0.1: i.e. for a 10% real wage differential labour flows increase above the norm by about 1%).

THE ECONOMIC CASE FOR INCREASING MIGRATION

The neo-classical argument is that removing barriers to labour migration allows labour markets, and thus the economy as a whole, to work better. Where there are shortages and surpluses of labour within an economy encouraging mobility will lead to a mutually advantageous redistribution. In the origin states/regions unemployment and the associated costs will be reduced at the destinations labour costs will be held down. This argument can be extrapolated into the Regional Convergence Model where mobility of the factors of production reduce disequilibria between rich and poor regions.



The Case Against Increasing Migration

Immigrants are perceived by indigenous workers, or prospective workers, as stealing “their” jobs. Whilst this argument might be weak in times of full employment it carries great weight when there is internal unemployment and it is used to put pressure on politicians to control labour migration. During periods of unemployment, labour migration is likely to be lower anyway as the prospect of work is generally agreed to be a stronger “pull” factor than wage differentials. There may still be incentives to move, for better social security for example, but evidence suggests that people are far more likely to move if there is the prospect of a job, than simply to be unemployed in a richer region – unless there are strong push factors such as warfare, repression, natural disaster or starvation.

Even in times of full employment certain actors will argue against migration as it may undermine their position of power, for example trade unions may see an influx of less regulated and non-unionised workers as undermining their members. Generally however the arguments against open migration, at least within integrated groups such as the EU are selfish and non-communautaire.

Trends in Migration In The European Union To Date

Article 48 of the Treaty of Rome establishes the right of workers in any member state to seek work throughout the EEC/EU and to be treated equally to indigenous and other member states’ workers. Subsequent directives and judgements by the European Court of Justice have removed many barriers to labour mobility, for example most government jobs have to be open to all Union citizens and many qualifications are now universally recognised.

Most notably the Schengen Agreement (1985) has made free movement across borders, that is an absence of passport controls at borders, a reality for most European Union citizens since 1995.¹

Despite this progress and as noted above, European cross border migration tends to be fairly low. Around five million workers moved into “northern” EEC states (particularly West Germany and France) between 1955 and 1973, much of it attracted by the pull force of guaranteed employment. Most were not from other EEC/EC states however, North African countries and Turkey contributed many, and European former colonial powers experienced an influx of workers from their former colonies.

Following the first oil crisis (1973), immigration to western Europe dropped significantly as unemployment rose and many governments tightened up rules of entry. The 1989 changes brought the first major flow of migrants from east to west – Germany in particular being a favourite destination.²

¹ All states except the Republic of Ireland and United Kingdom have signed the Schengen Agreement.

²Zimmerman, K. (1994) „*European migration: push and pull*” Proceedings of the World Bank Annual Conference on Development Economics 1994 pp. 46-47 states that Germany received 1.5 million immigrants in 1992 alone. Quoted in Miroslav N. Jovanović (1997) „*European Economic Integration: Limits and Prospects*” p. 336.

Migration between the member states is much lower, estimates are that in the original six members, there were about 500,000 intra-EEC migrants in 1960, rising to about 800,000 by 1968, a figure which remained constant until the early 1980s when it started to decrease to about the present number of around 650,000. Unsurprisingly the level of indigenous migrants is much higher, for example within Italy millions move from the poor, agricultural south to the rich industrialised north, though often it is a temporary move.

As can be seen from *Table 1*, about 5.7 million EU nationals are resident in another member state. Note however that these are residence not employment data and thus include those who are dependants, have retired to another state, or simply choose to live across a border.

Table 1
EU States: Population by National Group 1996 (Numbers x000)¹

Nationals		%	Other EU	%	Non-EU	%
Austria	7319	91.0	110	1.4	611	7.6
Belgium	9233	91.0	555	5.5	355	3.5
Denmark	5028	95.7	47	0.9	176	3.4
Finland	5048	98.6	14	0.3	55	1.1
France	53055	93.6	1322	2.3	2275	4.0
Germany	74644	91.2	1812	2.2	5362	6.5
Greece	10310	98.5	44	0.4	111	1.1
Ireland	3509	96.8	72	2.0	45	1.2
Italy	56585	98.8	125	0.2	559	1.0
Luxembourg	274	67.3	120	29.5	13	3.2
Netherlands	14768	95.3	191	1.2	534	3.4
Portugal	9752	98.3	42	0.4	127	1.3
Spain	39243	98.7	236	0.6	263	0.7
Sweden	8306	94.0	179	2.0	353	4.0
United Kingdom	55889	96.5	818	1.4	1174	2.0
EU(15)	352964	95.2	5684	1.5	12014	3.2

N.B.: In the EU(15) half the "Non-EU" nationals come from other European states, especially former-Yugoslavia and Turkey.

¹ Source: Eurostat, Europe In Figures 2000.

It is interesting to speculate why intra-EU migration is so low. Certainly some socio-psychological barriers are formidable, even if others have been reduced or abolished. An economic explanation is that other freedoms and cohesion make labour migration less necessary and desirable. In other words trade liberalisation and in particular capital mobility are substitutes for labour migration. Barriers to capital mobility are clearly significantly less severe than those for labour mobility and in euroland virtually non-existent. It is argued that the completion of the Single European Market, globalisation and monetary union have been proxies for labour migration.

For example cross border economic migrants from Italy (the poorest of the original six) peaked in the late 1960s and from Spain and Portugal in the mid-1980s, the date that they became full members of the European Union.

Empirical evidence suggests that opening borders to trade, capital and labour does not cause a large movement of migrants from poor to rich regions, if anything it can reduce the magnitude of such flows.

LABOUR MIGRATION AFTER THE NEXT ENLARGEMENT OF THE EUROPEAN UNION

Those predicting large-scale migration following the next enlargement base their forecasts on the following premises:

- Wage rate differentials between new and current member states are much larger than previously experienced during previous enlargements.
- Unemployment levels in some of the applicant states are high.
- Certain ethnic groups will receive better treatment in current members than they have experienced in their present country of domicile.

Let us look at the case behind each assumption.

Wage Differentials

Table 2
Average Gross Monthly Earnings of Full Time Employees
in Industry and Services in Selected European States 2000 (EUR)¹

Austria	1905	Czech Republic	400
France	2162	Hungary	348
Germany	2688	Latvia	271
Spain	1208	Poland*	442
United Kingdom	2707	Slovak Republic	286

* 1999.

¹ Source: Eurostat, Yearbook 2002: The Statistical Guide to Europe.

Monthly earnings in the “Visegrad” states are typically about 20-25% of those in their closest EU neighbours (Austria and Germany). It is true that this is a larger differential than in any previous enlargement – Greece and Portugal had figures of around 40-50% of the EU average in the 1980s.

However the disparity between regions close to the borders of new and existing regions tends to be much narrower. Wage rates in western Poland and eastern Germany are much closer than the national figures suggest (Chemnitz and Dessau are Germany's two poorest lander with GDP/capita at about 64% of EU(15) average), Bratislava is one of two regions in the applicant states that would not obtain Objective 1 structural funding and Burgenland on the Hungarian border is the poorest region of Austria. Much of this is due to the foreign investment that has occurred already in the EU adjacent regions of Poland the Czech Republic, Slovakia and Hungary, full membership is likely to maintain, if not increase, this flow of capital.

I would argue that that there will be relatively few migrants between these regions unless it is on the basis of working in one state and living in another, getting the advantage of higher wages but lower living costs. Such daily or weekly movements are not really migration and, it can be argued, are beneficial as it shows the internal market is working in practice. It is simply an extension of the process that sees many workers in Luxembourg living in France and Belgium where property is cheaper.

Will the poorest from the most disadvantaged regions migrate? It is certainly true that if they can find work in one of the more prosperous member states they could increase their incomes by a large multiple. But the catch is “if they can find work”. The least well qualified have the greatest incentive to move but are least well equipped to do so; semi-skilled industrial workers and agricultural workers will find it difficult to find work in the EU(15). There are cases however where it is possible: this summer British farmers, particularly those in southern England where there is more or less full employment, employed many workers from Poland, Romania and Hungary to harvest their crops. They were much cheaper and harder-working than their British counterparts.

Unemployment

Few existing members and regions have “full employment” suggesting that the pull factor of work for the currently unemployed will be weak. However it is noticeable that Poland and the Slovak Republic have considerably higher rates of unemployment than EU(15) and over a prolonged period of time. The incentive for unemployed Poles and Slovaks to migrate is consequently strong, though as noted above, the socio-psychological factors and a lack of marketable skills conspire against many.

There is much case study material to suggest that unemployment is causing migration to areas of labour shortage – southern England for example. The Guardian newspaper quoted a Pole working illegally in London “I would much rather be back in Poland, but there is no chance of finding myself work. There are no jobs around, and even if you find one they only pay about EUR 100 a month.

It's a paradox – in Poland I have a family, a home, but I can't get a job. Here I live in terrible conditions, but at least I can earn money.”¹

It is interesting to speculate that once open borders are established some migrants be more attracted to the more prosperous areas of Hungary and the Czech Republic than depressed regions of the west.

Table 3
*Unemployment in European States 2001 and Projections for 2003 (%)*²

	2001	2003		2001	2003
Austria	4.9	5.1	Netherlands	2.2	3.2
Belgium	6.6	5.7	Portugal	4.1	4.3
Denmark	4.3	4.2	Spain	10.5	10.5
Finland	9.1	9.3	Sweden	4.0	4.0
France	8.7	9.0	United Kingdom	5.1	5.3
Germany	7.4	7.6	EU(15)	7.4	7.5
Greece	10.4	10.0	Czech Republic	8.2	8.6
Ireland	3.9	4.9	Hungary	5.7	5.7
Italy	9.6	9.0	Poland	18.2	19.5
Luxembourg	2.6	3.1	Slovak Republic	19.3	18.6

In the longer term, opportunities for economic migrants must almost certainly increase as western Europe's demographics mean that the dependant population will steadily increase and working age group decline. Eurostat's Baseline Population Scenario forecasts the proportion of EU(15) population in the working and near retirement/retired (under present definitions) age ranges as follows.

Table 4
*EU(15) Population by age group (%)*³

Date	0-19	20-59	60+
2000	23.1	55.4	21.5
2010	21.8	54.4	23.7
2020	20.7	52.4	26.9
2030	19.8	48.8	31.4
2040	19.5	47.1	33.4
2050	19.4	47.0	33.6

¹ The Guardian 22.5.2002 One quote from an article entitled „The Pains of Cheap Labour”.

² Source: OECD Employment Outlook, July 2002.

³ Source: Eurostat Baseline Population Scenario.

Note that a loss of 1% of the EU(15) population in the 20-59 age group is equivalent to about 4 million people or 2 million jobs. The rapidly rising proportion of the population aged over 60 and their cost to the economy requires radical thinking. Raising the age of retirement is being seriously considered in Britain at least, but it is quite feasible that western Europe will be welcoming those of working age in the not to distant future.

Repressed Ethnic Groups

In Central Europe, the largest ethnic group with no clear homeland are the Roma with about 1.4 million individuals in the four Visegrad states (and many more in particularly Romania and Bulgaria). More than 7000 were granted asylum in the EU between 1990 and 1999, but once applicant states are full members asylum will not be an option, and free movement will also be limited at least in the short to medium term.

Already many EU states do not recognise many arguments of repression. Britain's Home Secretary recently said "It is frankly absurd that they can routinely claim they are in fear of their lives in Poland or the Czech Republic. These are democratic countries which live under the rule of law."¹

Such "mass migration" before free movement on the Schengen model is fully established seems impossible, but just in case many states are already taking action to be in a position to control it within limits that they feel are acceptable.

CONCLUSIONS

Large-scale migration from the Visegrad states to existing members on enlargement seems unlikely even if it is constitutionally and legally possible under the terms of accession.

Unless the economies of existing members improve significantly, and particularly unemployment falls, the incentive for large-scale economic migration seems weak.

It is to the advantage of all European Union member states that labour market between the new and current member states works efficiently. Some regions of EU(15) are experiencing full employment and there are skill shortages in certain sectors of the economy. Central European workers may be better matched to meeting those needs than workers in current member states.

Following enlargement workers most likely to migrate from central Europe westwards are likely to fall into the following categories.

- Long Term/Permanent
 - ⇒ Well educated, ambitious and enterprising young people – particularly with skills in high demand in current EU states, for example medicine, financial mathematics, computing, languages.

¹ David Blunkett quoted in „The Guardian” 21. 10. 2002.

⇒ Political migration by minority groups who feel repressed – once free movement rights are established.

- Short Term

⇒ Migrants to areas of particular labour shortage – probably semi-skilled or unskilled but low cost by local standards. Work is likely to be in agriculture (harvests), factories and public services.

Over a longer period, 15-20 years and beyond, European' demographics suggest that general labour shortages are likely in several states and this will create opportunities and exert stronger pull factors on migrants. At this point large-scale migration from central Europe to the west may occur but with the following assumptions:

- there are still significant wage differentials and/or unemployment still exists in central Europe
- birth rates in central European states rise (in 1997 Czech Republic, Hungary, and Poland had rates below EU(15), Slovakia a little higher)

Under such circumstances migration will be mutually advantage and vindicate the concept of free movement of labour from an economic perspective.