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Session 2.1

Economic and political integration in regional migration systems - between national priorities and supranational harmonization

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Conference Sub-Theme:
Regional integration and migration - Europe's transformation in comparative perspective

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Biographical notes

Gudrun Biffl joined the Austrian Institute of Economic Research after receiving the Ph.D. in economics from the University of Newcastle/Tyne, UK, in 1975. She is a business cycle analyst and head of labour market, education and migration research. She is a consultant on migration to the OECD (SOPEMI correspondent) since the late 1970s, a peer reviewer of EU employment and education policy, and associate professor of economics at the University of Economics and Business Administration in Vienna; she holds lecture courses in international economics (at the business school (FH) of Burgenland) and social policy (at the Fachhochschule Campus Vienna) regularly. She has been a visiting fellow in the University of Perth and Melbourne, Australia, of Hunan, China, Canterbury, New Zealand and Delhi, India. Apart from being a researcher and teacher, she is a consultant and economic advisor to several Austrian Ministries, in particular the Ministry of Economic Affairs and Labour, the Ministry of Domestic Affairs (Immigration) and the Ministry of Education.

Representative publications include:

Structural Shifts in the Employment of Foreign Workers in Austria, *International Migration*, Vol. XXIII(1), 1985.

Evolution of Labour Market Theories and Empirical Findings in the Case of Austria (Theorie und Empirie des Arbeitsmarktes am Beispiel Österreich), Springer Verlag, Wien/New York, 1994.

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Abstract of presentation

Migration and trade: a change in paradigm in the case of Eastern enlargement of the EU?

Increased socio-economic and political integration and interdependence between EU member states resulting from the implementation of a Single market and the Single currency, represent a change in paradigm for the national socio-economic actors and institutions. The strive towards increased productivity of Europe as a whole in a globalised context calls for new alliances, often beyond the national borders, to remain competitive. Barriers to mobility of goods and services and factors of production are dismantled to arrive at a common labour market. As migration policy affects the functional mechanisms of the labour market, it is drawn into the process of policy co-ordination of the EC, documented in National Action plans; this provides a powerful incentive for convergence of migration policy in the EU.

Sofar, increasing integration and competition in the EU in the 1990s has resulted in rising mobility of capital and trade flows but less so of labour. A mere 2% of EU citizens live and work in another EU country than their own at the start of 2000. The opening up of markets of CEECs has not raised the inflow of migrants significantly, at least not after a relatively short period of transition. While one may argue that labour mobility between the EU and the CEECs has been curbed by legal restrictions, this is not the case in Western Europe. It was increased inter- and intra-industry trade together with technical change and a boost to capital flows which were the main driving forces behind productivity increases in the EU and in CEECs. The resulting (regional) industrial specialisation showed up in substantial labour market adjustments, i.e. increasing disparities between the supply and demand for particular skills.

In the European context of limited cross-border migration flows, the implementation of a system of continued learning and re-skilling of the work force is called for, which is co-ordinated with the process of flexible specialisation of industry, to ensure sustainable economic growth and social cohesion. Migration will play an important role in achieving the goals put forward in the Lissabon summit. But maybe more important, migrants will be key to ensuring the sustainability of a complex European system of social protection as the European populations are rapidly ageing.

Migration and trade: a change in paradigm in the case of Eastern enlargement of the EU?

Increased socio-economic and political integration and interdependence between EU member states as a consequence of the implementation of a Single market and the Single currency, has neither given a significant boost to labour mobility of EU citizens within the EU nor to Intra-EU trade. The share of EU citizens living and working in another EU country has remained fairly stable at on average 2 percent of the population/work force in the course of the 1990s and intra-EU(15) trade remained fairly stable at around 20 percent of GDP (2002). This should not come as a surprise in view of the longstanding effort of the European Community to promote free trade and free mobility of labour. Free trade, of course, was on the agenda from its very beginning and free mobility of labour between the 6 founding countries (France, Germany, Italy, Belgium, Netherlands and Luxembourg) was phased in from 1958 onwards. Since 1968, free mobility of labour was in principle possible within the European Community in the private and public sector. But it was not until the Single Market came into effect in 1992 that many remaining impediments to labour mobility were removed (banking, insurance, transport, some free professions). Capital markets were, of course, fully integrated much beforehand. Southern EU enlargement was not accompanied by a major boost to migration as mass migration from the South to the North had come to an end long before, i.e. in the late 1970s, in the wake of a successful catching-up process of the Southern European Countries.

The limited mobility of EU citizens within the EU is a matter of concern to some decision makers as it is seen as a potential threat to economic and productivity growth. This may be one reason why the EU promotes the development of a Common EU labour market through engaging in a complex process of policy co-ordination in areas as diverse as employment, education and – more recently — migration policy.

The opening up the CEECs to international trade in the wake of democratisation started a new era of socio-economic and political interaction in Europe. It is accompanied by increased mobility of capital (FDI) and trade, but less so of labour. This may be the result of legal barriers to migration resulting from a general notion that commodity trade is in the main a win-win situation, and migration as giving rise to increased inequalities, of producing winners and losers.

As you can see from the graphs, increased international trade was the prime mover of economic growth in the EU in the 1990s; the share of imports/exports of goods and services in percent of GDP increased from 28 percent in 1989 to almost 40 percent of GDP in the EU (15) in the year 2002 (graph 1&2). The rise was in the main attributable to increasing trade with CEECs, raising the contribution of trade with CEECs to GDP from about 7 percent in the early 1990s to some 14 percent of GDP in 2002. Trade between the EU(15) and NAFTA as well as ASEAN increased as well, yet less markedly. If we take Europe as a whole, i. e. including CEECs, about 90 percent of the international trade (including intra-EU trade) is explained. This is to say that there is not much difference between the enlarged Europe and North America as to the trade linkage with the rest of the world, i. e., outside their own geographical region.

The following graphs (graph 3&4) show that in the period of transition, after the break-down of the iron curtain, the inflow of people picked up, particularly from CEECs and South-Eastern European countries, but subsided after some time – partly as a result of legal barriers partly as a result of the economic recovery of CEECs after the period of transition recession. We do discern, however, also a rising number of illegal migrants who endeavour to improve their economic situation by migrating even if it means working in the informal sector. The existence of informal sector production of goods and services and the creation of jobs and incomes in the non-observed economy in Western Europe may promote illegal migration.

So far we can say that Europe is giving preference to increased international trade rather than mobility of labour to promote economic growth in the enlarged European trading zone. Empirical evidence suggests that not only political but also economic forces tend to promote international trade rather than migration in the current period of socio-economic integration of Europe. On the one hand, technological progress tends to promote mobility of services rather than labour, on the other relatively small transport costs due to the geographical vicinity of the new trading partners; they allowed the reallocation of production within the enlarged trading zone resulting in significant regional industrial specialisation and concentration.

Increased mobility of capital, technology and managerial skills boosted inter- and intra-industry trade, the main driving force behind productivity increases in the EU and in CEECs. (Landesmann & Stehrer, 2000) Eastern enlargement is going hand in hand with a different industrial specialisation pattern than Southern enlargement, in particular a re-location of production from the EU to CEECs, which goes beyond low-skilled and low tech production. There is ample empirical evidence suggesting that this is the result of the better average skill pattern in the Accession States. Some of the AS outstrip the EU South in terms of human skills as of today and are much closer to the EU core than Southern regions of the EU. (Boeri & Brücker, 2001) As the AS move towards EU membership, remaining trade barriers will be dismantled, suggesting a further boost to trade flows within the enlarged EU.

The low labour mobility within the CEECs and within the EU (15) suggests (Biffl 2000) that the brunt of labour market adjustments resulting from increased trade (specialisation) will show up in quantity adjustment such as changes in unemployment/activity rates (Decressin & Fatas, 1995) and/or in increased flexibilty of the wage system. This is a quite different pattern of development that in the USA. (Blanchard & Katz, 1992)

The limited inter- and intra-member country labour mobility in the EU and CEECs (Puga, 1999, 2001) suggests that education and labour market institutions face a greater challenge with Eastern enlargement than Southern enlargement of the EU. They will have to ensure that the skills of the respective resident populations, including migrants, will be adapted to the new needs arising from flexible specialisation of production and the end of Fordist mass production systems.

The development of a system of continued learning and re-skilling of the work force, which promotes the adjustment of skills on the market to the changing needs, will take off some of the pressures from wage policy to bring labour supply in line with demand structures. The success rate of the implementation of a system of continued learning and upskilling will show up in less pressure to widening wage scales, resulting from the workings of market forces and promote social cohesion.

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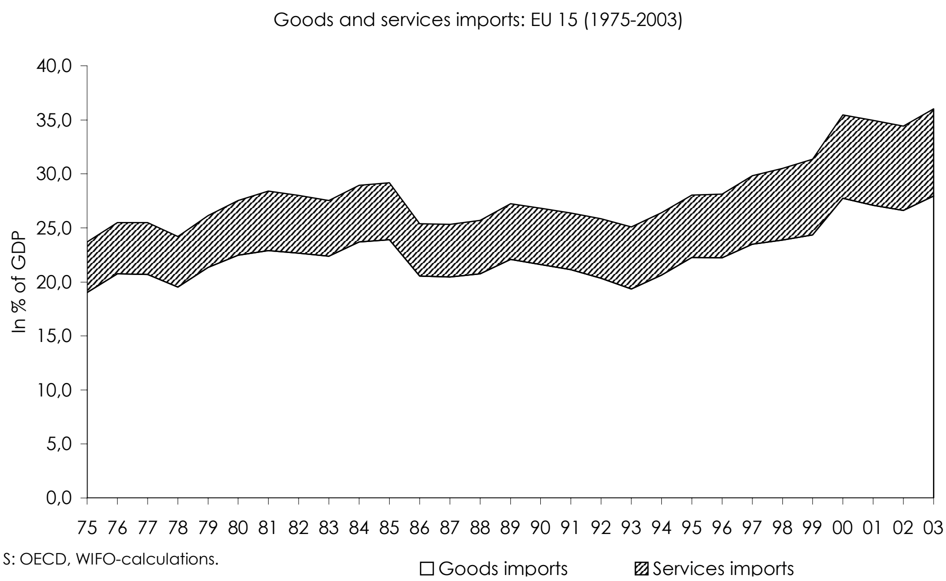
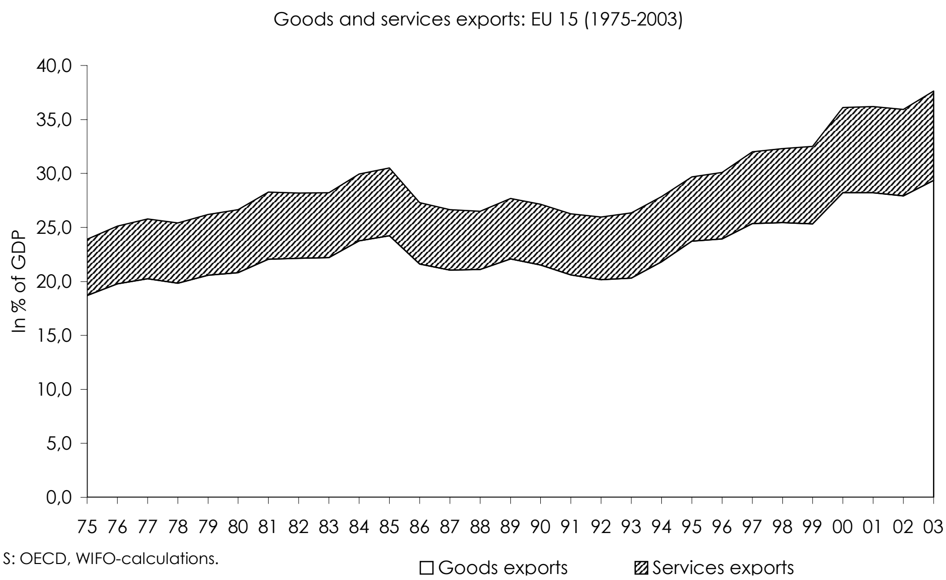
Graph 1:



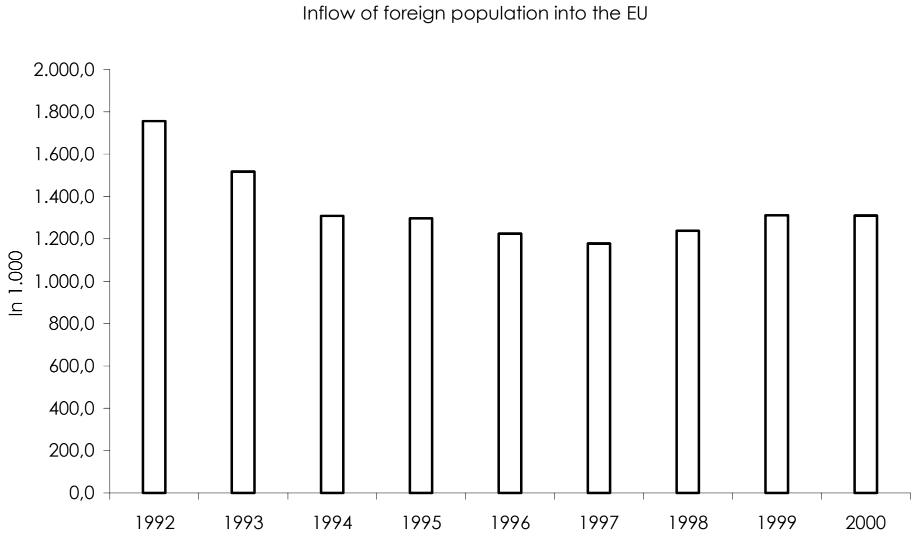
S: OECD, WIFO-calculations.

Graph 2:



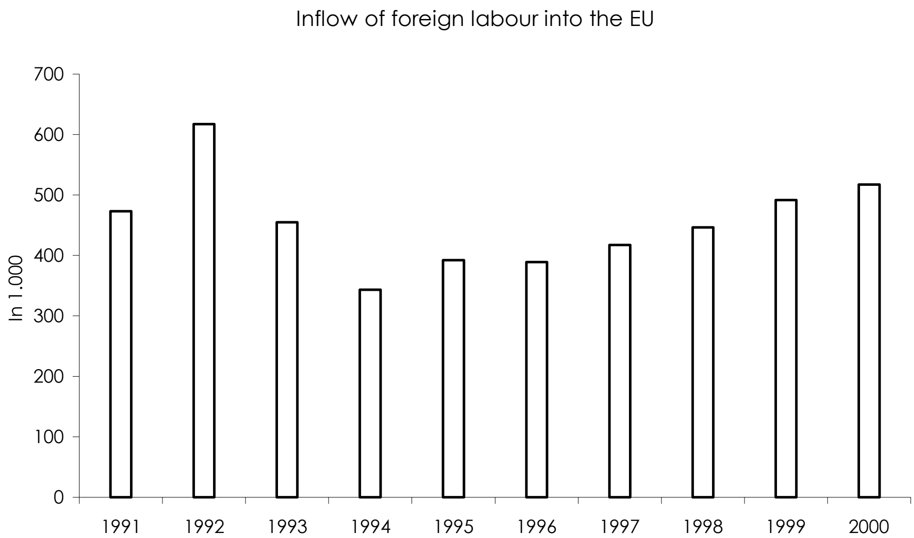
S: OECD, WIFO-calculations.

Graph 3:



S: OECD SOPEMI, EU excluding Austria, Greece, Italy and Spain.

Graph 4:



S: OECD SOPEMI, EU excluding Finland, Greece, Italy, Netherlands, Portugal, Sweden.