Labour market integration of low skilled migrants in Europe: economic impact

Introduction

This paper focuses on labour migration and integration of migrants in the labour market in Europe in 2009-2010. The study analyzes the labour market position of migrants, reflects on the economic impact of migrants on employment and the labour market and relates these findings to the relevant legislative, institutional and policy framework.

The skill composition of migrants is being differentiated by EU citizenship and third country citizenship. As free mobility of labour within the EU entices more and more EU citizens to follow the call of economic opportunities in other EU-MS the economic and social impact of this mobility catches the eye of research, in addition to the already established research interest in migration of citizens from outside the EU. The latter may enter on the basis of economic migration (managed migration), family reunion and on humanitarian grounds.

An in depth understanding of the skill composition of migrant labour is a precondition for the design of immigration and integration policy. International comparisons and analyses draw attention to an increasing skill mismatch of labour demand and supply in the EU (OECD 2005/2008). These analyses together with indications of a rising scarcity of manpower in certain occupational skills triggered off a change in immigration policy in many EU-MS, promoting highly skilled migrant inflows from third countries at least since the second half of the 1990s. In that vein in 2005, the UK (OECD 2008A: 286) introduced a five tier system of immigration1, regulating inflows via criteria along the lines of the Australian immigration model; Austria followed suit in 2011, thus abandoning quota regulations for third country nationals and their dependents and replacing them by criteria which are mainly skills based. In promoting highly skilled inflows, the EU-MS aim at obtaining better control over the skill composition of inflows, thereby hoping to promote integration and at the same time postponing population ageing. In addition, one hopes to mitigate the problem of qualitative aging, i.e. the depreciation of skills of an older work force, by fostering immigration.

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1 Tier 1 are the highly qualified, replacing the highly skilled migrant programme, tier 2 is for skilled workers with a job offer, athletes, intercompany transferees and religious workers; tier 3 is for lower skilled migrants – it will not be activated for some time. Tier 4 is for students and tier 5 is for youth mobility and certain temporary workers.
The signals the EU sends out to the world of potential migrants are, however, not always consistent. On the one hand, third country migrants are invited to come, as long as they are skilled or highly skilled, to satisfy the labour needs of an increasingly knowledge driven economy, and, on the other, restrictive policy measures are introduced to stop immigration from third countries because of concerns about integration costs in the face of rising budgetary restrictions. The latter arise from special integration measures in schools (Mecheril et al. 2010) and in the labour market (active labour market measures, in particular education and training). They may also surface as price increases of scarce resources like housing and in measures to maintain social cohesion, in particular in housing and neighbourhood policies. In addition, increased demand for welfare services and for public infrastructure such as health care, add to the cost of integration.

These concerns result in increasingly restrictive immigration regulations in relation to third country migrants, while giving preference to international trade rather than migration (Biffl, 2000, Solimano, 2001). This prioritising of trade policy also fits in with the policy of the World Trade Organisation (WTO, 2004) arguing that migration gives rise to increased inequalities and results in winners and losers, while commodity trade is generally a win-win outcome. This view is also taken by Winters et al. (2003), who favour services mobility, and thus trade, rather than temporary migration (OECD 2011: 54-56, Biffl 2009). They argue that trade carries greater and more straightforward economic advantages than migration. This judgement is based on two assumptions which do not stand up to empirical testing. One is that posted workers will return to their country of origin, in contrast to temporary workers, the other is that trade carries fewer adjustment costs than migration. The first is easily rejected as it can be seen that posted workers in the EU may take advantage of employment opportunities in the receiving country and become permanent immigrants, just like temporary migrants. The second one is more difficult to contest as the benefits of trade can be easily established while the cost of reallocating labour and of re- and up-skilling of workers in order that they may fit into the rapidly changing skill requirements of trade specialisation, are harder to establish (Haynes 2002, Krugman 2008).

The priority given to trade rather than migration as a development policy may be a contributory factor to the rising number of illegal migrants who try to improve their economic situation by migrating even if it means working in the informal sector (Ghosh 1998). This is all the more possible as informal sector production of goods and services is becoming more prominent since the 1990s. This development is being associated with deregulation and ‘flexibility’ of formal labour markets. There is a growing convergence on the view of the structural nature of informal work in modern, liberal market economies. Accordingly, formal and informal activities are interdependent, one feeding into the other, i.e., informal work is

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2 For the difficulties in generalising about the case for deregulation of the labour market see Freeman (1998).

3 Encouraged by the OECD Jobs Strategy (OECD, 1999); it should also be noted that the ILO has passed Conventions - 171 (Night Work) and 175 (Part-time Work) - to encourage greater work flexibility.
subordinate and dependent on developments in the formal sector work (Musiolek 2002). According to the ILO, 'formal and informal enterprises and workers coexist along a continuum' (ILO, 2002:4)

Thus, the informal sector may be likened to a sponge, which can soak up labour from the formal sector as well as release labour into the formal sector, depending on the prevailing economic and social forces. It is neither a temporary nor a residual phenomenon and the group of workers and enterprises in that sector have diversified in the wake of internationalisation and flexibilisation of labour markets.

The Present Picture: Facts and Figures

Foreigners and foreign born by citizenship and country of origin

In 2010, 32.5 million foreign citizens lived in the EU 27, which corresponds to 6.5% of the total population of 501 million – compared to 6.9% in the USA. The majority lives in the EU15, namely 30.8 million or 95% of all foreigners. Accordingly, in the EU-15 the proportion of foreigners amounts to 7.7% on average.

The majority of foreigners are third country citizens (nationals of non-EU countries), namely 20.2 million or 62%, i.e. 4% of the total population. EU-Citizens who live in another EU-MS than their country of citizenship account for 12.3 million or 38% of all foreigners. EU citizens who live and work in another EU-MS tend to be in the minority in all EU-MS with the exception of Luxembourg, Belgium, Ireland, Slovakia, Hungary, Cyprus, as well as Switzerland and Norway. In the latter countries EU-citizens of (another) MS constitute between 56% (Norway) and 86% (Luxembourg) of all foreign citizens.

The share of foreign citizens in the foreign population differs significantly between EU-MS, ranging from 43% of the total population in Luxembourg to less than 1% in Poland and Romania.

The number of foreign born, i.e. of first generation migrants, is higher than the number of foreign citizens. In 2010 47.3 million or 9.4% of the total population in the EU27 were born abroad. This number surpasses the foreign population by 14.9 million or 46%. On average, the number and share of foreign born is higher than the number and proportion of foreign citizens. This is due to the acquisition of citizenship after a certain period of stay. The difference is particularly high in Sweden, the Netherlands, France, Germany as well as Slovenia and Lithuania (5 percentage points or more). This large difference is due to

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4 The population data is taken from EUROSTAT (Vasileva 2011) and OECD (International Migration Outlook, various SOPEMI reports).
preferential treatment of citizens of former colonies (France and the Netherlands) or of citizens of the same ethnic origin (German Aussiedler). In addition, liberal citizenship laws as in the case of Sweden may be another reason for a large difference between foreign born and foreign citizens, particularly if migrant inflows are largely from third countries, many of them with refugee background, as in the case of Sweden. (Figure 1 and Table 1)

In contrast, in Luxembourg, the large majority of migrants are from neighbouring EU-MS; as EU citizens enjoy equal treatment, there is little incentive to take up citizenship of the host country. Accordingly, the share of foreign citizens is even higher than the share of foreign born (+10.5 percentage points).

A special case are EU-MS which used to share a common territory with a third country before becoming independent; this is the case of Slovenia and Lithuania, explaining the large difference between the number of foreign citizens and foreign born.

Figure 1: Share of foreign citizens and foreign born in the total population in Europe in % (2010)

S: EUROSTAT, OECD.

Of the 47.3 million foreign born in Europe, 91% or 43.2 million live in the EU15. They constitute 10.9% of the EU15 population. Almost 80% of the foreign born are living in only 9 EU-MS, namely Germany (9.8 million), France (7.2 million), the United Kingdom (7 million), Spain (6.4 million), Italy (4.8 million), the Netherlands (1.8 million), as well as Sweden, Austria and Greece
with 1.3 million each. The majority of the foreign born, namely 31.4 million or 66%, are originating from third countries.

The composition of immigrants by ethnic group depends on the migration model. While the colonial ties of many EU-MS brought citizens from the former colonies to Europe, foreign worker schemes tended to bring Southern Europeans, Turks and North-Africans, largely Moroccans. As the skills and educational attainment of persons from the former colonies did not always conform to the immediate labour market needs of the host country, the Netherlands, Belgium and to some extent also France established temporary foreign worker programmes. Thus, we find substantial numbers of Moroccan and Turkish migrants in the Netherlands, Belgium and France. Migrants in Germany are largely from Turkey and Southern Europe, just as in Austria – a consequence of the foreign worker recruitment model.

The largest single groups of third country migrants in Europe are from Turkey - 2.3 million or 6% of all foreign born in the EU15, followed by Moroccans (2 million) and Albanians (1 million). They tend to have particularly high proportions of unskilled labourers.

Table 1: Foreign and foreign born population by citizenship and country of origin

<table>
<thead>
<tr>
<th>Population</th>
<th>Foreign citizens</th>
<th>Foreign born</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>Total in %</td>
<td>Total in %</td>
</tr>
<tr>
<td>EU27</td>
<td>Other EU-MS in %</td>
<td>Third country in %</td>
</tr>
<tr>
<td>Belgium</td>
<td>10.839.905</td>
<td>6.5</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>7.840.238</td>
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</tr>
<tr>
<td>Czech Republic</td>
<td>10.506.813</td>
<td>4.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>5.534.738</td>
<td>5.9</td>
</tr>
<tr>
<td>Germany</td>
<td>81.802.257</td>
<td>8.2</td>
</tr>
<tr>
<td>Estonia</td>
<td>1.340.127</td>
<td>10.0</td>
</tr>
<tr>
<td>Ireland</td>
<td>4.467.854</td>
<td>6.3</td>
</tr>
<tr>
<td>Greece</td>
<td>11.305.118</td>
<td>8.9</td>
</tr>
<tr>
<td>Spain</td>
<td>45.989.016</td>
<td>12.3</td>
</tr>
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<td>France</td>
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<td>Italy</td>
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<td>Cyprus</td>
<td>803.147</td>
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<td>Latvia</td>
<td>2.248.374</td>
<td>17.4</td>
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<tr>
<td>Lithuania</td>
<td>3.329.039</td>
<td>3.7</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>502.095</td>
<td>43.0</td>
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<td>Hungary</td>
<td>10.014.328</td>
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<td>Austria</td>
<td>8.367.670</td>
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<td>Poland</td>
<td>38.167.329</td>
<td>9.1</td>
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<tr>
<td>Portugal</td>
<td>10.637.713</td>
<td>4.3</td>
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<tr>
<td>Romania</td>
<td>21.528.627</td>
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<tr>
<td>United Kingdom</td>
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<td>Norway</td>
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<tr>
<td>Switzerland</td>
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<tr>
<td>EU15</td>
<td>397.797.035</td>
<td>7.7</td>
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</table>

S: EUROSTAT. Romania and Bulgaria 2009.
Migrants from Turkey live mainly in Germany (1.5 million), France (230,000), the Netherlands (200,000) and Austria (158,000). Migrants from Morocco are concentrated upon Spain (740,800), Italy (431,500), Belgium (81,900) and the Netherlands (66,600), while the largest number of Albanians outside the home country lives in Italy (466,700).

Of the EU-nationals who live outside their country the largest numbers are from Romania (2.2 million), followed by Poland and Italy (each exceeding 1 million). But also substantial numbers of citizens of Portugal, the UK, Germany and France are living and working in another EU-MS (between 0.5 and 0.9 million each).

On average, the composition of migrants by ethnic-background is diverse, with the exception of some of the new EU-MS, namely Latvia, Slovenia and the Czech Republic, where migrants come mainly from neighbouring countries.

**The skill composition of migrants**

A break-down of the labour force (25-64 year olds) by skill level shows that 28% of the total EU27 labour force in 2009 were unskilled workers, i.e. persons with lower secondary education attainment, and 25% were highly skilled (university graduates). This means that on average about half the workforce has medium skills and the other half goes more or less to the same extent to skills at the lower and upper end of the skill spectrum. Migrants with EU citizenship tend to satisfy labour demand for high skilled workers. This does not hold for third country migrants in the EU, who are to a larger extent unskilled (41%); the share of university graduates is, however, fairly similar to the EU average with 21% in 2009.

The high proportion of low-skilled migrants from third countries has a long tradition in Europe. It goes back to the guest worker migration of the 1960s and 1970s; the ensuing chain migration and family reunion consolidated the low skill intake. In the 1980s and 1990s large inflows of refugees, often of low educational attainment, followed (OECD 2008: 128). The more recent inflows of third country migrants are increasingly better skilled, as migration policy became more restrictive relative to unskilled third country migrant inflows. Accordingly, the share of unskilled third country migrants declined and mobility of EU citizens started to fill the unsatisfied demand for unskilled workers (Biffl 2011).

Figure 2 shows that there are large differences in the skill composition of the work force within the EU, in line with the economic development level. The Southern EU-MS tend to have the highest shares of unskilled labourers, Portugal taking the lead with 70% of the work force, followed by Spain (48.5%), Italy (45.7%) and Greece (38.8%). In contrast, some of the Central and Eastern European countries have the lowest shares of unskilled workers, with 8% to 12% of the work force in the Czech Republic, Slovakia, Poland, Lithuania and Estonia.
Figure 2: Share of low skilled workers in the labour force and among third country migrants (25-64 year olds) 2009

Figure 3: Share of highly skilled workers in the labour force and among third country migrants (25-64 year olds) 2009
The other side of the coin, the highly skilled third country migrant workers, make up 21% of all third country migrants in the EU on average. In some EU-MS the proportion of university graduates among the third country workforce exceeds the national average significantly, in particular in Ireland, Hungary and Slovakia. The share of highly skilled third country migrants is also above average, surpassing 20%, in Belgium, France, Luxembourg, the UK, Estonia, the Netherlands, Finland, Latvia and Cyprus.

In many EU-MS employers are increasingly employing migrants for low-skilled work, as can be taken from Figure 4. While in countries like Luxembourg, Austria, Germany, Switzerland, France and the Netherlands the inflow of unskilled migrants has a long history, it is a relatively new phenomenon for Sweden and many Southern European countries. This has an impact on the age composition of the unskilled workforce, implying that in the former countries unskilled migrants are part of the ageing of the workforce while in the latter countries young migrants fill the gap in labour demand for unskilled workers.

Figure 4: Percentage of foreign born among low-educated workers: 1995/2006

Labour market outcomes of migrants

In Europe today, the migrant stocks are on average more or less gender-balanced, with little variation between MS (OECD 2008B). The employment opportunities of migrants depend to a large extent on their immigrant status, which tends to define the access rights to the labour
market. For example, asylum seekers may or may not access work (depending on national regime) while waiting for their case to be decided. In contrast, target workers (employer nomination scheme, intercompany transferees, seasonal workers etc.) are almost by definition employed. Settlers who are joining their partners (family formation or reunification) may adapt their employment behaviour to that of the host country, e.g. work in the formal or informal sector.

On average, the labour force participation rate of foreign born in the age group 20-64 is 75% and thus identical to that of the total EU population. This is due to a higher average activity rate of migrant men (+3 percentage points) and a lower rate of migrant women (-3 percentage points). These averages mask important differences between EU-nationals and third country nationals on the one hand and between age groups on the other.

**Labour force participation of men:**

It can be taken from Figure 5 that men who work in another EU-MS than their country of origin have above average labour force participation rates in all EU-MS. This corroborates the suggestion of the introduction to this paper that EU-citizens tend to move to another EU-MS mainly to take up a job.

*Figure 5: Labour force participation rate of men in the EU27 (15-64 years old): 2009*

In contrast, men of third country citizenship exhibit very different labour market behaviour in the various EU-MS. They have lower activity rates than all men in the Netherlands, in Germany, Sweden, the UK, Austria, Denmark, France, and above all in Cyprus. However, they have considerably higher activity rates in the Southern European countries as well as the Baltic States and other Central and Eastern European countries. These differences suggest that third
country migrant men face difficulties in accessing formal sector jobs in the EU, particularly in the old EU-MS (EU15), while the more recent EU-immigration countries of the South and East are either more open to newcomers or have less generous unemployment benefit regulations.

**Unemployment rates of men:**

While unemployment rates of male EU-migrants tend to be below average, the opposite is true for third country migrants. In the EU27 the unemployment gap for third country migrants amounted to 7 percentage points in 2009 (16% versus 9%). The differences were particularly high in Belgium and Spain (+14 percentage points), followed by Sweden. They were the lowest in the new EU-MS in the East, in Ireland, Greece and Italy.

*Figure 6: Unemployment rates of men in the EU27 and of third country citizens (20-64 years old): 2009*

Labour force participation of women:

In the case of women labour force participation rates differ more than for men, both for migrant women of another EU-MS as well as for women of third countries. In few EU-MS are migrant women of another EU-MS less integrated into the labour market than women on average in the respective host countries, namely in Belgium, France and Germany. In all the other EU-MS they have higher activity rates than native women. In contrast, in the case of third country migrant women, the majority are less integrated into the labour market than native women. Exceptions are the Southern European countries as well as some Central and Eastern European countries, namely the Czech Republic and Estonia.
Unemployment rates of women:
As in the case of men, migrant women from another EU-MS have below average unemployment rates and third country women have at times significantly higher unemployment rates.

Figure 8: Unemployment rates of women in the EU27 and of third country citizens (20-64 years old): 2009
The pattern does not differ much, except in the case of Luxembourg, where third country women have significantly higher unemployment rates than women on average and third country men. Also Finland sticks out as a country where third country women find it particularly hard to get a job compared to native women, together with Belgium and Sweden. France, Germany and Spain are the other EU-MS with large differences in unemployment rates of third country migrant women.

Factors impacting on labour market integration of migrants

The differences in labour force participation rates by group of citizenship, in particular of women, may be explained by a combination of factors, which vary by host and source country. Amongst them are:

- **institutional ramifications** - in particular
  - the immigration regime: family reunion and waiting periods before getting access rights to employment; these regulations tend to have a larger impact on access opportunities of women than men, and
  - the welfare model: the male breadwinner model tends to deter female employment while the dual earner model (in combination with individual taxation) tends to foster female employment;

- **supply factors** — in particular the educational attainment level and occupational skills, language competence, ethnic origin and the proximity to the ethnic-cultural identity of the host country;

- **demand factors** — in particular the composition of employment by industries, the division of work between the household, the informal and the market sector and the economic and technological development level.

The role of the migration regime for labour market outcomes:

The role of the various entry channels of migration differs between countries and may change over time. A significant part of immigration continues to be labour migration, but family formation and reunification as well as immigration on humanitarian grounds have taken over as the most important driving forces for immigration in Europe in recent decades. Country differences of the gender mix of migrants are partly the result of different migration regimes (Freedman 2007, Dumont et al 2007), and partly due to different roles of migrants in the economic development (temporary work, settlement, asylum, students, irregular migrants). Family migration for settlement has become the most important entry category of permanent type immigrants in countries as diverse as Austria, Germany, Belgium, France and Sweden. But temporary work also continues to be an important source of migrants, e.g. as domestic helpers, care workers and seasonal workers. Further, in addition to family and labour
migration and immigration on humanitarian grounds, increasing mobility of students is also a source of migrants. The United Kingdom, France, the Netherlands, and Austria\(^5\) in particular have experienced large increases in their international student population. Austria has one of the highest shares of foreign students in the EU with 19% in 2006, only surpassed by the UK (2004: 16.2% of all tertiary students) and Switzerland (2004: 18.2%).

The ethnic origin of the migrants in Europe as well as the skill composition and the capacity to speak the host language differ by EU-MS – a result of different immigration regimes and historical migration paths. In the 1960s and 1970s, the temporary worker model (CH, DE, AT, LUX) attracted mostly un- and semiskilled migrants from Southern European countries, with the exception of former Yugoslavia now EU-MS, and Turkey. Ensuing family reunification and chain migration perpetuated the inflow, mostly from the region of former Yugoslavia and Turkey. Consequently, the share of third country migrants is relatively high. The integration of first and increasingly second generation migrants, particularly of women, has become a challenge in view of changing demands on migrant skills and a failure to promote the education of migrant children adequately. The unemployment rate of foreign born\(^6\) is higher than the average (2009: 9% versus 4% in Austria, 13% versus 8% in Germany, 7% versus 5% in Luxembourg) and of third country foreign born about double the average (2009: 11% in Austria, 15% in Germany, 14% in Luxembourg).

In contrast, the Nordic Model (DK, SWE, FIN, NOR) did not engage in recruiting large numbers of temporary workers from abroad in the 1960s and 1970s but trusted in free labour movement within the Nordic labour market. Only from the 1980s onwards did significant numbers of migrants of third countries settle in the Nordic countries, often with refugee background. Finland and Sweden, to a lesser extent Denmark, have particular problems of integrating migrants, above all if they are of third country origin (often refugees). Unemployment rates of foreign born in 2009: 9% versus 6% in Denmark (third county foreign born 10%), 15% versus 7% in Sweden (third country 18%), 14% versus 7% in Finland (third country 16%).

The third immigration model is the result of colonial ties as in the case of Great Britain, France, the Netherlands, Belgium, and Portugal. In these countries, immigrants often originate from the former colonies and are thus largely from third countries. While these immigrants tend to be able to speak the host country language, they face marginalisation in the labour market often due to their ethnic minority background and low educational attainment level. Belgium has unemployment rates of foreign born which are amongst the highest in Europe (2009: 16% versus 8% - for third country born 22%). Foreign born women in France have also considerably higher unemployment rates than native women (14% versus 9%, third country 17%).

\(^5\) Policy reform facilitating access to the labour market after successful completion of the studies may have prompted the increase.

\(^6\) Unemployment rates are taken from EUROSTAT 2011.
contrast, foreign born in the UK, Netherlands and Portugal are doing comparatively well as far as unemployment rates are concerned (UK: 8% versus 7% - third country 10%; NL: 7% versus 3%, third country 7%; PT: 13% versus 10%, third country 14%)

The new immigration countries in Southern Europe, which had traditionally been regions of emigration, have significant differences in unemployment rates in the case of Spain (SP:26% versus 17%, third country 28%) while they are less pronounced in Italy, Greece and new MS in CEE. Does this mean that access to income and work is easier in the latter countries? Indications are that this is not the case, but rather that migrants often work on the basis of contract work which does not allow access to unemployment and welfare benefits (residual welfare models). In addition, large informal sectors provide work for migrants, often irregular migrants.

The new EU-MS in Central and Eastern Europe are both immigration as well as emigration countries. All of the former Eastern Block countries have had a tradition of foreign workers similar to the one in Germany and Austria. In the Czech Republic, for example, during the communist regime, the loss of population as a result of emigration to the West was substituted, at least to a certain extent, by temporary workers from countries which were under communist influence — including Angola, Cuba, Vietnam, Mongolia, Poland, Laos, North Korea (Drbohlav 2005, Horáková 2000). They tended to work on 4- to 5-year contracts, organized via bilateral agreements. The first contract with Vietnam dates back to 1967, related largely to skilled textile workers, which was followed by an agreement on Vietnamese workers for the machine, chemical and other manufacturing industries in 1980.

In addition to bilateral agreements with countries outside Europe, business contracts were signed between Czechoslovakia on the one side and Poland and Yugoslavia on the other, largely to facilitate the employment in the construction industry of workers from the latter source countries. In 1990, some 100,000 foreign workers were employed in Czechoslovakia on the basis of these contracts (Horáková 2000: 13).

Cubans tended to work in the medical professions, the other migrants were largely labourers in food-processing, textiles, shoe and glass industries, machinery, mining, metallurgy, and agriculture. While Cubans and others tended to return home, Vietnamese tended to settle and form the nucleus of chain migration, similar to Turkish foreign workers in Germany and Austria.

With the fall of the communist regime migration policy changed. In addition to the return of Czech émigrés, immigration from neighbouring Eastern countries took place. As a result, the share of foreign born in the total population of the Czech Republic reached 675,900 or 6.4% in 2009 (OECD 2011). The main countries of origin were Ukraine, Slovakia, Vietnam, Poland, Russia, Germany, Bulgaria and Moldova, in that order in terms of numbers. In addition, the old system of temporary work migration was revived, mainly involving the employment of migrants from the neighbouring countries for seasonal work.
With the opening of the borders in 1990 and the absence of stringent residence rules in the early years of transition, the Czech Republic became a target for refugee inflows. As the numbers of asylum seekers did not diminish, the ban on work during the first year of processing in 2002 slowed down inflows. Those refused refugee status tended to either remain on the soil as irregular migrants or attempted to transit to a Western country. In addition, after the break-up of Czechoslovakia into two separate states in 1993, several thousand Slovak Sinti and Roma, who migrated to the Czech Republic, did not take up Czech citizenship, residing there without proper papers (Horáková 2000). Many of them continue to be irregular migrants for lack of financial and other means to pay for the proper papers.

The number of irregular migrants continues to be high as the Czech Republic became an important transit route for migrants from Eastern Europe and Asia wanting to access a Western European country. The easy access to clandestine work, promoted by the dual economy carried over from the former communist regime to the new liberal market economy, constituted an invitation to the inflow of migrants. This is in line with the observations of Eliat—Zinnes (2002), who argue that an established system of irregular work is hard to remove. The long history of irregular work has allowed an environment highly tolerant to undeclared work.

Another case is Poland, which had some 49,600 foreign citizens in 2009 or 0.1% of the total population. The share of foreign born is significantly higher, however, as the Polish government actively pursued the repatriation of ethnic Poles and their descendants who lived in former Polish territories seized by the Soviet Union in 1939, or who had been deported to the former USSR, e.g. to Kazakhstan. Accordingly, by 2002, of the 776,200 foreign born residing in Poland, 72% were from those countries (Ukraine: 312,000, Belarus: 105,200, Lithuania: 79,800, Russia: 55,200, Kazakhstan: 3,800), and were given Polish citizenship.

While receiving migrants of Polish ancestry, Poland also lost large numbers of Poles to Western European countries in the wake of Solidarnosc in the early 1980s, then again after the fall of the Iron Curtain, and yet again after accession to the EU. However, in the wake of the financial economic crisis of 2008, many Polish migrants returned such that the population decline came to an end. Since then the population grew again, almost reaching the pre-accession level of 2003 in 2011, namely 38.2 million inhabitants.

Poland is not an immigration country in the sense that it pursues an immigration policy; quite the contrary. It is difficult to obtain a long-term residence permit in Poland, usually only after 10 years of residence. However, large numbers of temporary migrants live and work in Poland or pass through as transit migrants (Grzymala-Kazlowska—Okólski 2003). The temporary migrants tend to work in the large underground economy7 as clandestine workers or ‘entrepreneurs’.

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7 The shadow economy in 2002 produced some 26% of GDP according to Schneider and Buehn (2009)
Hungary takes up an intermediate position between the Czech Republic and Poland as far as immigration is concerned. Accordingly, the number of foreign born in 2009 was 407,300 or 4.1% of the total population. The share of foreign citizens is half that figure. During the communist regime, in Hungary as in the Czech Republic temporary work contracts were given to Cubans, Vietnamese and other citizens of communist regimes. In addition, substantial numbers of scholarships for university education in Hungary were granted, largely to students of African and Asian origin. Further, Hungary granted asylum to refugees from the Greek civil war of 1946-1949 and to Chileans following the 1973 coup d’état, which brought General Pinochet into power.

Things changed rapidly with the fall of the Iron Curtain, and Hungary became a country of emigration, immigration as well as transit migration. All that went hand in hand with legislative changes, among them the Hungarian Citizenship Act and the Act on the Entry, Stay, and Immigration of Foreigners. Both Acts tightened regulations governing immigration. The latest migration law reform came into effect in 1998 and referred to refugees; it is only with this reform step that Hungary ratified the Geneva Convention.

Hungary grants ethnic Hungarians citizenship according to ius sanguinis, if they apply for it. This is a particularly sensitive issue for those neighbouring countries with large Hungarian minorities. In contrast, Hungarian citizenship is not easily obtained by foreigners of non-Hungarian descent, as it takes 8 years of residence to be eligible for naturalization. Accordingly, the largest numbers of immigrants are ethnic Hungarians from Romania, Slovakia and Yugoslavia, constituting two thirds of the foreign born population in 2009.

In addition, temporary work permits are granted, all in all 42,000 in 2002, mainly for work in the construction sector, in export oriented manufacturing industries – mostly in the textile and clothing industry but also in retail trade - in catering services, in the entertainment sector and in agriculture. The majority of the temporary workers are Romanian citizens, followed by citizens of the former Soviet Union, mainly from the Ukraine. Since 1997, the Chinese have become the third-largest temporary worker group. Beyond the official temporary workers with work permits, many more work on an informal basis, often commuting from neighbouring countries.

The role of the welfare regime for labour market outcomes

Research indicates that it is the combination of different immigration models with different welfare regimes which account for widely differing employment opportunities of prime age migrants in the various EU-MS (Baldwin-Edwards 2002, Adsera & Chiswick 2004, Freeman 2004). Educational attainment and employment opportunity of migrant youth in contrast are largely determined by the education system and the role of the social status of the parents for the educational outcomes of their children, in addition to the capacity to speak the host language (OECD 2006A/B).
The employment opportunities of migrant women differ between EU-MS as a result of the welfare model, which impacts on the division of labour between market work, the state and the family/household production (Esping-Andersen et. al. 2001). It must not come as a surprise that the system of organisation of work has an impact on employment opportunities of women in general, independent of citizenship. The welfare model provides incentives to access the labour market, e.g. in the Nordic model, or to remain in the household, e.g. in the male breadwinner model in Southern Europe, somewhat less pronounced also in Central European countries.

Models of social organisation are historically grown and constitute “incorporation regimes”, which have an impact on employment and earnings opportunities of natives as well as migrants. According to Soysal (1994), each host country has a complex set of institutions which organise and structure socio-economic behaviour of the host population; these basic models of social organisation also structure labour market behaviour of migrants. Brubaker (1992) argues in the same vein, suggesting that different labour market outcomes of immigrants flow from basic differences in national models of ‘incorporation’.

The four basic welfare models in the EU, the Nordic, the Anglo-Saxon, the Continental and the Southern European Model, differ by the different roles and weights assigned to the (labour) market, the state, and the household for the production of goods and services. Countries which relegate a large portion of work, in particular social services, to the household sector by tax incentives or transfer payments (Continental and Southern European countries) have a lower employment rate of women than countries in which the state (Nordic countries) or the private sector (Anglo-Saxon countries) are the major suppliers of these goods and services. Thus, the employment opportunities of migrant women are on the one hand determined by the labour market access rights stemming from the immigration model, and by the welfare model.

It can be seen in Figure 7 that women in the Nordic countries, the Anglo-Saxon countries, the Netherlands, Germany and Austria have above average labour force participation rates, while women in Southern European countries (exception Portugal and Spain with a large agricultural sector and large numbers of low-income self-employed) tend to have lower rates. Obviously, the Nordic and Anglo-Saxon countries including Netherlands have the highest female labour force participation rates due to a high degree of marketisation of household services, while Southern European countries tend to preserve care services in the household sector, often employing migrant domestic servants. Continental European welfare models take up an intermediate position as far as female employment rates are concerned. The juxtaposition of different immigration models upon this set of welfare models helps explain the different labour market outcomes of migrant women. It is interesting to note that in the Southern European countries (Portugal, Spain, Italy) as well as Estonia and the Czech Republic, third country migrant women have higher employment rates than native women. In
these countries migrant women are either highly skilled professionals or target workers with temporary work contracts with limited residence rights and access to welfare.

While the immigration model determines who may settle and have access to the labour market and under what conditions, the welfare model structures the division of work between market and household work of the host society\(^8\). The degree of integration of the population of working age into gainful employment declines as one moves from the North to the South of Europe, together with the proportion of women in employment and the share of the public sector in total employment. The Anglo-Saxon model tends to differ somewhat in that it has a comparatively high degree of integration of women into the labour market but a fairly small public sector. This is due to the transfer of household services to the private sector, often non-profit institutions, rather than the public sector.

In summary, women from outside the EU tend to have on average a lower degree of integration into the labour market and higher unemployment rates than their male counterparts as well as natives or citizens from another EU-MS. Are we then to assume that the experience of immigration is more positive for third country origin men than women? Literature indicates that immigration, while difficult, opens up opportunities for women, which often are not accessible to women in their countries of origin. Foner (1978) studies Jamaican women in London, Pessar (1984) Dominican women immigrants into the USA, and Schrover (2006) immigrant men and women in the Netherlands.

While immigrant women may occupy jobs with limited employment and income security and often hard working conditions, their settlement in the EU allows them to break with traditional roles and patterns of behaviour and thereby gain self-determination. This is not to deny, however, that the labour market outcomes of migrants, in particular of women, are on average unsatisfactory (Fassmann 2007, Spence 2003).

**Labour market outcomes by skill level**

The labour market outcomes differ significantly by educational attainment level of third country citizens, as can be taken from Figure 9. The differences do not show up as much in unemployment rates but rather in the labour force participation rate, or rather the inactivity rate. The proportion of unskilled third country migrants which is out of the labour force is more than double the rate of university graduates (42.1% versus 17.3%) in 2008. These data exclude irregular migrants; it is thus regular low skilled migrants, often women and humanitarian migrants, who tend to stay out of the labour force and look after the household, at times working in the informal labour market.

\(^8\) Pedraza [1991] points out that in order to be able to promote integration and participation one has to understand how ethnicity, class, and gender interact in a process of migration and settlement.
In countries where migrants have higher activity rates than natives, e.g. Italy, this is due to above average activity and employment rates of unskilled and medium skilled third country migrants. In the Nordic countries the high unemployment rates of third country migrants are largely falling on low and medium skilled migrants, often refugees. This holds also for the Netherlands: in 2009 a third of Somali refugees and 28% of Afghanis and Iraqis were unemployed. But also Moroccans (14.6%), Antilleans (12.5%), Turks (11.3%) and Surinamese (10.4%) had high unemployment rates – largely due to their low skills.

**Earnings differences**

An important consequence of the different division of labour between the household and market sector, flowing from a complex system of taxes and benefits, are not only differing degrees of integration of women into the labour market but also differing degrees of poverty and income inequality.

Adsera & Chiswick (2004) point out that earnings of immigrants are lower upon arrival than those of natives, particularly for foreigners born outside of the EU. The countries with the lowest differences between earnings of natives and migrants are found in Germany and the highest in Sweden (period of analysis 1994-2000, data from the European Community Household Panel - ECHP). The findings of Adsera & Chiswick (2004) are corroborated by...
Nekby (2002) on the basis of a larger data set for Sweden; they confirm that integration of migrants into the Swedish labour market is less than satisfactory. No immigrant group entering Sweden in the late 1980s and early 1990s could attain the employment levels of natives, not even after 20 years of residence. While immigrants from other Nordic countries and Western Europeans are faring best, with 15-30% lower chances of being regularly employed, East Europeans and Non-Europeans have clearly lower chances.

Thus Sweden does not only have exorbitantly high unemployment rates of third country citizens but also large earnings differences and below average labour force participation. The lower employment security reduces lifetime earnings and career opportunities of migrants.

For EU-born women there are no earnings differences in Germany, followed by the UK; the highest earnings differences of EU-born women relative to natives are found in Finland, Sweden, Luxembourg and Italy (over 50% lower). Women born outside of the EU face even larger wage gaps relative to native women; again it is above all the Nordic countries, the Southern European countries as well as the UK with above average earnings gaps. In contrast, non-EU women in Austria tend to have on average higher earnings than native women. This may be surprising at first sight, can be explained, however, by the low labour force participation of unskilled third country women (largely of Turkish origin) and a high labour force participation of highly skilled third country women.

According to Adsera & Chiswick (2004), earnings increase with the level of education, whereby the returns to education in the EU tend to be higher for women than men.

Earnings differences between natives and immigrants decline with cultural and language proximity. Chiswick & Miller (1995) find that this is also true in other immigration countries. Earnings of migrants tend to converge after around 18 years of residence.

In 2009, the median annual equivalised disposable household income (in PPS) was considerably below that of the total population for foreign born, in particular of third country origin. In Greece, Italy and Austria it was 74% or less than the median for the total population. In these countries it is the combination of single earner families, low wage jobs and large numbers of children that bring unskilled migrants, often of third countries, close to the poverty line (EU-SILC – Survey of Income and Living Conditions, 2009, Biffl 2008).

Data indicate that highly skilled professionals are doing as well as natives, low skilled migrants and ethnic minorities are, however, often marginalised. In Portugal, for example, semi- and low-skilled third country workers have lower wages than natives while highly skilled third country migrants are on average better paid than high skilled natives.
Empirical evidence of the economic impact of low skilled migration on the labour market

Even though migration may be the result of a variety of factors, the challenge of migration policy in Europe has been to strike a balance between economic efficiency and equity, between social and humanitarian objectives and political stability. Immigration contributes to economic growth, supplying labour resources where labour is scarce, and increasing the cultural diversity of the population in almost every EU-MS.

Economic impact analyses of migration tend to focus on overall monetary effects which are the result of market transactions. Many aspects, which affect the material well-being of society but do not operate through the formal market economy, are neglected. The research results tend to acknowledge a positive net overall economic effect of immigration upon European societies, but do not identify the distribution of such gains across all members/groups of society.

The impact of migration on economic growth depends on how productivity and the labour market are affected. These effects would vary between MS depending on their particular migration model and its resulting composition of migrants in terms of age, gender and especially skills relative to the native population. Further, the consumption basket of migrants, their savings behaviour and their investment patterns (remittances to source countries versus creation of jobs in the receiving country) may differ in many respects from the national average. These differences may be expected to affect economic growth as well as import-export relationships and the current account.

Productivity may be positively affected by a higher mobility of migrants compared to residents. This notion was at the heart of the decision in favour of the 'guest worker' model of migration. Temporary work permits enable migrants to be placed where they are most efficiently put to work. Permanently settled migrants tend to be less mobile regionally, thus reducing the potential for productivity increases from this source. Another aspect which impacts upon productivity is the skill structure of immigrants. Above average skills go hand in hand with higher wages and better employment opportunities for such immigrants, thereby contributing to a rise in GDP per capita. The opposite holds for migrants with low skills or with skills, which become increasingly obsolete with technical progress (Butcher—Card 1991). As Europe has largely taken in un- and semiskilled migrants, the skill structure as such has not promoted productivity growth. However, economies of scale as a result of migrant worker intake as well as a more efficient use of skilled native workers, together with the extension of markets through international trade, have clearly aided economic and productivity growth.

The impact of migrants on the labour market depends on the migration model and the role migration plays in the economic development process. In general, immigrants tend to be
concentrated in labour market segments which are generally not favoured by the resident work force. The extent to which this takes place also depends on labour market regulations.

In the case of the temporary worker model, migrants are brought in mainly to enhance the competitiveness of export industries. Migrants are thus channelled into industries which produce tradeables, e.g., manufacturing with a low capital to labour ratio, in particular, labour intensive industries like clothing, leather and textiles as well as tourism. To a lesser extent migrants flow into non-tradeables, in particular construction, personal, health and domestic services. The last three services tend to have limited possibilities for rationalisation and thus productivity growth in the technical sense.

The rationale for employing migrant workers is based on wage and/or unemployment effects of migrants relative to natives. In summary, it can be said that the pressure on wages and employment opportunities increases with the elasticity of substitution of migrant versus resident labour. This is to say that in occupations and jobs, in which migrants are complementary to natives, natives profit from migrant labour in terms of job opportunities and relative wages. In contrast, in jobs where migrants and natives are substitutes, the wages and employment of natives are adversely affected.

The rising number of highly skilled migrants from third countries in the EU since the 1990s has to be seen in the light of liberalising markets, including labour markets, and less as a result of targeted migration policy. This conclusion is based on the specific occupational and skill composition of the highly skilled migrants. The latter tend to be concentrated in business oriented services, mainly in banking and insurance, in the information-communication technology sector, in utilities (especially in electrical engineering), as well as in education and research. Their inflow has to be seen in the context of the deregulation of these services sector. It is argued by Borjas (2005) that the inflow will have adverse effects on the earnings of competing workers, regardless of whether they are native- or foreign-born. But it will also contribute to productivity and economic growth of Europe, thereby helping to move along the roadmap of the Lisbon Agenda.

As to the un- and semiskilled migrants, they continue to immigrate in large numbers, not least because of family reunification and refugee intake. Their employment opportunities are declining in Western Europe as whole segments of manufacturing production are reallocated to CEECs and the Far East. While such reallocation of production will allow CEECs to catch up to Western Europe, it will contribute to the rising surplus of unskilled workers in Western Europe, who turn to the growing services sector for employment, but are often not able to compete because they lack the necessary skills. As a result, they turn increasingly to working on their

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9 As early as 1967, Baumol referred to the ‘cost disease’ of labour intensive services which are resistant to rationalisation, particularly when wage increases keep pace with those in manufacturing industries and business services.

10 For a review of literature on this issue see Pollan 2000.
own account, or joining the ranks of the unemployed and the socio-economically excluded or making ends meet by working in the informal sector.

Accordingly, immigrants also impact on the income distribution. Research indicates that migration has contributed to a rise in unemployment and/or a widening of wage differentials in skill segments in which migrants are concentrated and which face a decline in relative demand, i.e., where labour supply growth as a result of immigration outpaces labour demand growth (Faini et al., 1999). In the EU, immigration tends to result in a redistribution of income away from unskilled and secondary workers towards highly skilled professionals and property owners. The redistribution process is limited in situations of full employment and solidaristic wage policies. In phases and regions where labour resources are underutilised, however, concentrations of immigrants may be a concern, particularly in the absence of adequate labour market and social policy to counter deprivation and poverty of the jobless.

Earlier generations of immigrants entered labour markets during phases of rapid industrialisation with rising labour demand for low and medium skilled workers. Today de-industrialisation and expansion of service activities affects both the sectoral and occupational composition of employment as well as the skill content. In the absence of a comprehensive system of continued learning and re-/up- and multiskilling, an oversupply of labour with obsolete skills began to build up in the early 1990s. The oversupply did not always show up in unemployment because it was the source of labour in casual and part-time employment, marginal occupations and as fringe self-employment outside the core economy at lower wages. Self-employment of migrants is a relatively new feature in the countries with a dominant temporary work model, e.g., Austria and Germany, whereas it has been a normal feature of migrant work in settlement countries like France and the UK for some time (Blume et al., 2003).

**Concluding Remarks**

The overview of migration policies in the EU indicated that the various EU-MS may have started out being different in the 1950s and 1960s, but that migration policies converged over time, partly flowing from international political and socio-economic changes, partly as a result of policy coordination by the European Commission, and of human rights actions. The remaining differences are not so much a consequence of different migration policies as of other factors - the level of economic development, of functional mechanisms of labour markets, of the role of the shadow economy and of access to social rights, including health care.

Economic links and technology have created a transnational space for the mobility of capital and created new conditions for the mobility of labour. It may not come as a surprise that migration regulations have changed along with the nature of migration and produced...
some of the most complex legal arrangements which only the specialist in the field can understand.

At the end of the day, it has to be acknowledged that the planning and control of migration flows has become increasingly difficult. While there is the general belief on the part of policy makers that migration flows are mainly determined by the demand of receiving countries, this no longer holds unequivocally. International human rights laws - the right to family, to refuge and to settlement after a certain period of legal residence - limit the room for migration policy to manoeuvre, as does the right to free mobility within the EU. Many European countries believe, at least this is the impression one gets from public pronouncements and policy formulation, that they do not have the preconditions for becoming immigration countries in the sense that they cannot pursue a population growth policy to the same extent as traditional immigration countries like USA, Australia and Canada. The latter have large unused land resources in contrast to the European countries, which tend to be densely populated, which gives little room for additional population growth.

Accordingly, European countries tend to embrace immigration policy only to the extent that it may help alleviate the ageing problem; in addition, highly skilled immigrants are invited, to promote economic growth. But refugees and unskilled labourers are not what Europe wants to invite, as it continues to have sizable numbers of un- and semiskilled labourers. Unskilled migrants, many of them refugees from developing countries, are seen to basically contribute to population growth without giving a boost to productivity. This policy stance has to be understood in the context of a rapid decline of demand for low skilled labour. The decline in demand is faster than the slowdown in supply growth, as it is difficult to implement lifelong learning programmes which would, in theory, continually upgrade and adjust labour skills to market needs. In addition, minimum wage policies are upheld in order to ensure a living wage for low-skilled workers. While this policy tends to speed up unskilled-labour saving production methods and technology, thereby speeding up the decline in unskilled labour demand, it tends to shift low-productivity work into the shadow economy.

The large proportions of migrants in all Western European countries and the increasing numbers in the new EU-MS indicate that migrants are ready to grasp every opportunity for improving their economic situation and for asylum seekers to obtain security. Over time the distinction between settlement versus short term migration countries has become inapplicable in Europe. All countries have become migration societies, encompassing all forms of migration, accompanied by various types and degrees of social inclusion. Migrants are contributing to economic and productivity growth, reducing labour scarcities in one or the other segment of the local labour markets. Migration suggests that the mobility costs of migrants are lower than earnings opportunities, even if marginalised and exploited, as is often the case with low skilled migrants.

Europe has tended not to pick the brains of the world in its migration policy, giving priority to education and training of its own population, and tending to supplement its work force at the
lower end of the skill spectrum. The Lisbon Agenda introduces a new feature to European migration policy, i.e., a strategy to raise the inflow of highly skilled migrants from outside the EU.

In this increasingly competitive environment, where every country wants to attract ‘the brains’ of the world, Europe has to be careful not to lower its moral values, civil liberties and equal rights in a quest to keep out those, who are the most vulnerable. History shows that massive inflows can occur quite unexpectedly due to push factors in source countries, like the more recent inflow of North Africans in the wake of the Arab Spring. This recent increase is reminiscent of rising refugee movements in the 1980s and 1990s. They were driven by both, political and environmental push factors in the exit countries and economic pull factors in the receiving countries. The migration pressure from poor to rich countries is increasing. In this global environment restrictive immigration policies may be potentially dangerous.

In addition, the restrictionist policy stance of many EU-MS is essentially flawed, as it is based on the belief that there is a set amount of jobs in the economy and that immigration would therefore reduce the number of jobs available for native workers (Nonnemann 2007, 15). This argument does not take account of the fact that every immigrant creates additional demand, and thereby increases the need for production and also for labour. Indeed, “[the] world’s richest countries are in many cases among the most densely populated, and there is no reason to assume that more migration is damaging to economic prosperity” (Nonnemann 2007, 16).

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