

# **EaP workers in EU Labour Markets: Unleashing potentials for mutual gains**

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**Based on**

**Labour Migration from EaP Countries to  
the EU – Assessment of Costs and Benefits  
and Proposals for Better Labor Market  
Matching**

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# Outline

- Goals, objectives and approach
- EaP Migration in the EU
- EU Labor Market Needs and Skill Matching
- Legal frameworks
- Projections of migration and estimation of costs
- Conclusions

# Project objectives (EU perspective)

- Measure and evaluate the costs and benefits of migration from Eastern Partnership countries to Europe currently and in the medium-term future (up to 2020)
- Estimate flows of EaP migrants under different economic performance and migration policy alternatives
- Quantitatively evaluate the economic impact of different labour market liberalisation scenarios in the time period up to 2020
- Develop policy recommendations on labour migration management framework between the EU and EaP region considering different scenarios of economic development and alternative migration frameworks

# Key argument

- Europe needs mobility and migration (aging, skill shortages)
- It is reasonable to expect steady, modest migration flows from EaP countries (mostly Ukraine) to the EU over the next decade
- Moderately, and temporarily, increased flows can be expected if a more liberal migration framework is put in place
- The effects of past and projected mobility generally positive
- More transparent and liberal migration framework provides for better matching and more favourable impacts on sending and receiving countries, and on migrants

**Potential for Win – Win – Win outcomes**

# Building blocks

- EU country studies: Italy, Germany, Spain, Poland and United Kingdom
- Original inquiries from various perspectives
  - Review of the existing legal frameworks for migration
  - EU's (past) experience with the EaP migration so far, and comparisons with the Eastern enlargement
  - Potential (future) flows of migrants under different scenarios
  - Potential effects (costs and benefits) of flows under various scenarios
  - Study on labor market matching based on past experience
  - Role of industrial relations for migration and matching
  - Household level costs and benefits of EaP migration
  - An Expert Opinion Survey to gauge stakeholders' views

# Costs and Benefits Approach

- **Direct economic effects** e.g. GDP, employment, purchasing power and the size and diversity of consumer demand
- **Indirect economic effects** mainly channelled through the labour market and welfare state arrangements - increased output and employment through increased labour supply and possible effects on wages.
- **Externalities of migration** in general refer to social networks that migrants develop, secondary migration flows of families and children and their demand for housing, healthcare and education in the receiving countries



# Data

- A range of analytical strategies and methodologies, multidisciplinary approach
- Large scale survey data: EU LFS and EU SILC
- A multitude of national datasets
- Dataset of migration flows and stock (Pytlikova et al)
- Own data collection efforts
  - Comparative qualitative small-scale research on costs and benefits at the household and individual level from the point of view of migrants
  - Online IZA Expert Opinion Survey

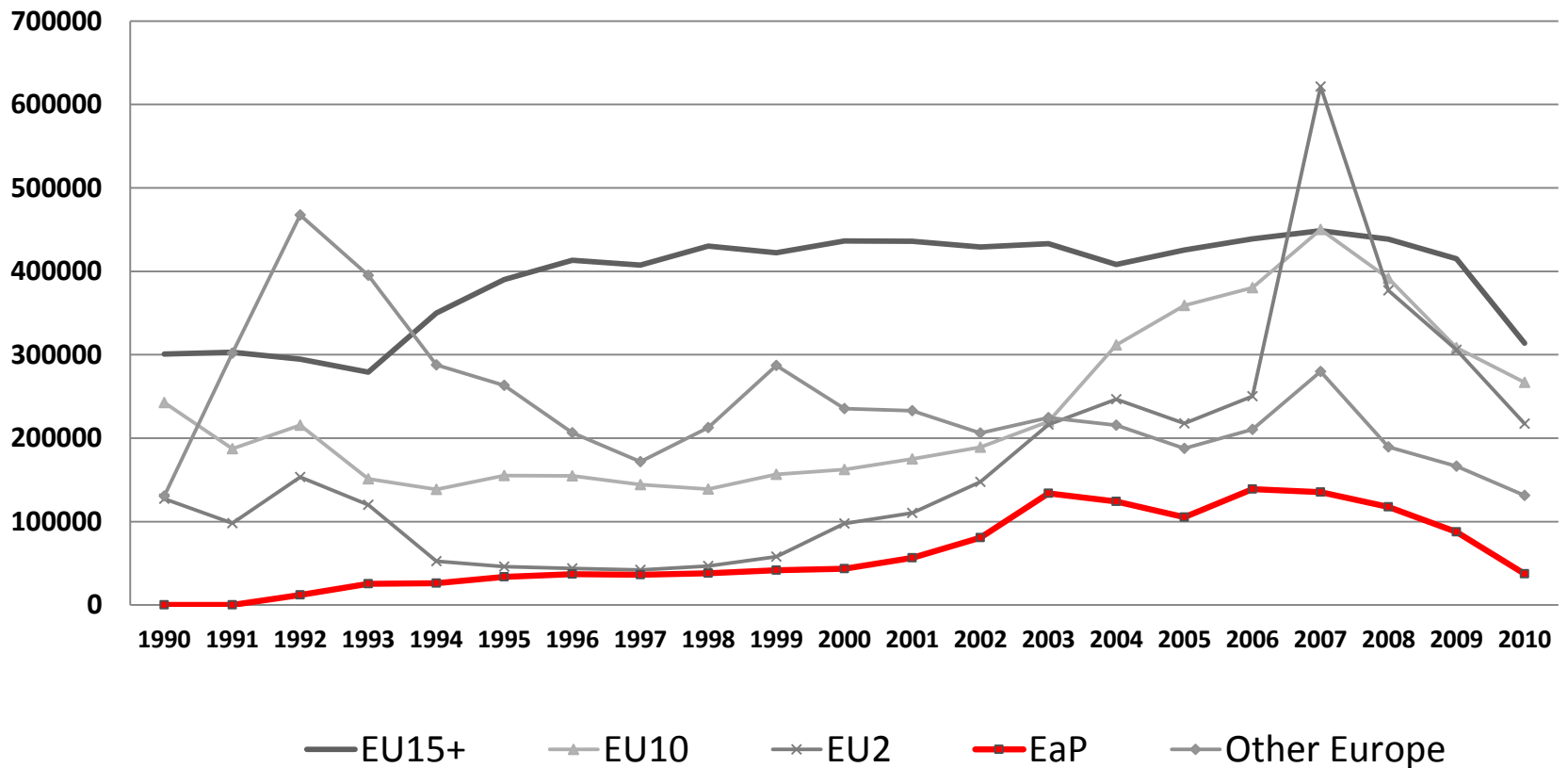
# IZA Expert Opinion Survey

- **Timeframe:** November 2012-January 2013;
- **Objectives:** investigate attitudes and perceptions of EaP migration; analyze integration, existing barriers to labour market participation; evaluate costs and benefits and preferential policy changes;
- **Participants:** NGOs, think tanks, international organisations, migrant organisations, employers and employees associations and other expert and practitioner groups dealing with migration and immigrant integration in EU27 countries;
- Questionnaires filled by more than 80 experts:
  - 72% from organisations in EU15 countries; the rest - from EU12 countries;
  - 40% - NGOs, 14% each – governments, employers' associations and trade unions;

# EaP Migrants in the EU

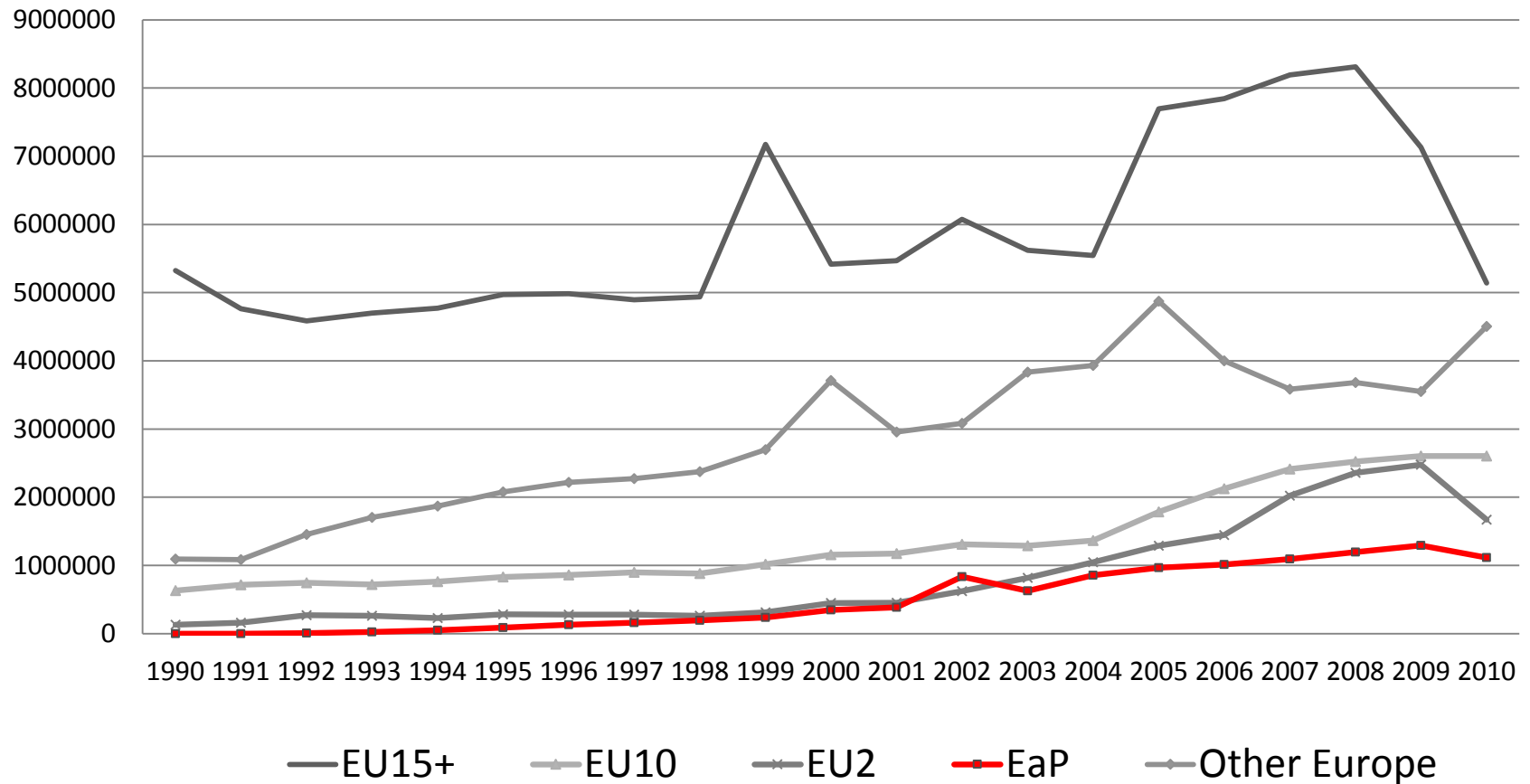
General overview, lessons from EU  
enlargement analysis of costs and benefits,  
country studies, downskilling

# Migration flows to EU27 destination countries from Europe, by European regions of origin, 1990-2010



Source: Own calculations using collected migration flows and stock database by Pytliková (2012).

# Foreign population stocks living in the EU27 destination countries from Europe, by European regions of origin, 1990-2010



Source: Own calculations using collected migration flows and stock database by Pytliková (2012).

# Scale of EaP Migration

- Only 3.68% of total immigration to EU25 countries (about 1.5 million in 2010), mainly from Ukraine
- Most popular EU destinations:
  - Poland, Italy, Czech Republic, Spain, Germany, UK
- Historically relatively larger EaP migrant presence in EU8 than in the EU15

**Current EaP migration not sizeable, but has grown**

# EaP migrant profiles

- EaP migrants are **well educated** - often exceeding education attainment levels of natives and other immigrants, and typically **young**
- **Downskilling** - predominantly employed in low-skilled sectors;
- Temporary **employment motives** prevail:
  - Males: construction and agriculture
  - Females: domestic and care sectors
  - High-skilled sectors: IT (Poland), financial services (UK)
- EaP migration is **gendered** along sectors of employment
- Employment rates above immigrant average (60-70% in Spain, Italy, Poland)

**EaP migrants are well educated,  
but barriers limit the potentials**

# Impact of EaP migration on the EU

- Effects are relatively limited due to small scale of migration
- Occupational distribution – complementary rather than substitutive
- Welfare take-up – lower than of natives, but more unemployment support in Spain and Germany
- Access to welfare rather limited – pensions and health care
- EaP female migrants – welfare providers, increase native females' labour market participation (ES, IT)



# Benefits of EaP migration

- Provide much needed productive capacity and human capital
- Help to mobilise internal capacities
- Do not negatively affect wages
- Do not abuse welfare
- May serve as a channel for further human capital development in the EU
- Might alleviate the increased demand in engineering occupations as well as health care, legal, management and business administration

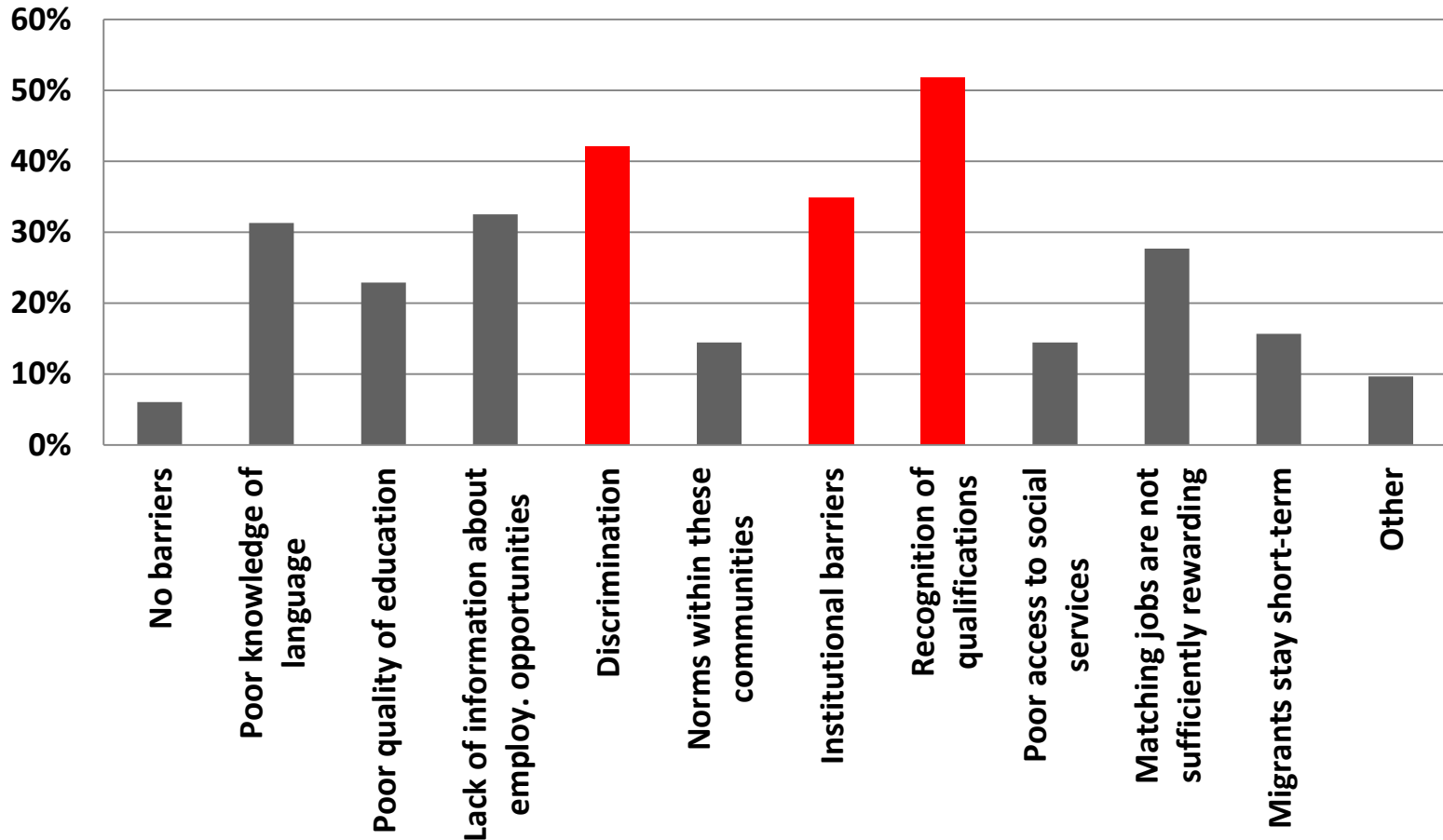
**Impact is generally positive or neutral**

# Downskilling as a key obstacle

- Structural: type of labour demand
- Institutional:
  - Recognition of qualifications
  - Legal frameworks
    - Restrictions on transition to other jobs
    - Temporary migration frameworks
- Individual:
  - Poor language proficiency
  - Migration strategy and preferences
- **Costs of downskilling:** brain waste, vulnerability, inefficient use of human capital

**Factors of downskilling are diverse**

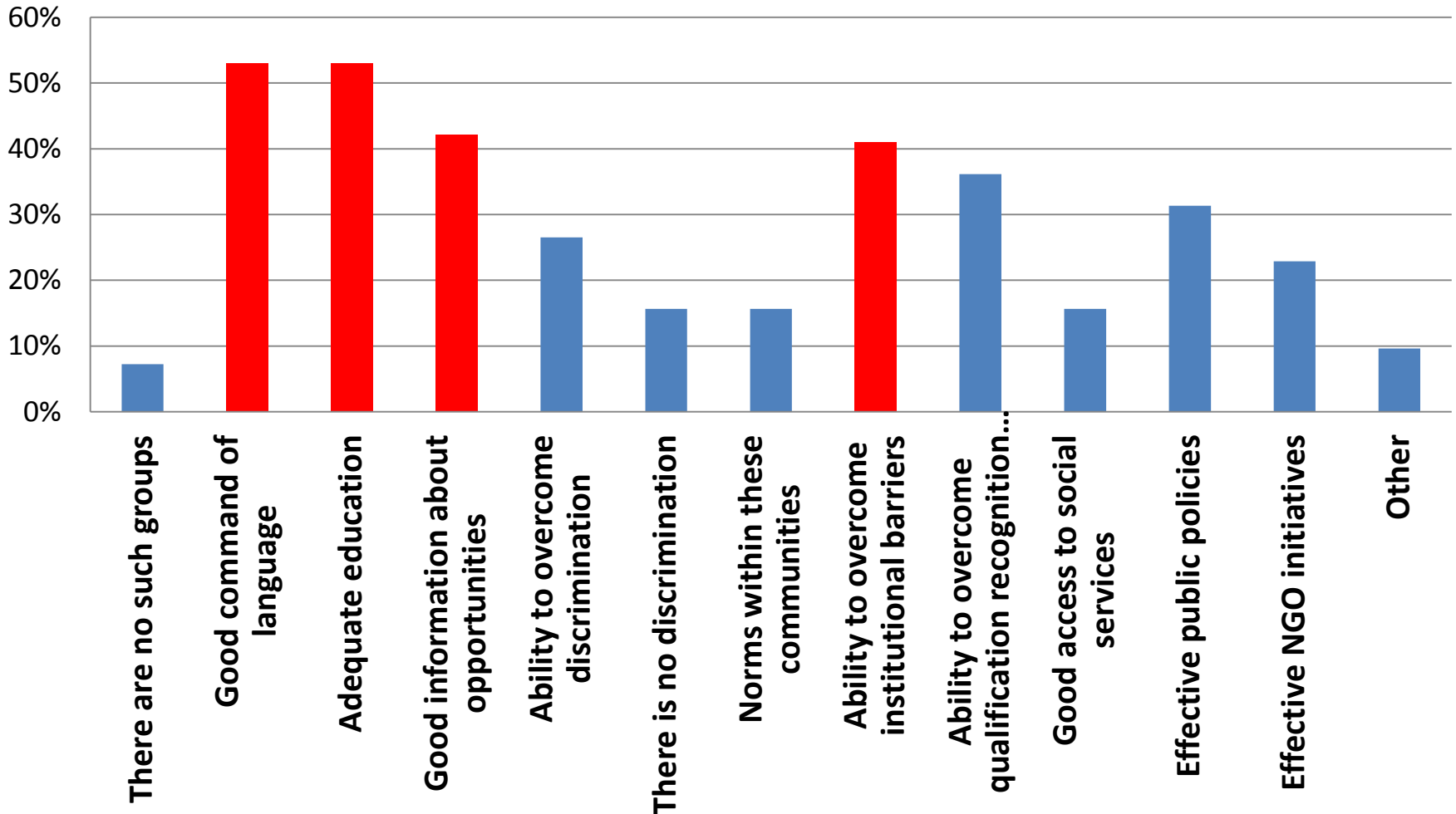
# IZA Expert Opinion Survey: Factors of immigrant downskilling



Own calculations based on IZA Expert Opinion Survey 2012. Percentages do not sum up to 100. N= 83

# IZA Expert Opinion Survey:

## Why are some immigrant groups successful?

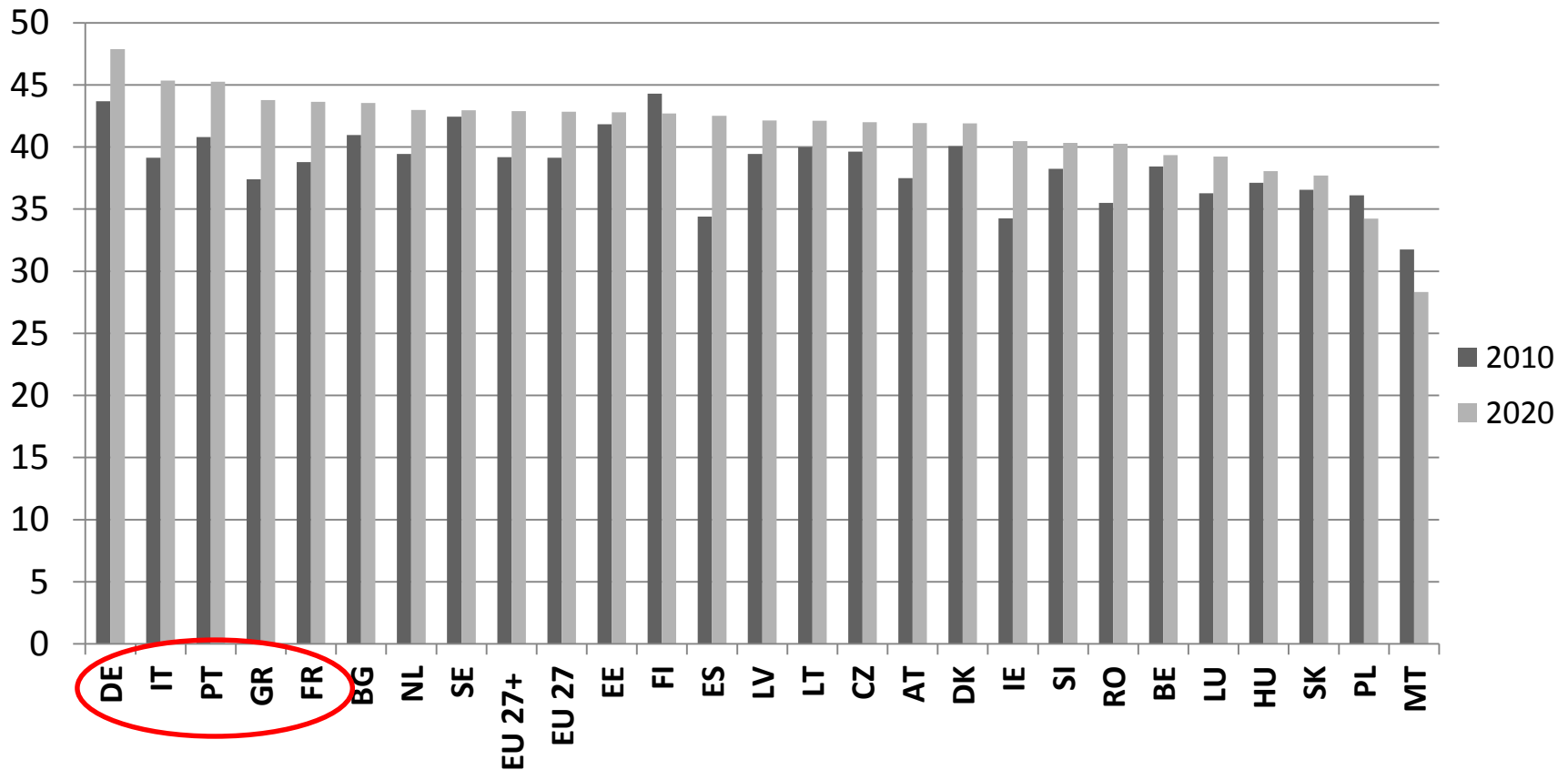


# EU Labour Market Needs and Matching

Skill gaps in the EU, need for migrants, EaP migrants filling the gaps

# Share of labour force aged over 45 by country, 2010 and 2020

Europe needs labour migrants



Note: Countries are sorted by the highest share of aged labour force in 2020. The figures for 2020 represent projections. Source: CEDEFOP, 2012

# Skill needs

- Replacement jobs and newly emerging jobs
- Over late 2010s: skill shortages highest in skilled-manual occupations in agriculture, health and education sectors
- Up to 2020:
  - Top bottleneck occupations— medium to high skills: health professionals, IT staff, engineers, sales representatives, accounting and finance staff
  - Shortages due to inefficiencies in job matching and skill deficiencies also in sales, services and elementary occupations ,not attractive to native workers;

**Low skills and high skills to be in demand**

# Skill gaps costs

- Costs generated by skill gaps are quite remarkable and range around 7 per cent of GDP;
- Key consequence - the impact on wages, as firms are forced to raise wages in order to attract relatively scarce skilled labour;
- Increased wages may affect trade and competitive capacity of export oriented sectors (indirect effect), and have inflationary pressures (direct effect)
- Additional consequences: lowered productivity; decreased innovation potential

**Skill gaps costs are high**



# IZA Expert Survey on High-Skilled Labor Immigration (2009)

- A survey of 234 labor market experts from Europe;
- 89.0% - the EU needs at least as many immigrants as it has now, and 57.7% - the EU needs more or many more immigrants
- Less conviction that the EU needs low-skilled immigration (60.7 and 27.3%)
- However, 96.7% - the EU needs at least as many high-skilled migrants, and 80.3 % - the EU needs more or many more high-skilled migrants

**EU needs non-EU migrants**

# Relevance of EaP Migration for the EU Labour Needs

- EaP migrants have been filling existing gaps in host countries' labour markets
  - agriculture, household services and personal care, construction, retail and hospitality
- Contribution to female labour market participation in Italy and Spain
- EaP migrants are generally well educated and so suited to fill high-skilled occupations

**EaP potential to fill EU skill needs at all levels is high, but better matching and integration is essential**

# Better matching under more conducive migration framework

- Immigrants generally provide for a more efficient allocation of workers
- Comparing EU8+EU2 migrants with EaP migration to EU15 shows that benefits of migration are higher and costs are lower under more liberal framework
- Key reasons behind are inefficient matching to jobs and negative selection under more restrictive framework, which hamper better realization of benefits

**Improved management is imperative**

# Lessons from EU Eastern enlargement I

- Liberalisation of entry and access to the labour market leads to higher migration flows, but these adapt to economic conditions across Europe
- Transitional arrangements divert migration flows quantitatively and qualitatively; even countries applying such arrangements witnessed increased flows, however
- Except for micro-level substitution effects in some local labour markets, the aggregate effects of post-enlargement migration are relatively small, and positive if present

# Lessons from EU Eastern enlargement II

- Post-enlargement migrants actively participate in the labour market
- Intra-EU migrants do not abuse or shop for welfare, they rather lack adequate access to welfare
- There is a degree of downgrading into lower-skilled occupations. This may signify brain waste, but it may also be part of an optimal migration strategy, lead to a more efficient utilisation of labour force, and be just a temporary phenomenon
- Outflows of skilled workers pose a challenge for sending countries, but brain circulation provides for convergence and prosperity. Remittances compensate some of the short-term costs

# EU Migration and Employment Policies towards third country migrants

Key policy issues, proposed changes

# Key policy bottlenecks

- National level migration frameworks and policies vary significantly in scope and EaP targeting
- This effectively results in very complex system of regulations
- Key bottleneck in:
  - Lack of harmonization
  - Lack of transparency of immigration procedures
  - High pecuniary and non-pecuniary costs of immigration procedures for migrants and administrators
  - Lack of provisions for tied migrants
  - Insufficient capacity of the administration to deal with contingencies
  - Poor access to social rights and their transferability
  - Generally reserved approach towards migrants

**Diverse national frameworks create complex system**

# Policies towards third country nationals in five EU countries: general overview

Country	Visas	Work permits	Occupational quotas and/or shortage list	Blue / green card	Points system	Self-employment	Provisions for staying students	Other
<b>Italy</b>	+	+	+	+/-	+	+	-	-
<b>Germany</b>	+	+	-	+/*	-	+	+	-
<b>Poland</b>	+	+	+	+/-	-	+	+	Local border agreements; Card of a Pole
<b>Spain</b>	+	+	+	+/-	-	+	+	-
<b>UK</b>	+	*	+	-/-	+	+	+	-

*Note: As of 2012: (+) currently operating, (\*) previously applied, but not anymore, (-) not applied in the country. Source: Own compilation based on the websites of relevant national Ministries (Ministry of Interior/Labour Policy), IOM (2009) and EMN (2011). UK Border Agency, Kahanec and Zimmermann (2011), Deloitte Comparative Study. Immigration 2010-2011.*



# Policies for high-skilled migrants

Country	Policy description
Germany	<ul style="list-style-type: none"><li>- Special provisions for researchers (Implementation of the Directive 2005/71/EC);</li><li>- Permanent residence and exemption of Federal Employment Agency Assessment for highly-qualified workers and their family members (job offer, salary criteria);</li><li>- Green Card for professionals in IT sector/engineers was used in 2000-2004</li></ul>
Italy	<ul style="list-style-type: none"><li>- Special provisions for researchers (Implementation of the Directive 2005/71/EC);</li><li>- Quotas for highly skilled (except nurses)</li><li>- Fast track procedures for managers (intra-corporate transferees) and highly qualified personnel (professional and education criteria);</li></ul>
Poland	<ul style="list-style-type: none"><li>- Special provisions for researchers (Implementation of the Directive 2005/71/EC);</li><li>- Draft new immigration policy adopted by Cabinet of Ministers (July 2012) lists special treatment for highly skilled migrants (to be further elaborated in procedures)</li></ul>
Spain	<ul style="list-style-type: none"><li>- Special provisions for researchers (Implementation of the Directive 2005/71/EC);</li><li>- Fast track procedure for highly qualified migrants (exemption of the market test, however, certain limitations exist concerning Spanish employers; salary and education criteria)</li></ul>
UK	<ul style="list-style-type: none"><li>- Tier 1 – several categories for high value migrants<ul style="list-style-type: none"><li>+ Exceptional Talent; General for highly skilled (currently closed to outside applicants); Graduate Entrepreneurs (subject to quotas);</li></ul></li><li>- Tier 2 - for skilled migrants:<ul style="list-style-type: none"><li>+ General; Ministers; Sportspeople; Intra-Corporate Transferees</li></ul></li></ul>

# Legal frameworks implications

- Legal frameworks shape patterns of migration by influencing length of stay, routes of entry and sectoral allocation
- Visa instruments:
  - Complex, administratively burdensome, lack of information
  - Disincentivize migrants from legal modes of entry
  - Opportunities for rent-seeking by migration intermediaries
- High-skilled national level policies – limited success so far, also Blue Card

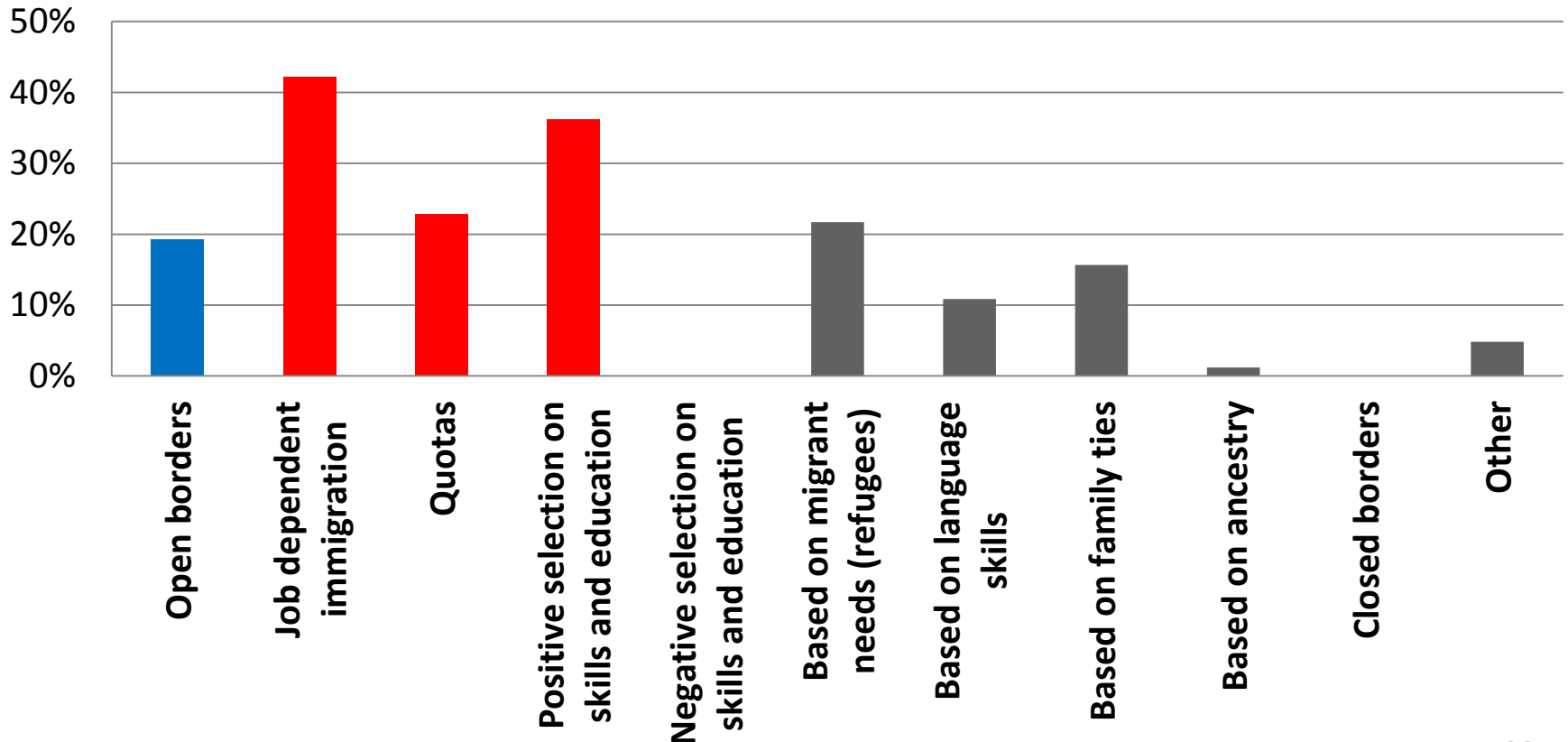
# Positive improvements in legal frameworks

- **Single Application Procedure for a Single Permit (2011/98/EU):** simplifies administrative procedures; migrants are granted equal treatment, but MS can still decide on limiting some benefits; yet to be transposed;
- **Entry and Residence of Third-Country Nationals in the Framework of an Intra-Corporate Transfer (2010/0209):** abolition of market test and fast track application procedure for residence permit; under discussion;
- **Common Entry and Residence Conditions for Third-Country Seasonal Workers (2010/0210)** aimed at promoting circular migration and intends to establish fast track procedure for seasonal workers; under discussion;
- **Blue Card Directive** targets high skilled migrants equal access to employment, pensions and social security schemes as well as equal rights concerning recognition of qualifications and freedom of association, though strict eligibility criteria; no statistics available yet

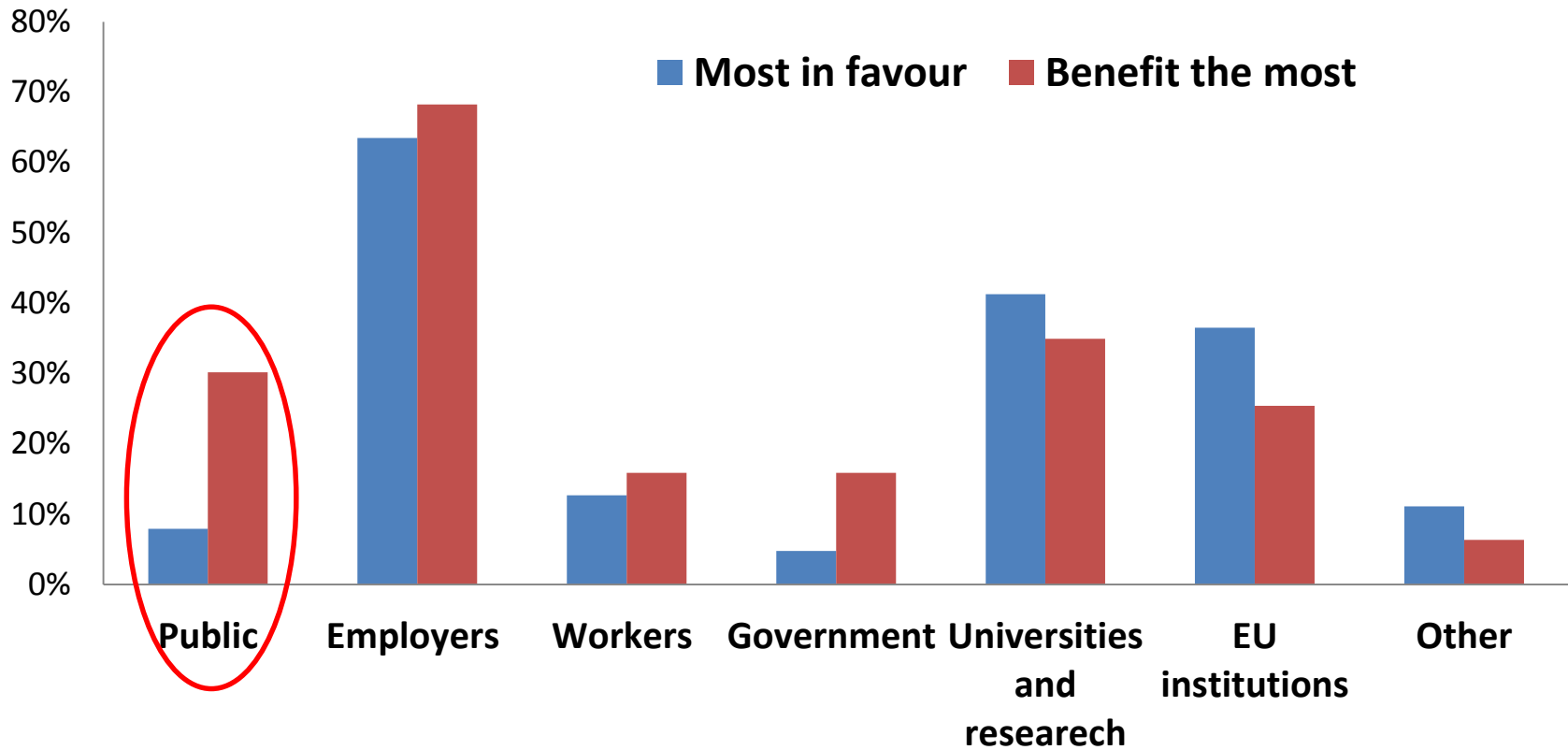
**Implementation and evaluation will be crucial**

# IZA Expert Opinion Survey 2012: Preferred immigration policies

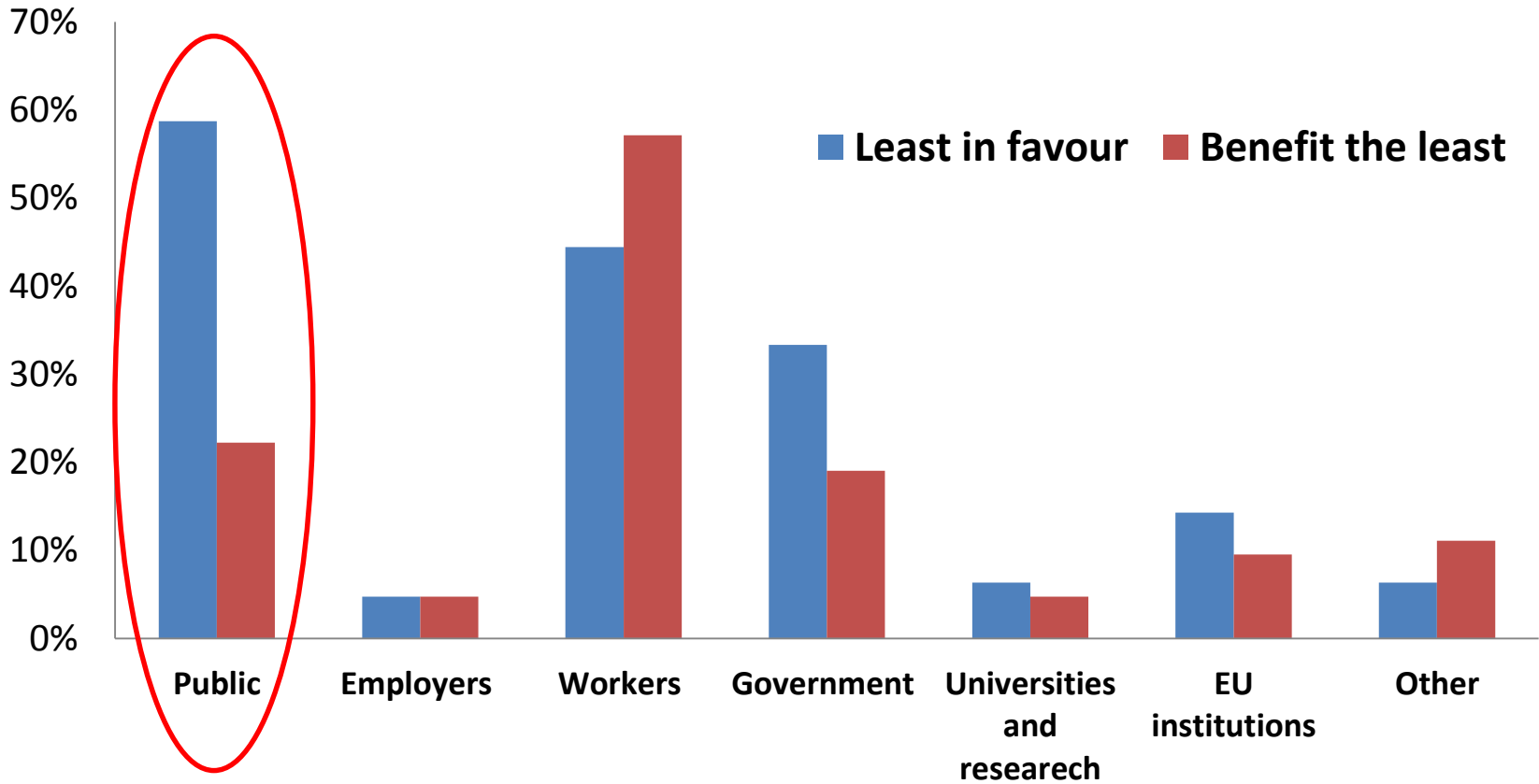
Which policy would best address the economic needs of your country?



# Positive attitudes and greatest benefits from more liberalized policy



# Negative attitudes and least benefits from more liberalized policy



**Scope for informing public opinion and engaging stakeholders is large**

# Projections

How many will come (under three scenarios), and what will they do to EU labour markets?

# Preliminaries

- Declining demographic potential for migration in the EaP region
- Russia as a major alternative destination
- Nevertheless, latent potential for increased migration exists
- It is currently suppressed by restrictive migration policies



# Scenario approach

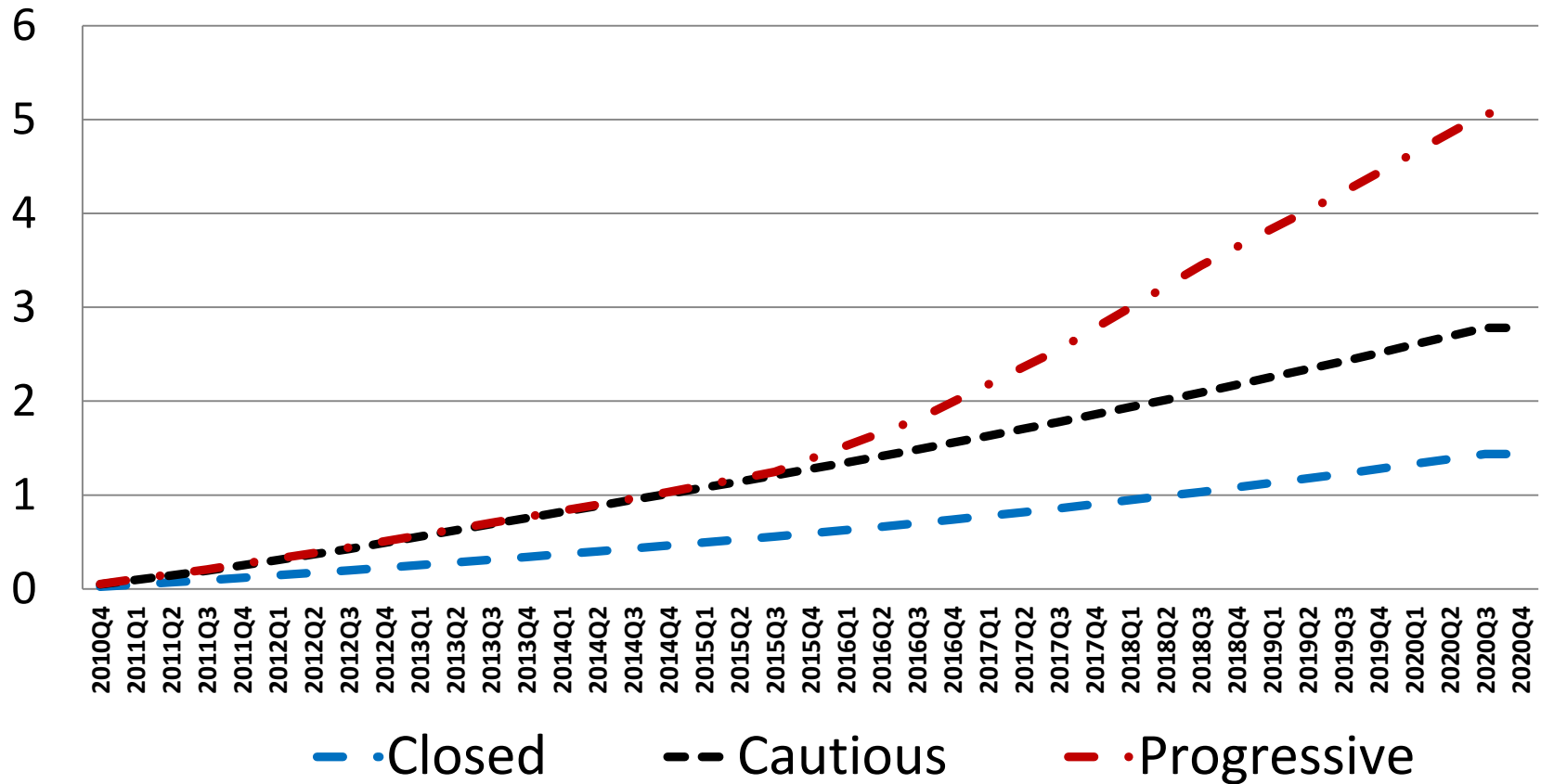
- Predictions up to 2020
- Different sets of variables:
  - Demographic
  - Economic
  - Policy
  - Network effects (diaspora)
- Variations in assumed growth in the EU and in EaP countries

# Modeled policy options

- **Closed Europe Fortress**
  - No liberalization / status quo
- **Cautious Europe**
  - Selective liberalization - eased access of specific categories of workers, Eased access based on shortage occupation list, Preferential schemes for temporary workers from specific countries of origin, etc.
  - Visa liberalization - cancellation of short-term visa
- **Progressive Europe**
  - Full liberalization - free movement of workers allowed – no visa, no work permit needed

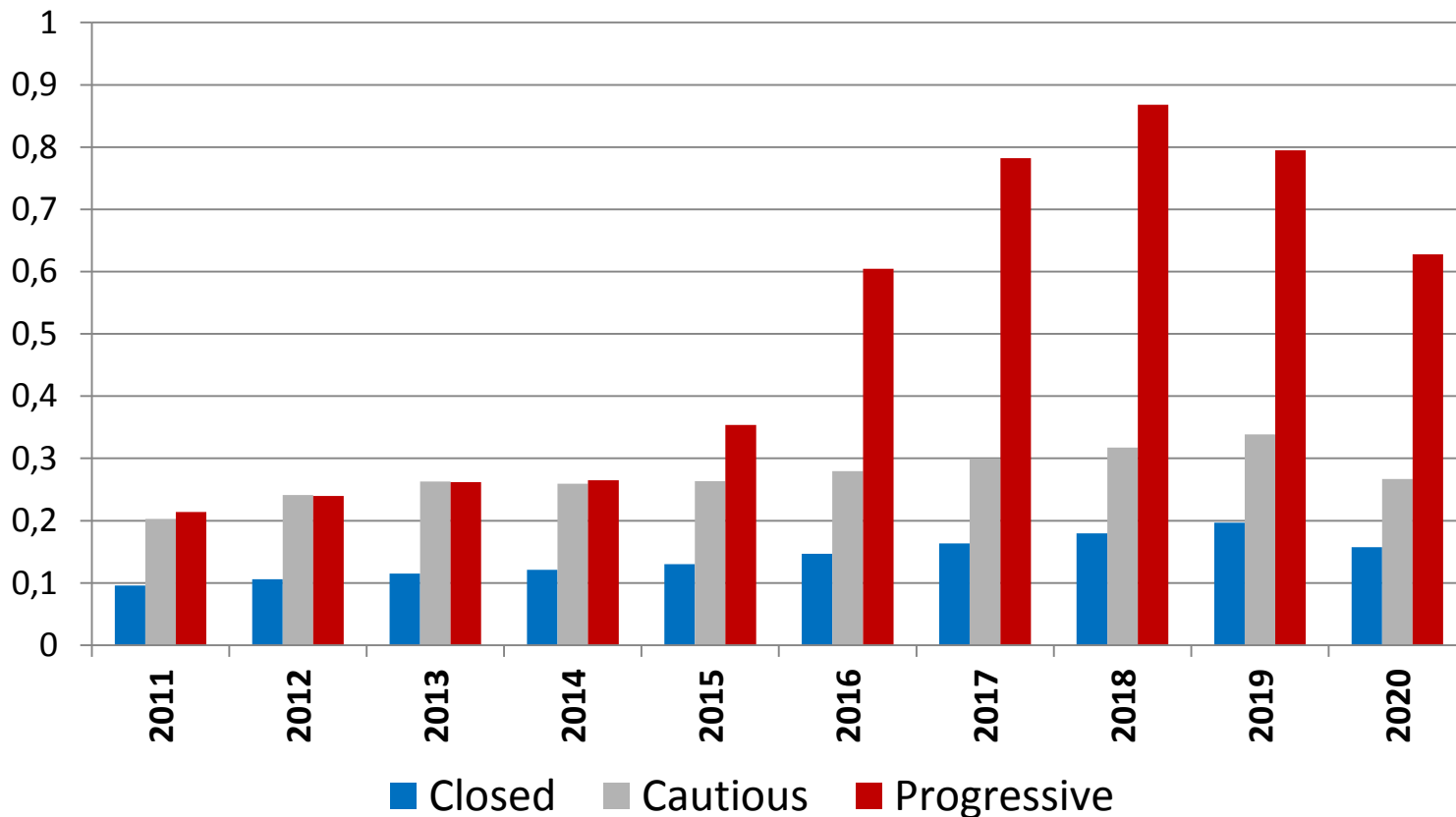
# Projected cumulative inflow of EaP nationals to EU25 under three scenarios

EU14 and EU8 as a whole, stock, in million



# Projected yearly stock of EaP nationals to EU25 under three scenarios

EU14 and EU8 as a whole, flows, in million



# EU14 projections: 2011-2020

- No policy change: on average about 100 thousand migrants per annum (1.03 million migrants over 2011-2020)
- Liberalisation of short-stay visa leads to essentially no additional migration,
- Labour market liberalisation is projected to result in on average 100 to 300 thousand additional migrants per annum

**Labour market liberalization would lead to 0.96 to 3.03 million additional migrants over 2011-2020, depending on economic conditions as well as migration policies**

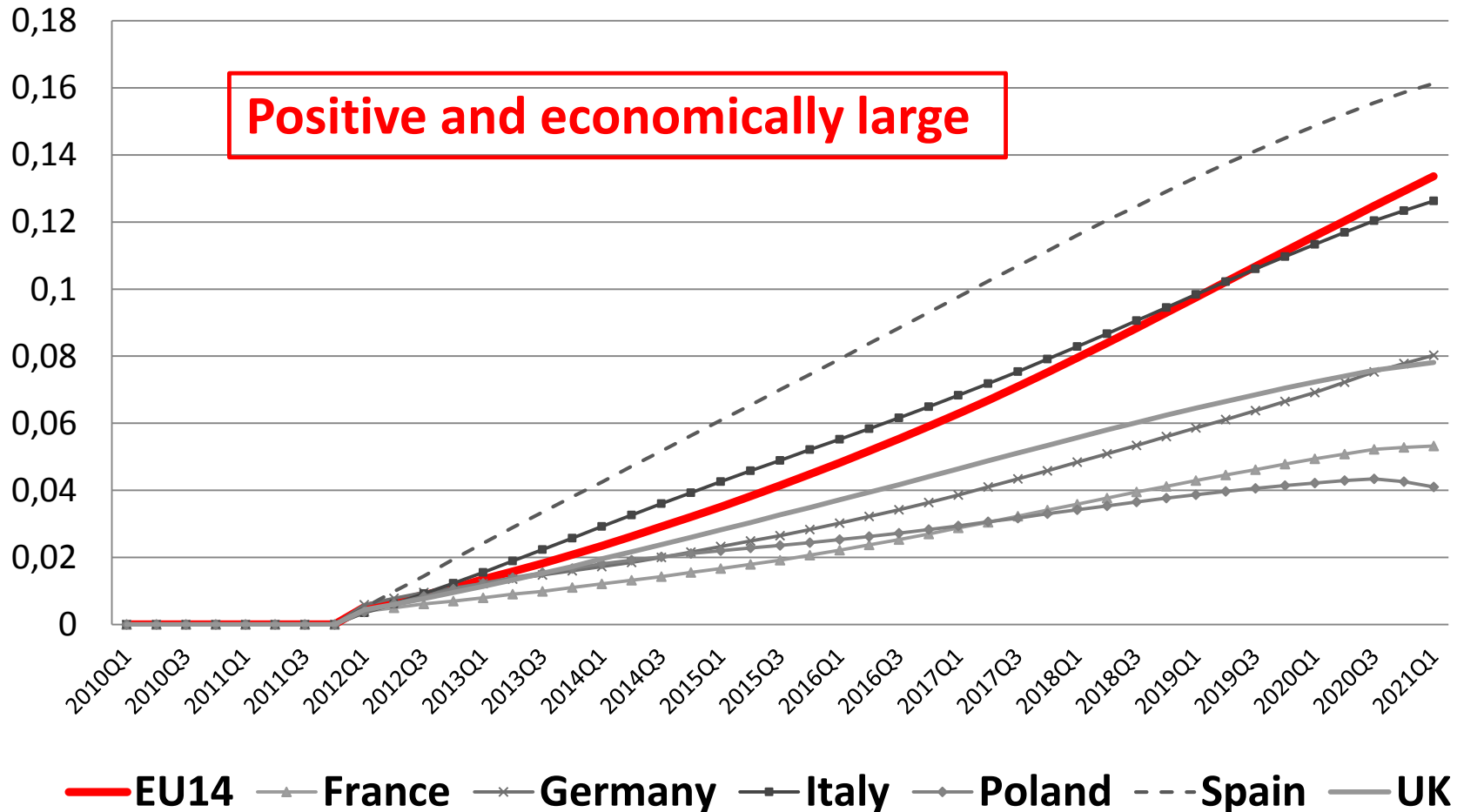
# EU8 projections: 2011-2020

- No policy change: on average about 40 thousand net migrants from the EaP per annum (0.4 million migrants over 2011-2020),
- Essentially no additional migrants if short-stay visa is liberalised
- Selective labour market liberalisation is projected to result in little additional migration, up to 8 thousand migrants per annum; full liberalisation is projected to result in on average 37 thousand additional migrants per annum

**Labour market liberalization likely to result to between 0.08 and 0.56 million additional migrants over 2011-2020, depending on economic conditions as well as migration policies**

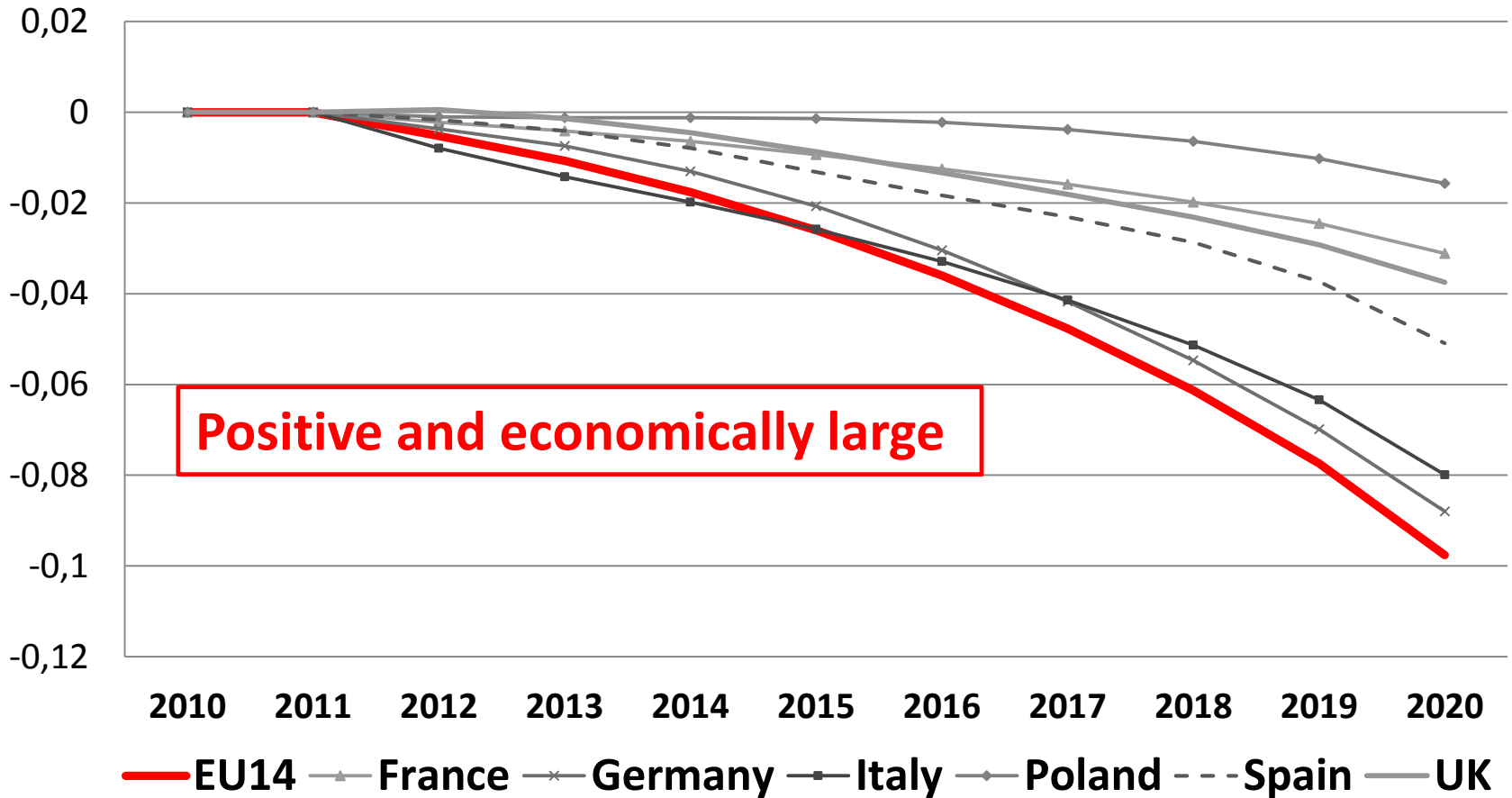
**Estimated macro-level effects  
of projected flows  
(NiGEM simulation model)**

# 'Closed Europe' simulated migration effects on GDP (%)

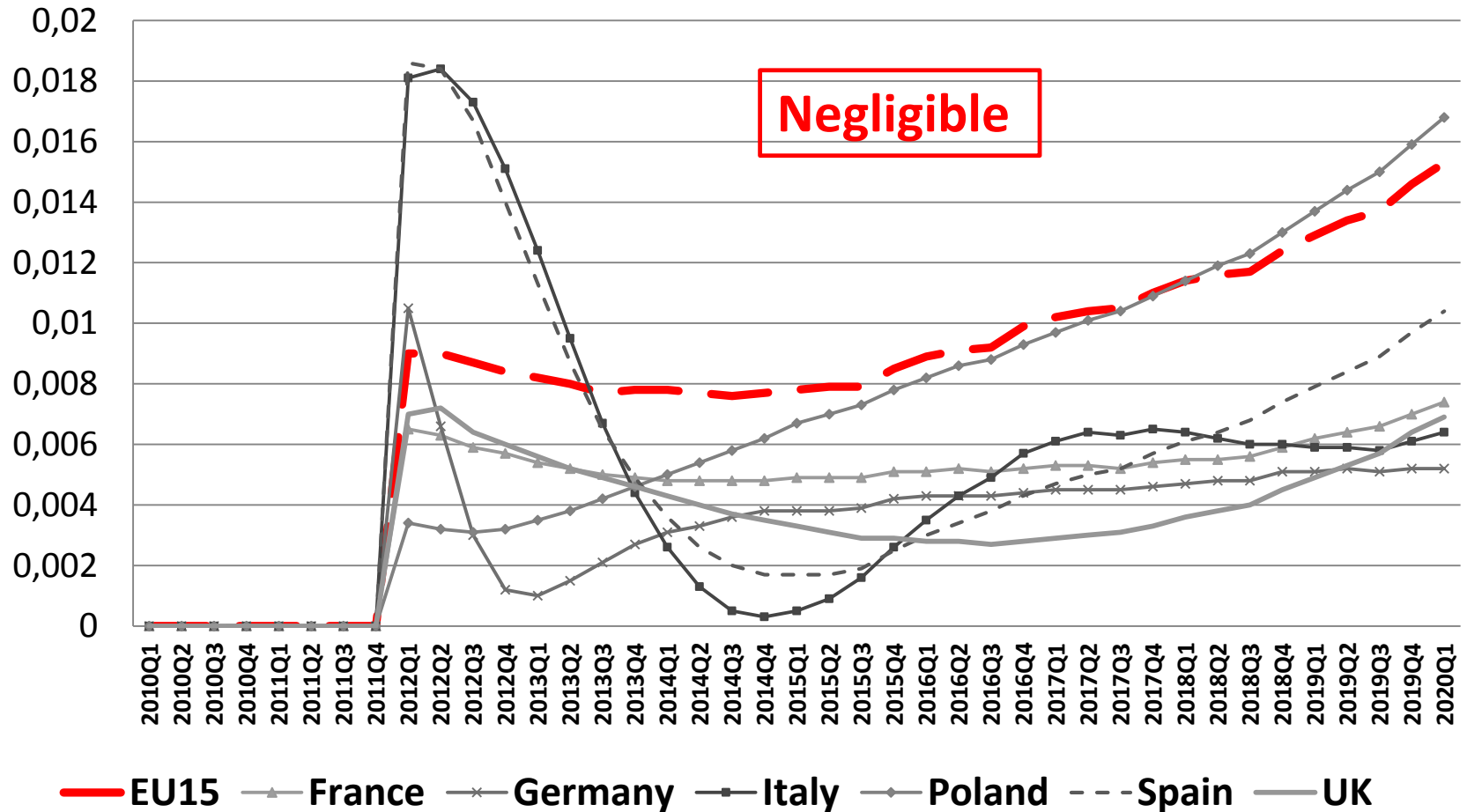




# 'Closed Europe' simulated migration effects on inflation (%)



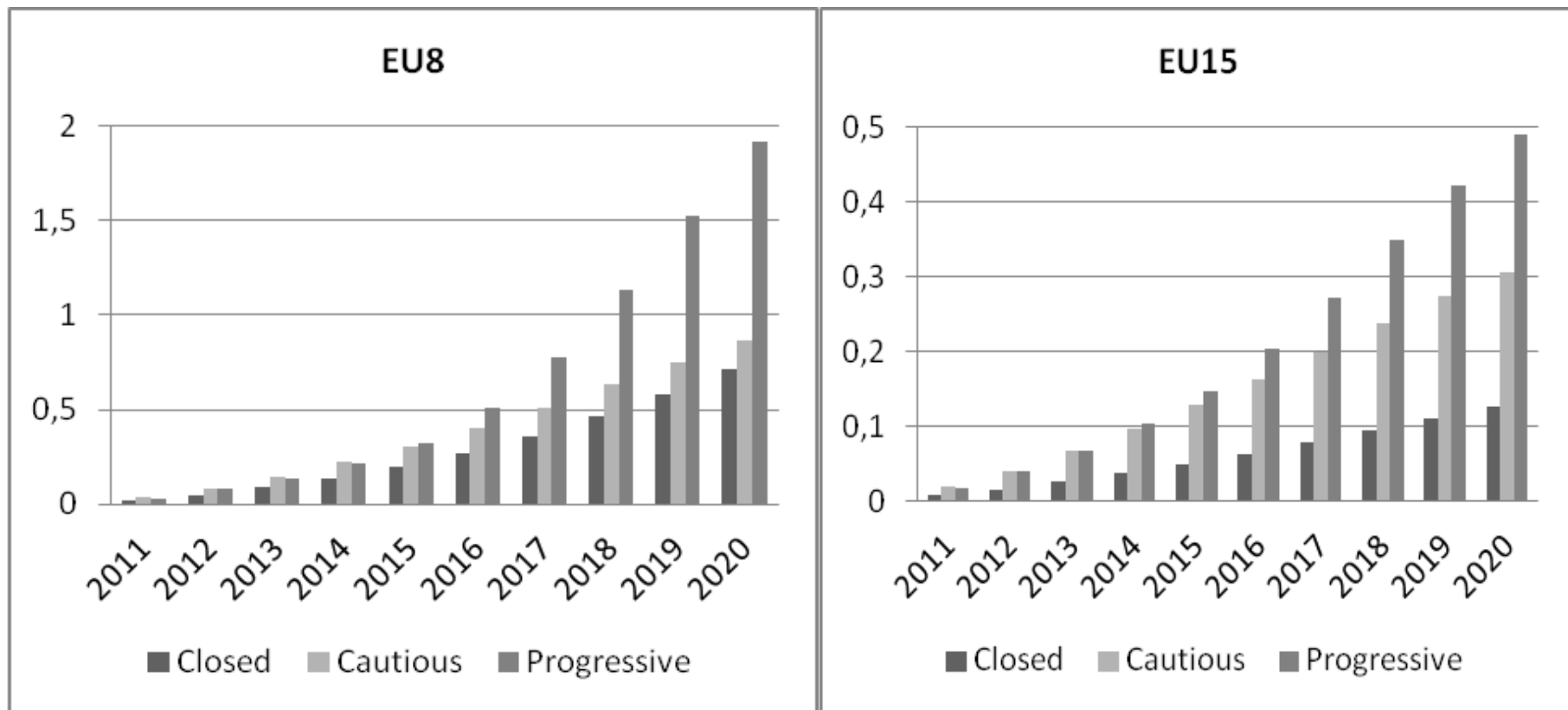
# 'Closed Europe' simulated migration effects on unemployment (%)



# 'Closed Europe' projected effects

- Most migrants originate from UA and go to IT or DE
- Positive effects on GDP and GDP per capita, reaching 0.129 percentage points in the EU14 and 0.296 percentage points in EU8 above the no-migration benchmark by the end of 2020
- Anti-inflationary effects, attaining -0.15 percentage points in the EU14 and -0.297 percentage points in the EU8 by 2020
- Small effects on unemployment, increasing it by 0.009 percentage points in the EU14 and 0.058 percentage points in the EU8 by 2020. This is upper bound, complementarities ignored.

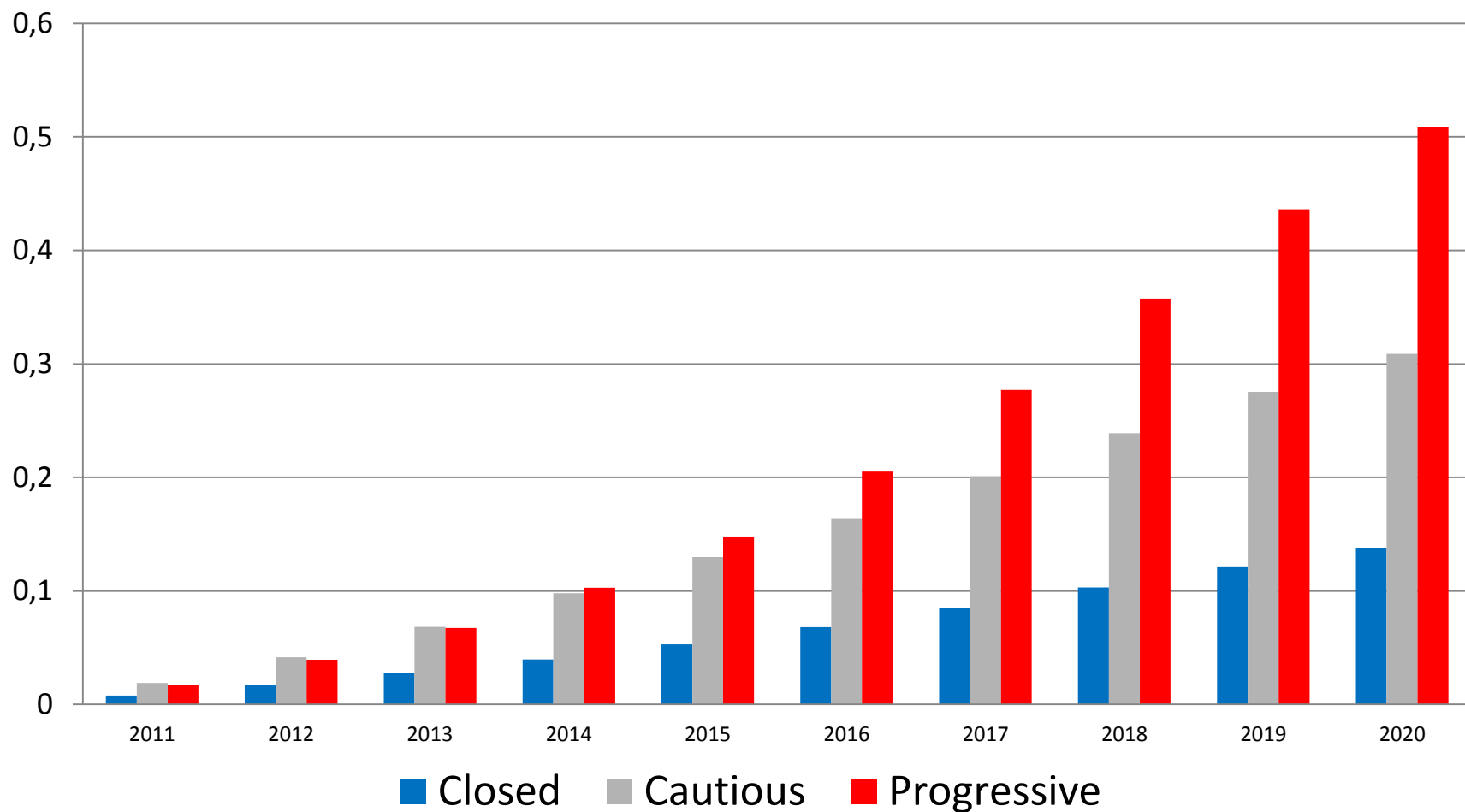
# The role of migration policies towards the EaP nationals for GDP in Europe



**Magnitude of positive effects on GDP increases with more liberal scenario**

# The impact of migration policies towards the EaP nationals on GDP in EU25 as a whole

Percentage point deviations from no-migration benchmark



# Summary of migration projections

- It is reasonable to expect modest migration flows from EaP countries (mostly from Ukraine) over the next decade if the policy status quo is maintained, and somewhat increased but still moderate flows if a more liberal migration framework is implemented
- Under the scenario with most liberalised labour markets strong economic performance in the EU, EU8 countries are projected to attract about 566 thousand additional migrants over 2011-2020.
- In all scenarios the bulk of migrants from the EaP-countries stem from Ukraine. The share of immigrants to the EU14 from this country in all EaP migrants varies between 68% and 82% depending on the respective scenario
- About 1.4 per cent of EaP countries' populations to move to the EU14 during the period 2011-2020 in the baseline scenario.

# Summary of estimated effects

- The projected migration from the EaP to the EU is likely to have a positive impact on host countries' GDP in the medium-term horizon 2010-2020
- A more liberal migration framework with EaP countries is likely to bring greater benefits to host EU countries, especially as concerns host countries' GDP and inflation.

# Conclusions

- EaP migrants exhibit characteristics that make them well suited to address labour market shortages in the EU both at the high-skilled and low-skilled spectrum
- We consistently identify that the effects of migration are more positive in case of liberalisation which generates better matching and so more favourable impact for countries and migrants
- Based on assessment of EU's labour market needs, migration potential in the EaP countries, and on finding generally positive effects of increased mobility to and within the EU, we see stable or moderately increased mobility as a positive and desirable outcome
- Policy improvements on multiple fronts should be considered in order to maximize benefits of EaP-EU mobility





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