East-west migration flows following enlargement

A tentative assessment

Karl Pichelmann *

Abstract

Given that barriers to trade, FDI and other capital movements have already been largely removed, the free movement of persons and workers constitutes the probably most significant dimension of economic integration to change compared to the status-quo after accession of the central and eastern (CEE) candidate countries to the EU. Certainly, the large gaps in per capita income and wages between the present EU members and the accession candidates provide high incentives for east-west migration, which are likely to persist for quite some time; furthermore, geographical proximity and established historical and cultural ties may ease migration flows from the CEE countries. Not surprisingly, thus, a debate on the economic and social consequences of immigration, possibly on a large-scale, has been triggered in many countries. Against this background, the purpose of this note is to shed some light on the likely potential of east-west migration flows following enlargement and its impact on the host countries. Space restrictions do not allow to survey the vast body of research already existing on the subject in any elaborate manner, but we will first try to recapitulate very briefly the main findings of the literature on the economic effects of immigration; then migration projections for different accession scenarios will be developed, followed by a brief qualitative look behind the projected aggregate numbers. Overall, we will conclude that fears of mass migration following enlargement, creating significant problems of labour market integration and social cohesion in the receiving countries, appear to be ill-founded. Arguably, migration pressures will tend to concentrate on countries and regions geographically closer to the accession countries, but even for the two most affected countries, namely Austria and Germany, the impact of migration on wages and employment prospects of the native workforce is likely to remain rather moderate.

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1. East-west migration flows: setting the stage

Shortly after the fall of the iron curtain, the rising tide of east-west migration flows induced by economic, political or ethnic reasons led to concerns regarding the possibility of large-scale population transfers. However, these concerns have not been realised. Although westward emigration flows have continued, in particular towards Germany, they have diminished considerably since 1993. Very rapidly, due largely to the restrictive policies implemented in the principal host countries, the emigration of CEEC nationals took on a temporary nature, being characterised now predominantly by short and frequent moves of workers under (legal) temporary contracts and of short-term income-seeking labour tourists.

An accession of the CEECs to the EU will fundamentally alter the conditions of migration. Free movement of workers as enshrined in Article 39 EC, is one of the four fundamental liberties granted under Community law. It has three main aspects:

- access to employment: a Union citizen has the right to look for work and take up employment in any other Member State
- residence rights: the worker has the right to reside in the host State and to have his/her family join him/her in that State
- equality of treatment: any discrimination based on nationality is forbidden.

Indeed, given that barriers to trade, FDI and other capital movements have already been largely removed, the free movement of persons and workers constitutes the probably most significant dimension of economic integration to change after accession compared to the status-quo. Certainly, the large gaps in per capita income and wages between the present EU members and the accession candidates provide high incentives for east-west migration, which are likely to persist for quite some time; furthermore, geographical proximity and established historical and cultural ties may ease migration flows from the CEEC countries. Not surprisingly, thus, a debate on the economic and social consequences of immigration, possibly on a large-scale, has been triggered in many countries. In particular, fears have been raised in sometimes emotionally highly charged debates that east-west labour flows may lead to a further far-flung deterioration of the labour market position of the unskilled, associated with job displacement and wage losses for the indigenous workforce.

The experience of the previous Southern enlargement comprising Greece, Portugal and Spain (Med-3) can be used as a benchmark for a first assessment to what extent these concerns may be justified. However, it should also be noted that the forthcoming enlargement differs in several important aspects from the accession of the Med-3, notably with respect to opportunities for cross-border commuting, attaching some caveats to simple comparisons. Anyway, from an overall perspective the removal of barriers to labour mobility has had only a minor impact on migration flows from the Med-3 into the EU. According to the latest available figures, less than 2 million citizens from the Med-3 are resident in other EU countries, a number equivalent to about 3 percent of the combined Med-3 population. Moreover, the present stock of Med-3 citizens resident in other EU countries has not been the result of a quick build-up following accession and the introduction of the principle of free movement of labour; in fact, aggregate net migration flows for the Med-3 have been practically nil over the past decade.
However, the aggregate picture masks considerable different country-specific migration patterns from the Med-3. The highest propensity to migrate into the EU is found among Portuguese citizens; almost 10 percent of the Portuguese population are resident in other EU countries, predominantly in France, followed by Germany and Luxembourg. The number of Greek citizens living in another EU country amounts to slightly more than 4 percent of the Greek population; the prime destination country for the Greeks has been Germany, where more than 4/5 of the EU-migrants from Greece reside. The number of Spanish citizens in other EU countries is considerably smaller in relative terms, amounting to slightly more than 1 percent of the Spanish population, with the major destination countries being France, followed by Germany.

Chart 1 shows the evolution of stocks of foreign workers from the Med-3 in the two single most important destination countries Germany and France over the period 1985-1995. Clearly, the development has not been homogenous across countries: while the number of workers from Spain decreased in both France and Germany, the number of Portuguese workers fell significantly in France, but rose in Germany. The stock of Greek citizens resident in Germany increased by about 80,000 (somewhat less than 1 percent of the Greek population) in that period, with around 1/3 of them joining the labour force. Thus, the labour market participation rate of the immigrants has been lower than that of the initial stock of Greek citizens in Germany. This holds also true for the net migration flows from Portugal to Germany.

Chart 1

![Stock of foreign labour from the Med-3 in Germany](image)

![Stock of foreign labour from the Med-2 in France](image)
Against this background, the purpose of this note is to shed some light on the likely potential of east-west migration flows following enlargement and its impact on the host countries. Space restrictions do not allow to survey the vast body of research already existing on the subject in any elaborate manner, but we will first try to recapitulate very briefly the main findings of the literature on the economic effects of immigration; then migration projections for different accession scenarios will be developed, followed by a brief qualitative look behind the projected aggregate numbers. Overall, we will conclude that fears of mass migration following enlargement, creating significant problems of labour market integration and social cohesion in the receiving countries, appear to be ill-founded. Arguably, migration pressures will tend to concentrate on countries and regions geographically closer to the accession countries, but even for the two most affected countries, namely Austria and Germany, the impact of migration on wages and employment prospects of the native workforce is likely to remain rather moderate.

The economic impact of immigration: basic considerations recapitulated

The simplest way of thinking about the economic effects of immigration is in terms of an equilibrium labour demand-labour supply model, where immigrants induce an outward shift of perfectly inelastic labour supply.

Fig.1: The immigration surplus in a model with homogenous labour and fixed capital

For an inflow of M foreign workers, output increases by the area NBCL; NDCL is the immigrants' wage bill, and the immigration surplus is given by the area of the triangle BCD. Note that a plausible picture corresponding to more realistic values would rather put the vertical lines N and L much closer together. Indeed, for a 10 percent addition to the initial labour force a typical estimate would suggest an overall immigration surplus of about 0.1-0.2 percent of GDP (Borjas, Freeman and Katz 1997).
While the overall immigration surplus turns out to be fairly small, the distributional effects tend to be more significant. In the above model, the native wage bill falls by the area $w_0Bw_1D$, which accrues to the owners of capital together with the immigration surplus. However, to put things into perspective, note that again assuming an immigration inflow of 10 % of the labour force, a typical calculation would suggest an income redistribution of about 2 % of GDP from native workers to capital-owners. Clearly, when wages are sticky downwards, no surplus from immigration will arise, but unemployment will emerge.

Refinements of the model include the introduction of heterogenous labour, usually distinguishing between high-skilled and low-skilled workers, both among natives and immigrants, and lifting the assumption of a fixed capital stock. An assessment of gains and losses for the different factors of production then requires information on the respective factor price elasticities, on the skill-mix of both native workers and immigrants and on the degree of complementarity/substitutability between these different groups of workers.\(^1\)

Based on a model of this type, Bauer and Zimmermann (1995) have attempted to gauge the magnitude of migration's gains and distributional effects on native factors of production applying calibration techniques using data for Germany. Their results confirm the general observation that under reasonable assumptions the overall impact of immigration remains fairly limited, while the distributional effects are significantly more pronounced; see below for an impression of the order of magnitudes involved.\(^2\)

<table>
<thead>
<tr>
<th>Skill-mix of immigrants</th>
<th>all unskilled</th>
<th>50:50</th>
<th>all skilled</th>
</tr>
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<tbody>
<tr>
<td>Capital</td>
<td>0.71</td>
<td>0.95</td>
<td>1.13</td>
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<tr>
<td>Labour</td>
<td>- 0.51</td>
<td>- 0.91</td>
<td>- 1.07</td>
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<td>of which:</td>
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<td></td>
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<tr>
<td>- skilled</td>
<td>1.33</td>
<td>- 0.14</td>
<td>- 1.60</td>
</tr>
<tr>
<td>- unskilled</td>
<td>- 1.84</td>
<td>- 0.77</td>
<td>0.53</td>
</tr>
<tr>
<td>Natives total</td>
<td>0.20</td>
<td>0.04</td>
<td>0.06</td>
</tr>
<tr>
<td>Immigrants</td>
<td>2.18</td>
<td>3.13</td>
<td>3.72</td>
</tr>
<tr>
<td>Overall total</td>
<td>2.38</td>
<td>3.17</td>
<td>3.78</td>
</tr>
</tbody>
</table>

Source: Calculated from Bauer and Zimmermann (1995), Table 6. Income shares are kept fix at 14 % for the unskilled, 56 % for the skilled and 30 % for capital. The factor price elasticity for the unskilled is assumed to be -0.85, and -0.45 for the skilled. The elasticity of the wage of skilled workers with respect to a change in the quantity of unskilled is 0.15, and the respective elasticity for the unskilled wage is 0.55. The share of skilled workers in the labour force is 72.9 %.

\(^1\) Models of this type have been championed for the US by George Borjas; see for example Borjas (1995).

\(^2\) The authors also analyse disequilibrium settings, where immigration may cause unskilled unemployment, with potential losses for natives running up to 5 % of national income in worst case scenarios with immigrants crowding out native unskilled workers on a one-to-one basis.
It should be noted, though, that perceptions of the distributional impacts of immigration may alter drastically when different types of economic models are entertained. Indeed, standard trade theory offers the strong presumption that immigration may have no significant effect on income distribution at all, because of the output-composition effect in a multi-sector economy (Rivera-Batiz 1983). Putting model mechanisms in a nutshell, the increase in labour endowments caused by immigration may simply allow for an expansion of the labour-intensive sectors, eliminating any tendency for the wage rate to fall. Clearly, though, when market imperfections are taken into account, such as less than fully mobile factors of production, income distribution effects are reintroduced into these models.

In summary, economic theory suggests that free international movement of labour tends to be beneficial because of allocative reasons, at least for the economy as a whole. The key issue for evaluating the labour market effects of immigrant labour is whether migrants are substitutes or complements to natives. Assuming that migrants from the CEECs will mainly compete with blue-collar domestic labour for unskilled and low-paid jobs, it is precisely this group of native workers who might see their wage and employment opportunities depressed. However, as long as the migrant flows are not too large, negative impacts on native workers are likely to remain rather moderate.
2. Enlargement migration scenarios for 2005-2010

It goes without saying that any projection of east-west migratory flows following enlargement is subject to a considerable degree of uncertainty. Thus, the migration scenarios presented here must not be taken as actual forecasts, but rather serve illustrative purposes. The scenarios are largely compiled from the existing literature and are therefore fairly in line with the available empirical evidence. The basic ingredients of the enlargement migration scenarios presented here can be summarised as follows:

- The cumulated net out-migration rate is calibrated to a value of 3 percent of the sending CEEC-10 countries' population over a period of 15 years. This is broadly consistent with a number of studies on migration potentials referring to survey results, econometric estimates and/or historical experience.

- Annual outflow rates are assumed to increase gradually due to 'learning effects', reaching a peak after a period of 3-4 years, and to decline more or less in a linear way thereafter.

- Using available estimates for the sensitivity of migration propensities with respect to income gaps and unemployment gaps and taking into account the varying sizes of the agricultural sectors, out-migration rates are differentiated across the CEEC-10 countries as shown in Chart 2. However, a similar time profile of out-migration rates is applied for all CEEC-10 countries.

Chart 2
• Putting scenarios into perspectives, the present scenario for net out-migration rates from the CEEC-10 differs only marginally from the results of a recent study commissioned by the DG Employment and Social Affairs, both in terms of levels and time-profiles; see Chart 3. Overall, thus, the anticipated migratory pressures are of a fairly similar order of magnitude. For a comparison, the chart also shows the net out-migration rates from Greece into the EU-15 following the complete lifting of barriers to the free movement of people.

Chart 3

• Applying the out-migration rates as shown in Chart 2 to population figures for the CEEC-10 then allows to compute out-migration flows in absolute numbers.

• The present note explores two entirely hypothetical enlargement scenarios. Scenario 1 assumes that Poland and half of the countries of the CEEC-8 (except Romania) would join the EU in 2005. Scenario 2 describes the case where all CEEC-10 join in 2005. Both scenarios are analysed under the assumption that migration would be unimpeded from the time of accession.

• The projected annual net migration flows and cumulated figures over time are given in Charts 4 and 5. It should be stressed again at this point, however, that any such estimate is subject to a considerable degree of uncertainty given the uniqueness of the process under consideration.

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3 European Integration Consortium (2000).
4 The figures are taken from the UN population projections.
5 All calculations refer to the baseline growth scenario for the EU-15 and the CEEC-10.
Chart 4

Scenario 1: Annual flows of net migration into the EU-15 2005-2010 (in 1000s)

- CEEC-8/2
- POLAND

Scenario 1: Cumulated migration flows into the EU-15 2005-2010 (in 1000s)

- CEEC-8/2
- POLAND

Chart showing annual migration flows and cumulated migration flows from CEEC-8/2 and Poland.
Chart 5

Scenario 2: Annual flows of net migration into the EU-15 2005-2010 (in 1000s)

YEAR

Scenario 2: Cumulated migration flows into the EU-15 2005-2010 (in 1000s)
Under the assumptions of scenario 1, annual flows of net out-migration from Poland and a "hybrid" 1/2 of the CEEC-8 into the EU-15 are estimated to increase from initial values of about 100,000 to a peak value of about 200,000 persons 3-4 years after accession, gradually abating thereafter. Cumulated over the period 2005-2010, the total number of migrants is expected to come close to 1 mill, around three quarter of which will be Poles; see Chart 4.

Putting the results of the present scenario into perspectives, it may be interesting to note that household polls on migration intentions in the Czech Republic, Hungary, Poland and Slovakia indicated a migration potential of about 700,000 persons, equalling about 1% of the over 14 year old population of these countries (Fassmann and Hintermann (1997). The migration projections in the recent study by Boeri and Bruecker (2000) also fall somewhat below the ECFIN scenario. However, econometric studies applying estimates for the income-elasticity of migration flows across European regions (Barro and Sala-i-Martin 1995) to the CEEC-case tend to come up with significantly higher numbers; for example, Franzmeyer and Bruecker (1997) estimated a yearly migration potential of between 340-680 thousand people from Poland, Hungary, the Czech Republic, Slovakia and Slovenia into the EU-15 immediately after accession. Salt et al. (1999), on the other hand, argue that in the medium-long term estimates based on the experience of other Member States have the most validity, suggesting an annual migration from the Czech Republic, Hungary, Estonia, Poland and Slovenia to the rest of the EU of between 55,000 and 278,000 per year, perhaps half of which will be labour. The latter study also offers a useful synopsis of research on the migration potential following enlargement.

Scenario 2 puts the peak value for annual net migration outflows from the CEEC-10 at around 350,000 persons 3-4 years after accession. Cumulated over the period 2005-2010, the absolute net number of migrants is estimated at 1.7 million people; see Chart 5. This corresponds to around 1.6 percent of the sending countries' total population, and to 0.66 percent of the projected working-age population of the EU-15 in 2010.

It may be worth noting in this context that the current Eurostat population projection foresees only a small increase in the working-age population for the EU-15 from 249 mill. in 2000 to 251 mill. in 2010, even under the assumption of net immigration from outside the Union totalling 6 mill. over that period.

Thus, from a bird's eye view potential labour migration following enlargement should not pose any major economic problem for the EU as a whole. However, migration streams following enlargement will not be uniformly spread across the whole EU. Assuming that migration streams from the CEEC-10 will flow along existing ethnic networks and geographic distance, it is quite likely that East-West migration will be mainly concentrated on Germany and Austria. Indeed, normalised by relative population size, Austria exhibits by far the largest share of residents from the CEEC-10, followed by Germany, Sweden and Finland; for all the other Member States, their share of CEEC-10 residents is less than proportionate; see Chart 6. Overall, the most recent statistics indicate a recorded resident stock of CEEC-10 nationals in the EU of about 850,000. Germany has attracted the by far highest number of residents from the CEEC-10, with a share of almost 2/3, followed by Austria, the UK and Italy.
Following the approach by Boeri and Bruecker (2000), the projections here assume as a variant A that cross-country migration destination patterns following enlargement will resemble the present distribution of residents from the CEEC-10 in the EU-15. Furthermore, the distribution pattern across destination countries is taken to be constant over the period under consideration.

Chart 7

Case A: Destination distribution resembles distribution of residents from the CEEC-10 in EU-15

1998

DE 66%

AT 12%

GR 2%

ES 1%

FR 3%

IT 4%

LU 0%

NL 1%

Other 9%

BE 1%

DK 1%

UK 5%

IE 0%

PT 0%

FI 1%

SW 3%
In a second variant B, a different assumption regarding the destination distribution of migration streams from the CEEC-10 countries into the EU-15 is entertained; it combines a fairly crude gravity approach, with demand pull approximated by the relative economic size of EU-15 countries measured in PPPs (with a weight of 2/3), and the current distribution of CEEC-10 residents across the EU (with weight 1/3)\textsuperscript{6}. The resulting destination distribution is depicted in Chart 8. Basically, compared to Case A this variant redistributes migrants away from the destinations Germany and Austria to the larger EU-economies of the UK, France, Italy and Spain.

Chart 8

The resulting projections for migration flows into the individual EU-15 destination countries for the different enlargement scenarios are summarised in Charts 9 and 10, showing both estimated absolute numbers of net migration inflows cumulated over the period 2005-2010 for each country and the cumulated net inflows as a percentage of the working-age population of the respective receiving countries in 2010. In interpreting these figures, it probably goes without saying here again that forecasts of this type require faith and a good crystal ball.

\textsuperscript{6} It is of course easy to think of more sophisticated approaches introducing additional explanatory variables determining the destination of migration flows. However, given the uncertainty surrounding all these estimates this would only pretend a degree of precision which is simply not available.
Chart 9

Scenario 1: Cumulated migration inflows into the EU-15 2005-2010 (in 1000s)

Scenario 1: Cumulated migration inflows into the EU-15 2005-2010 (in % of the working-age population)
Chart 10

**Scenario 2: Cumulated migration inflows into the EU-15 2005-2010 (in 1000s)**

<table>
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<tr>
<th>Country</th>
<th>CASE A</th>
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**Scenario 2: Cumulated migration inflows into the EU-15 2005-2010 (in % of the working-age population)**

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<tr>
<th>Country</th>
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<td>EU-15</td>
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In terms of absolute numbers, Germany always receives by far the largest number of migrants in these projections. With destination patterns resembling the current distribution of CEEC-10 residents in the EU, Germany may be expected to see a cumulated net inflow of migrants of slightly more than 600,000 people under scenario 1, and of about 1.1 mill. in case of CEEC-10 enlargement. Austria comes out second, with corresponding numbers projected at 115,000 and 205,000, respectively. For all other EU-15 countries, projected absolute numbers are smaller by an order of magnitude.

In relative terms, when cumulated net-inflows of migrants are measured as a percentage of the projected working-age populations in 2010, Austria clearly emerges as the country most strongly affected, irrespective of the different distributional assumptions regarding destination patterns. In variant A, projected values for Austria for this share amount to 2.1 % in scenario 1, and to 3.7 % in case of CEEC-10 enlargement. The corresponding values for Germany, the second strongest affected country in relative terms according to these projections, read as 1.1 % and 2 %, respectively. For all other EU-15 countries, projected magnitudes of cumulated net-migration flows are fairly small in relative terms, not exceeding 0.67 % of the working-age population even in case of all CEEC-10 acceding; Sweden, Finland, Greece and Denmark fall in the range of between 0.5 - 0.67 %, while the rest of the EU-15 Member States are estimated to record cumulated inflows of less than 0.5 % of their working-age population.

When economic size matters more for determining the destination of migration flows (variant B), migration flows may tend to be less concentrated on Austria and Germany and to be somewhat more equally distributed across the EU-15 than in the baseline projections. However, the overall qualitative picture does not change very much. Austria still appears most likely to be the country relatively strongest affected by migration, followed by Germany, while for the rest of the EU-15 countries net-immigration flows induced by CEEC-10 enlargement are projected to vary around a value of about 0.5 % of their working-age populations.

In summary, thus, these projections suggest that from an overall economic perspective potential east-west net flows of labour following enlargement do not appear to pose any serious threat to jobs and wages in the EU as whole. However, the likely geographical concentration of relative migratory pressures indicates that some countries and regions, in particular Austria and Germany, may indeed face significant adjustment problems to cross-border labour flows, including commuting. Certainly, the potential magnitude of a negative impact on wages and employment prospects of the native workforce should not be overestimated; however, it may fall mainly on top of a group already exposed to relatively high labour-market risks. Against this background, the next section will attempt to take a look behind the aggregate migration figures in order to better assess the potential distributional impact on labour market outcomes.
3. A brief look behind the aggregate numbers

Labour migration is conventionally seen as the movement of people who leave their country for socio-economic reasons with a view to working in another country, typically involving a more or less permanent change of residence. However, migration is by no means a homogenous phenomenon, even when considering only labour migration and the associated family migration in the stricter sense. Indeed, an important conclusion from the east-west migration potential studies is the need to differentiate between various types of migration, in particular distinguishing between short-term and more permanent movement. Existing survey studies do suggest, for example, that the propensity for permanent emigration is fairly small for Czechs, Poles and Hungarians, while the preference for short-term migration, including cross-border commuting, seasonal and casual work is clearly much higher. Such patterns of "incomplete migration", where those involved make frequent short-duration trips abroad to earn a living while maintaining a home in the origin country, already exist, both in legal and illegal forms. Thus, it is not implausible to assume that incomplete migration will be the more important type of east-west labour flows following accession than conventional migration.

Given the unique combination of long common borders with almost no geographical barriers and high permeability between countries with very different income levels, one might envisage, in particular, an upsurge in cross-border commuting, perhaps on a weekly or even longer term basis. Indeed, combining the high wage levels in economies such as Austria or Germany with the low cost of living at the original place of residence may form a fairly attractive option for workers from the neighbouring CEEC-countries. It is fairly difficult, however, to project cross-border commuting potentials; in particular, historical experience offers little guidance, since earlier enlargements of the EU did not encompass integration of high wage and low wage economies with such high population densities in the immediate vicinities of the borders.

A related phenomenon, probably again affecting particularly border regions adjoining the CEECs, could be a significant increase in the cross-border provision of services, including construction, through posted workers or self-employed. Following the "Rush Portuguesa" judgement, the EC Directive 96/71/EC has brought an obligation to uphold certain minimum wage and working conditions prevailing in the countries receiving temporarily posted workers. However, recent EU experience clearly suggests that legal enforcement may be difficult to achieve; but perhaps more important, even when the respective minimum requirements as regards wage rates and other employment conditions are honoured, the labour cost of posted workers may fall considerably short of the going effective wages for indigenous workers.

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7 Other major types of migration include, inter alia, ethnically based migrations, transit migrations or the movement of refugees and asylum seekers.
8 Salt et al. (1999) distinguish two types of so-called labour tourists: (a) short-term income-seeking workers, often without appropriate documents whose average stay is 2-4 months, currently estimated to number 600-700,000 annually (Morawska, 1999); and (b) a smaller group of contracted temporary workers, about 300,000 in number.
9 Existing estimates of the commuting potential between Austria and its CEEE neighbours, for example, put the numbers at between 40,000 up to 110,000 over the first five years, with some estimates as high as 200,000 or more over a ten year period.
Obviously, the likely types of east-west labour flows to occur are intimately interrelated with the personal profiles of the migrants. If the assertion is correct that labour flows will be predominantly of the temporary, incomplete migration type, the majority of migrants can be expected to be young, single males, while family migration may be of somewhat less importance, at least in the initial years. Another implication is that legalisation upon accession may partly bring to the surface already existing undocumented temporary migration.

An important question concerns the skill distribution of migrants. As Salt et al. (1999) point out, in general, emigration is selective, in that the better off move: the old adage that "migrants move from positions of strength" seems to be applicable. However, the jobs taken in destination countries are frequently of a lower qualification level than those left, with migrants going into construction, manufacturing and low skill service jobs. Morawska (as cited in Salt, op. cit.), putting together evidence from various studies, suggested that 12-14 per cent of post-1989 westbound migration could be classed as highly skilled comprising, inter alia, managers, scientists and researchers, and students.

In general, human capital endowments of the CEE countries, measured by formal indicators such as school enrolment rates and average years of schooling, are higher than those of countries with comparable income levels, exceeding also those of the Southern EU Member States, and almost matching those of the other EU Member States. However, formal enrolment rates may not be easily comparable given the fairly different educational systems; moreover, there is evidence that the quality of education falls considerably short of average standards in the EU.

At the risk of oversimplification, it is tempting to speculate, based on historical experience, about a potential polarisation of migrants' jobs along the qualification dimension, with the far bigger pole formed by low-skilled, low-paid, flexible and often atypical jobs, probably quite regularly also associated with some sort of "brain waste". At the upper end of the job spectrum one might find a group of highly skilled immigrants, comprising for example groups such as professional support personnel and managerial representatives or scientists, researchers and specialists in various fields, in particular where a "common language of understanding" can be easily established.

A special migrant group is likely to be formed by students from the CEECs receiving tertiary education in countries of the EU-15. At present, their number is still relatively

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10 Migration research does suggest, however, that migration should be modelled as a household decision, even if only single family members move.
11 The "investment" cost associated with migration usually require to surpass at least a minimum threshold level of income and/or wealth (including human capital). This explains to some extent, why unemployment rates tend to be poorer predictors of migration movements than income differentials and employment opportunities in the destination countries.
12 See Boeri and Bruecker (2000) for a discussion of human capital quality in the CEECs.
13 In general, lower reservation wages (in the sense of accepting jobs of a lower calibre than, in principle, being qualified for) may put immigrants on a competitive advantage relative to the indigenous workforce. However, both insider-outsider and efficiency wage considerations do suggest that "underbidding" may not be a real-world option in many cases.
low, according to recent statistics. While a trend increase in these numbers appears fairly likely, it remains unclear, though, what proportion of the foreign students will enter the labour force of their host country during or after their studies.

A type of east-west migration in Europe generally believed to be of less importance in the future is ethnic migration. However, it is of course impossible to rule out the emergence of new refugee and asylum seeker movements following ethnic conflict or other disastrous developments. In any case, a stable democratic socio-political environment respecting, in particular, minority and human rights will be indispensable to prevent people from being forced to leave more or less involuntary their home country.

The final question related to the likely types of migration dealt with here concerns the possible implications for the welfare states of western Europe. Clearly, a relatively larger proportion of temporary, short-term income seekers will tend to pose less of a problem for public welfare provisions. Incomplete migrants are likely to leave their families behind and, thus, to make little demands on social welfare provisions, parental care and public education systems in their host countries. However, it appears fairly implausible to assume that all migrants will be net contributors to the welfare state; the gross number of beneficiaries is bound to increase as well and, after all, the generosity of social protection systems in the west will inevitably also induce some amount of welfare-shopping following CEE countries accession. While the overall intensity of these effect should not be overestimated, in particular for the EU-15 as a whole, it may nevertheless put some pressure on existing systems, with the risk to lead policy to the undesirable effects of either an unfettered erosion of protection levels or an increase in the anti-mobility bias (possibly along duration of residence lines) of existing regulations. Again, the likely concentration of migration flows may specifically expose the bordering countries and regions to this twin dangers.

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14 UNESCO statistics for the mid-90s (cited in Salt et al. 1999) put the overall number of students from the Czech Republic, Hungary, Estonia, Poland and Slovenia in the EU at about 19,000.
15 Some concerns have been voiced in this context, for example, that disrespect of their human rights could lead to a mass exodus of Romas to the west.
16 For a general discussion of trend in welfare systems and labour markets in Europe see Bertola et al. 1999.
4. Summing up

Given that barriers to trade, FDI and other capital movements have already been largely removed, the free movement of persons and workers constitutes the probably most significant dimension of economic integration that will change following enlargement compared to the status-quo. Clearly, the large gaps in per capita income and wages between the present EU members and the accession candidates provide high incentives for east-west migration, which are likely to persist for quite some time; furthermore, geographical proximity and established historical and cultural ties may ease migration flows from the CEE countries. Against this background, concerns have been raised that large scale east-west labour flows may lead to a further far-flung deterioration of the labour market position of the unskilled, associated with job displacement and wage losses for the indigenous workforce.

While, admittedly, forecasting the migration potential from the CEECs requires faith and a good crystal ball, these fears seem to be ill-founded, at least from a bird's eye view. More or less in line with several other studies, the projections presented here suggest that from an overall economic perspective potential east-west net flows of labour following enlargement do not appear to pose any serious threat to jobs and wages in the EU as whole. In the scenario of all CEEC-10 acceding the European Union in 2005, cumulated net inflows of migrants are estimated to amount to well below 1 percent of the EU-15’s projected working-age population in 2010. Even when allowing for a significant upward margin of error, these numbers are simply not large enough to affect the EU labour market in general.

However, the likely geographical concentration of relative migratory pressures indicates that some countries and regions, in particular Austria and Germany, may indeed face significant labour market adjustment problems to cross-border labour flows, including commuting. With migrants presumably competing mainly for unskilled and low-paid jobs, often also accepting some sort of "brain waste", native unskilled labour (including earlier immigrants) in these countries may indeed lose out in terms of wages and job prospects to a visible extent. Certainly, the magnitude of this negative impact should not be overestimated; however, it will likely tend to fall on top of a group already exposed to relatively high labour market risks.

Against this background, calls for the application of curbs on the free movement of workers over a transitional period have been voiced, in particular from Austria and Germany. Indeed, in previous enlargements, there have been temporary arrangements with respect to labour mobility to ensure a smooth process of integration, and it will be for the negotiations to look at this on the basis of evidence about the whole situation across the EU and in individual member states and regions. However, venturing a look beyond 2010, the absorption capacity, not to say the need for migrants, of EU-15 labour markets cannot but be expected to increase strongly given demographic developments. Thus, forward-looking policy makers may be well advised to reform labour markets and social policy institutions in such a way as to promote, rather than oppose, internal labour mobility in the EU.
5. References


