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## **How to balance selective immigration and (re)training local workers? The case of Austria**

### **Abstract**

The Austrian migration system was in its very beginnings selective; guest workers were targeted to fill jobs which employers could not fill with native workers. Over time guest workers settled, and became the nucleus of chain migration. The skills of the migrants were not so much cognitive and academic but rather physical and mental – they were young and healthy and willing to do jobs not many native workers were willing to take up.

In the 1990s, family reunification and immigration on humanitarian grounds has taken precedence over labour migration. Today only some 10 percent of the migrant inflows are labour migrants, who may settle on the basis of their high skills (key skills). Thus, immigrants are to a large extent un- and semiskilled and the educational behaviour patterns of the new immigrants are not much different from those of the first generation migrants, particularly if they come from the traditional source countries, the region of former Yugoslavia and Turkey.

While population ageing is a strong argument for a larger migrant intake, the skill mix represents a challenge for integration policy, above all education and labour market policy. While immigration may postpone the slowdown of labour supply growth, it does not resolve the problem of qualitative aging, i.e. the skills implications of an older work force. Therefore, a rethinking of immigration policy towards a larger high-skill intake has set in towards the end of the 1990s.

In view of globalisation and technological change, Austria will have to invest heavily in the adaptation of the skills of its population and workforce in order to remain competitive in a world which is rapidly moving towards a knowledge society.

Given the strictures of European Monetary Union and the limited initiatives afforded to Member States on macro-economic policy, the burden of flexibility will largely fall on wages to meet competitive pressures if a rise in unemployment is to be prevented. One way to reduce the costs of structural change to individuals, is the development of a system of continued learning and re/multi-skilling of the work force as an element of employment and education/training policy; it may speed up the adjustment of skills to the changing needs, and in so doing, reduce some of the pressures on wage and labour market policy and contain unemployment. A successful system of continued learning and up-skilling puts a break on the widening of wage scales and reduces unemployment, thus promoting social cohesion, while at the same time contributing to the sustainability of economic growth.

## When guestworkers become immigrants: the case of Austria

The Austrian migration system differs from traditional immigration countries like Canada, USA and Australia in many respects. It has its origins in the guest worker model, going back to the early 1960s. The objective was not population growth but rather the satisfaction of perceived temporary labour needs. As Austria was the poor-house of Europe after WWII, it could not attract highly skilled workers, as the wages were too low compared to other host countries. As a matter of fact, Austria lost some of the best native skilled workers to neighbouring Germany and Switzerland as well as immigration countries like Canada, USA, Australia.

The legacy of the foreign worker model and the concomitant industrial and education policies is a fairly high proportion of un- and semiskilled workers in all age-groups. Only a small proportion of the Austrian work force has tertiary education; the majority of the workers are in the medium vocational skill segment. (Table 1) This situation will not change for some time to come. Even though younger generations will have better qualifications and training than the previous cohorts, the proportion of unskilled labourers will remain high in international comparison. This has to be seen in the context of a constant inflow of unskilled immigrants, basically as a result of family reunification and refugee intake, and an underinvestment in higher education on the part of second and third generation migrants. (Biffl 2002/2004B)

Supply and demand developments are intertwined, meaning that the strong vocational orientation of the work force is also a reflection of the comparatively great weight of manufacturing industries in the Austrian economy. In these industries, apprenticeship education and training is the dominant form of upper secondary education, particularly of men, but also un- and semiskilled labour plays an important role.

Thus, Austria 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 supplementing its work force at the lower end of the skill spectrum. The Lisbon agenda, however, introduces a new feature to migration policy, i.e., a strategy to raise the inflow of highly skilled migrants from **outside** the EU. In the global market of the highly skilled, Austria will have to compete with other developed countries, in particular Canada, Australia and USA, for highly skilled immigrants. It will have to bear in mind that it loses some of its own highly skilled to the rest of the world in the course of globalisation while hoping to attract highly skilled persons from other parts of the world. In 2001, the difference between the number of highly skilled emigrants and highly skilled immigrants has been positive for a number of EU-MS, France and Germany taking the lead, followed by Spain, Sweden, the UK and Belgium. However, the major winners in the high skilled market are the overseas countries USA, Canada and Australia. The proportion of highly skilled immigrants (university graduates) in the highly skilled work force of the recipient country is highest in Australia, Luxembourg, Switzerland, Canada, USA and New Zealand with more than 20 percent (OECD, 2005). In contrast, Austria is net loser of highly skilled people through

migration. In view of the path dependence of migration, it seems highly improbable that Austria will be able to turn the tide and become a net importer of highly skilled people in the short to medium term (Table 2).

Table 1:

Educational attainment level of the population by age and gender in selected OECD countries:  
2002

		Men		Women		Total	
		25-49	50-64	25-49	50-64	25-49	50-64
AUS	L	29,5	39,8	38,8	61,0	34,2	50,4
	M	39,7	33,9	25,5	15,3	32,6	24,6
	H	30,8	26,3	35,6	23,7	33,2	25,0
AUT	L	13,4	23,1	22,4	39,4	17,8	31,4
	M	69,6	60,2	63,4	53,1	66,6	56,6
	H	17,0	16,6	14,2	7,5	15,6	12,0
CAN	L	15,0	25,3	12,2	27,3	13,6	26,3
	M	43,1	39,4	38,3	36,9	40,7	38,1
	H	41,9	35,4	49,5	35,8	45,7	35,6
DEU	L	12,4	13,9	17,0	28,9	14,7	21,4
	M	60,1	56,7	61,9	56,9	61,0	56,8
	H	27,5	29,3	21,0	14,1	24,3	21,7
DNK	L	17,9	19,9	17,6	28,9	17,8	24,2
	M	57,3	54,7	49,3	47,2	53,3	51,1
	H	24,8	25,3	33,0	23,9	28,9	24,7
FRA	L	27,9	43,1	29,7	53,2	28,9	48,2
	M	46,4	39,0	40,9	31,0	43,7	35,0
	H	25,6	17,9	29,3	15,8	27,5	16,8
GBR	L	10,9	22,0	14,3	30,4	12,6	25,6
	M	59,8	55,1	57,0	49,6	58,4	52,8
	H	29,3	22,8	28,7	20,1	29,0	21,7
NLD	L	27,7	35,3	29,1	53,5	28,4	44,3
	M	44,8	39,4	45,9	30,7	45,3	35,1
	H	27,5	25,3	25,0	15,8	26,3	20,6
SWE	L	14,0	31,2	10,6	26,9	12,3	29,1
	M	53,0	43,2	50,8	44,6	51,9	43,9
	H	33,1	25,5	38,5	28,5	35,7	27,0
USA	L	13,2	14,1	10,8	14,3	12,0	14,2
	M	49,5	46,3	48,7	52,4	49,1	49,5
	H	37,3	39,6	40,5	33,3	38,9	36,4

S:OECD

The number of highly skilled migrants remains small in spite of the implementation of a quasi open ceiling in the quota of highly skilled workers in the amended immigration law of 1997 (Alien Law). Also the facilitation of employment of foreign graduates from Austrian universities, a common practice in traditional immigration countries – and introduced in Austria in 2003 –, could promote settlement of skilled migrants in Austria. This may be a viable option for increasing skilled human resources as Austria is among the OECD countries with a net-inflow

of students from abroad. In 1998, Australia had the largest net-inflow (12 percent), followed by Switzerland (11.4 percent) and Austria (7.1 percent) (Biffi 2004A).

Table 2. Skill composition of foreign-born in 2001 (census)

	Foreign born OECD			Foreign born non-OECD		
	In %			In %		
	High skilled	Medium skille	Low skilled	High skilled	Medium skille	Low skilled
Austria	11,3	39,3	49,4	8,3	36,3	55,4
Belgium	21,6	24,2	54,2	26,3	27,1	46,6
Czech Republi	12,8	48,7	38,6	20,6	49,5	29,9
Denmark	19,5	31,9	48,6	16,3	31,5	52,2
Finland	18,9	28,4	52,7	18,7	24,1	57,2
France	18,1	27,2	54,8	19,8	28,7	51,6
Germany	15,7	41	43,4	16,2	38,8	45
Greece	15,3	39,9	44,8	12,9	37,9	49,2
Hungary	19,8	39,1	41,1	19,8	40,8	39,4
Ireland	41	29,3	29,6	49,8	30,6	19,7
Italy	12,2	33,5	54,3	11	30,3	58,7
Luxembourg	21,7	41,5	36,7	19,3	47,8	32,9
Netherlands	17,6	29,5	53	15,2	30	54,8
Poland	11,9	40,3	47,9	12,8	39,4	47,8
Portugal	19,3	25,9	54,8	19	24,6	56,4
Slovakia	14,6	56,1	29,3	20,3	54,2	25,5
Spain	21,8	22,8	55,4	18,8	22	59,3
Sweden	24,2	46,2	29,6	24,2	45,9	29,9
UK	34,8	24,5	40,6	32,9	23,7	43,4
Australia	42,9	18,8	38,3	42,5	22,7	34,8
Canada	38	31,9	30,1	41	31,2	27,8
USA	25,9	34,3	39,8	32,2	35,8	32

S: OECD

To summarize, it is safe to say that Austria has not yet been able to attract highly skilled workers in large numbers either because of limited demand for these skills or because of perceived or real bureaucratic hurdles and red tape. The migration system does not appear to encourage the recruitment of highly skilled people from third countries. This may be the result of path dependence of migration policy – Austria has tended to recruit workers with trade skills or less; family reunion with these core migrants tends to promote the inflow of the same skills – and/or half hearted reforms of migration legislation and institutional ramifications. The latter implies that increased competition at the lower and medium skill level is condoned by migration policy while increased competition at the higher skill level does not find the support of the major players of migration policy.

## **Industry restructuring: a challenge for education and training policy**

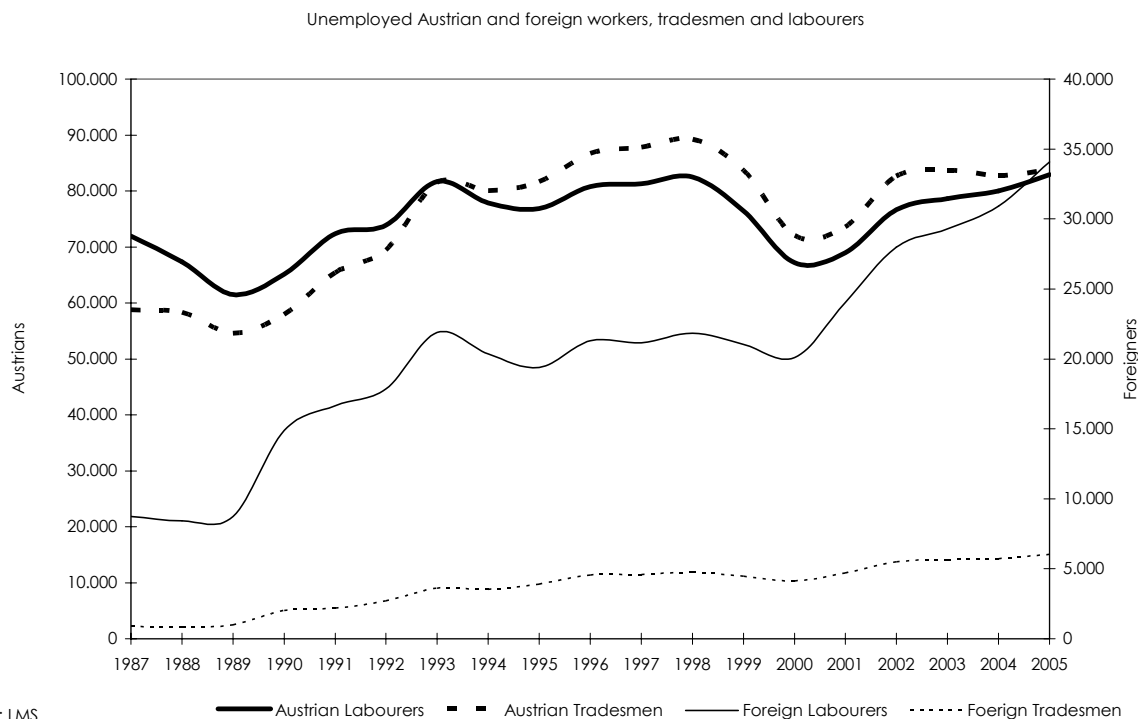
With the opening up of the markets of CEECs after the fall of the Iron Curtain, the competitive situation of Austrian manufacturing industries changed abruptly. Trade liberalisation resulted in regional specialisation of production along the value added chain, both in Austria and the neighbouring countries. Labour-intensive and low to medium technology-intensive stages in production tended to be outsourced to CEECs while higher value added production remained and expanded in Austria. The costs of relocation of production and transport costs of intermediate goods in the production process were more than compensated by the lower production costs in CEECs, given their ample supply of significantly cheaper labour in the required skill segments. Major restructuring and specialisation occurred in five industries – the chemical industry, which is intensive in human capital and natural resources and medium in technology; the construction material, cement, stone, glass and ceramics industry which is natural resource intensive; printing, paper, pulp, food processing; manufacturing of equipment and machines in the mature, medium-tech field with high labour intensity in production; and, of course, the labour intensive textile and clothing industry.

Industry restructuring in the 1990s resulted in winners and losers. Workers employed in industries specialising in human skill and advanced technology intensive production of goods and services were the winners and workers in medium-tech and low to medium skill intensive production the losers. The least productive firms in the industries affected by increased imports went out of business, often as a result of re-location of stages of production in the value added chain of the more productive enterprises in that industry. The production activities which moved to CEECs, employed disproportionate numbers of migrants. Employment declined in the industries which underwent substantial restructuring – between 1990 and 2005, employment in manufacturing industries (excluding mining) declined on average by 2.1 percent annually. Firms in these industries invested either in labour saving technology or specialised in production higher up in the quality ladder or in the marketing of the final product.

The result of these massive structural developments since the early 1990s was that certain occupations in the medium skill segment (tradesmen, i.e., persons with apprenticeship education) and unskilled labourers were most affected by job losses. Thus, unemployment increased more than proportionately for persons with medium skills in manufacturing, followed by unskilled and semi-skilled labourers. Unemployment of unskilled nationals increased between 1989 and 2005 by 35 percent; for migrants, the number more than tripled. In the case of medium skilled nationals (apprentices), unemployment increased by 53 percent while unemployment of skilled foreign workers was 6 times the number of 1989. (Graph 1) The difference in unemployment rates between Austrian and foreign workers increased by 1 percentage point to 3.3 percentage points in 2005 (10 percent compared to 6.7 percent of wage and salary earners). Migrants tend to have higher unemployment rates

than natives, in the main a result of the concentration of migrant employment in manufacturing industries, very often in tasks complementary to Austrians.

Graph 1:



In the low to medium skill segment, migrants bear the brunt of labour adjustments, since their chances for retraining are lower than for Austrians, either because of language barriers or because of limited financial means to invest in human capital. They do not only experience a significant rise in unemployment but also a growing wage gap relative to indigenous workers.

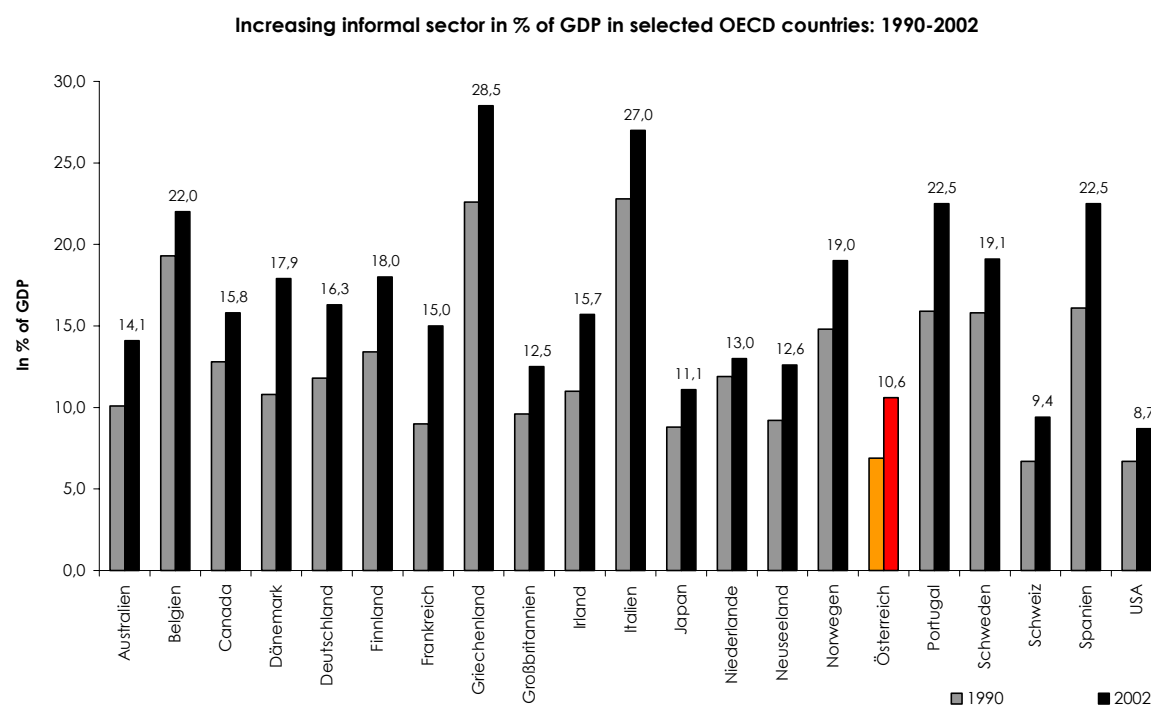
Empirical research suggests that direct competition between immigrants and residents is relatively small in Austria as a result of pronounced segmentation of work (*Winter-Ebmer – Zweimüller 1996, 1999; Biffl in Husa – Parnreiter – Stacher (Eds.) 2000*). Mostly unskilled and semi-skilled workers face increased competition from migrants which shows up in the main in a negative wage impact on blue-collar workers. (*Hofer – Huber 2001, Biffl et al., 2002*) The different legal status of foreign workers vis-à-vis nationals introduced a social and economic stratification new to Austria, leading to a deterioration of equity in labour markets.

As job opportunities in the traditional trade skill segment dried up during the 1990s, migrants concentrate even more in certain industries. Thus by 2005, more than a quarter of the work force in low wage manufacturing industries and agriculture are foreign workers. In tourism their share reached 31 percent. Large numbers of laid off migrants start to take up jobs in the non-tradeable sector, often in tasks in which they are unable to fully utilise their original

occupational skills; in particular, in cleaning services, retail trade and repair work as well as domestic and personal services.

Immigrants of earlier generations entered labour markets during the phase of rapid industrialisation with rising labour demand for low and medium skilled workers. Today de-industrialisation and expansion of service activities affects both the structure and the nature of employment. The number of traditional jobs with standardised work processes from the era of massproduction have declined (quantitative loss of jobs). Flexible specialisation gains weight. Firms are entering into flexible supplier-producer relationships, whereby formal and informal sector activities may be intertwined (qualitative change of jobs). Nontraditional working hours, contract labour, casual work, flexworkers, homeworkers are becoming a feature of the Austrian labour market. These economic and social conditions add to the integration problems of migrants.

Graph 2:



S: Schneider/Enste, 2000; Schneider, 2003; Institut der deutschen Wirtschaft Köln.

In addition, the informal sector gains weight. In the case of Austria the informal sector is estimated to have increased from some 3 percent of GDP in the early 1970s to 15 percent in the mid to late 1990s. The rising share of informal labour in total employment is associated with other elements of greater flexibility in the formal labour market generated by the forces of demand and supply. These flexibility elements are compatible with what already prevails in

the informal economy – workers employed by informal enterprises, domestic workers, outworkers, homeworkers, part-time and casual workers – and thus facilitate the movement from one economy to the other. Migrants play an important role in the informal sector, particularly in situations where access to formal sector jobs is difficult due to quota regulations and other institutional barriers to entry (Graph 2).

An oversupply of labour may not always take the form of higher unemployment. It may instead be the source of labour in casual and part-time employment, marginal occupations and as fringe self-employment outside the core economy at lower wages. Peripheral workers drift in and out of employment while a core of highly skilled workers continues to retain stable jobs and high wages. This becomes more and more a feature of the Austrian labour market.

### **System of Lifelong Learning: a coping strategy to accommodate change**

A response to rising unemployment and rapid change of skill requirements in view of industry restructuring is the introduction of a system of lifelong learning. The implementation of such a coherent system of education is on the Austrian policy agenda, not least because of the adoption of a Communication on 'Making a European Area of Lifelong Learning a Reality' by the European Commission in 2001. The institutionalisation of a system of Lifelong learning is a prerequisite for making the strategic goal set at Lisbon for Europe to become the most competitive and dynamic knowledge-based society in the world a viable proposition.

The concept of lifelong learning is not new. An OECD (1973) publication proposed lifelong learning (recurrent education) "to provide better opportunity for individual development, greater education and social equality, and better interplay between the education and other social sectors, including a better contribution to the potential for necessary economic growth" (*Recurrent Education Strategy for Lifelong Learning*, p. 48). But the context, in which the concept is developed today is new – it is an aspect of the strategy of Austria and other EU-MS to adapt its socio-economic structures to the needs of a global economy and of an information society.

While Austria is only at the beginning of putting such a system in place, the objectives are becoming increasingly accepted and the institutional reforms necessary are being discussed. The key and challenge is the provision of continuous education, i.e. a comprehensive system of initial and further education, with modularisation of education and training within a Common European Qualification Framework. Some targets are specified in labour market policy, in particular further education and training of youth and mature unemployed. Others are determined by federal states, inline with the further education and training needs to underpin their regional industrial development policies (Standortpolitik); in some federal states (Bundesländer) a complex integration strategy for migrants is an integral part of the regional socio-economic development strategy. The idea being that barriers to learning should be



lifted and that the responsibility for integration should be shared between employers, employees, the state and the communities as well as civil society at large (NGOs).

While it may appear, especially for a small country, that a national strategy of LLL is necessary for a more efficient training outcome, this may take some time to materialise as only initial education is federal policy, while further education and training is regulated by the states (Bundesländer). Also integration of migrants is not a national policy but the responsibility of every federal state. Thus, Austria has fairly diverse regional systems of adult education and migrant integration, which takes into account the different needs of the regions and their communities.

The recognition of skills which have been acquired on the job or abroad is a contentious matter in that context. Often educational attainment levels are a prerequisite for gaining access to specific jobs or professions in Austria; also further education may require the documentation of a certain skill level. In the case of the recognition of a school/higher education certificate of another country, invariably the question has to be resolved, what education and training measure of today could be comparable (curriculum comparison, test of competences). As education and training systems and the contents of learning are very diverse across countries, no simple procedure of accreditation exists, which can accommodate all skills. But even in the case of a formal recognition of skills, it may not suffice to actually get a job. A major reason may be that the labour market does not call for these skills or that there is an oversupply of these skills; in addition, the communication skills needed to exercise the task may not be sufficient, and last but not least, discrimination may be a factor. In order to really promote the employment opportunities of migrants, a holistic approach to skills recognition, further education and training and eventual employment is more promising. This was the outcome/understanding of 3 years work of an Equal development partnership with migrants (Equal-Project: [www.wequam.at](http://www.wequam.at)).

In Austria today, various education and training institutions as well as the Labour Market Service have taken recourse to the expertise of NGOs to promote skills recognition of migrants and to develop bridges into employment. A major platform around which a variety of activities are being coordinated is the InterCulturExpress ([www.interculturexpress.at](http://www.interculturexpress.at)). This is a network of specialised NGOs, who contribute their diverse know-how to combat migrants' skills shortages which go beyond recognition of formal skills. In so doing they do not only open up employment opportunities for migrants but actively promote mutual understanding.

## **Concluding observations**

The planning and control of migration flows is becoming increasingly difficult, given the rights to family reunification, to refuge and to settlement after a certain period of legal residence. National sovereignty is becoming increasingly weakened. A series of EU regulations control cross-border migration. The Schengen agreement (of June 1990) is one pillar of legislation

regulating security matters. Others include the adaptation/convergence of asylum procedures, the co-ordination of the prosecution of illegal migration and clandestine work and more recently the right to family reunification and free movement of permanent residents of third countries<sup>1</sup>.

Thus it will be difficult to adapt the migration system towards a larger inflow of highly skilled migrants. If immigration to Austria continues to take place along traditional un- and semiskilled lines, it will not fit into the emerging specialisation processes of industrial production and economic integration and will most likely result in increased unemployment of the less skilled. These circumstances will not only limit potential economic growth but will contribute to rising income inequality and endanger social cohesion. The need for adjustment assistance is evident, one element being a coherent approach by the government and other relevant parties in the development of a system of lifelong learning.

The development of a system of lifelong learning is a major tool to raise and adapt the skill base of the work force and thus productivity. It is an integral part of the Lisbon Agenda towards a productive knowledge society. It may not suffice, however, to reduce the productivity gap between Europe and North America. The latter, together with Australia, are more successful than Europe in attracting the highly skilled, who almost by definition contribute more than proportionately to economic and productivity growth. In that light, Europe may have to rethink its migration policies and develop better tools to attract and retain the highly skilled.

This can only be achieved by implementing a system of controlled migration. It is a prerequisite for maximising the economic advantage associated with migration. However, integration measures have to complement immigration if social cohesion is not to be jeopardised. Even in cases of temporary worker migration, integration measures should be accessible, in particular housing and language courses, in order to promote social cohesion, one of the main pillars of the Lisbon Agenda.

While migrants will have a role to play in alleviating the problems linked with population ageing, the eventual ageing of the migrants themselves will add yet another dimension to the already daunting task of providing adequate care for an ageing population. The comparatively weak health of older migrants relative to natives implies that health care institutions will be faced with caring for people with special needs due to often chronic and multimorbid health problems as well as different language and cultural background. This may imply institutional adjustments, e.g., intercultural training, for care-personnel, medication and equipment.

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<sup>1</sup> For an overview of EU legislation en route to a common European Union immigration policy, see [http://europa.eu.int/comm/justice\\_home/doc\\_centre/immigration/printer/doc\\_immigration\\_intro\\_en.htm](http://europa.eu.int/comm/justice_home/doc_centre/immigration/printer/doc_immigration_intro_en.htm)

The reduction of illegal immigration will be a challenge as long as the informal sector is large and growing. Illegal work may be a rational coping strategy in a world of scarce formal sector jobs. However, there is a risk of permanent de-skilling of those workers who are effectively excluded from formal employment. This may seriously impair the productive potential of Austria in the longer run.

As migratory processes do not only have an economic dimension but also political, cultural, social, humanitarian and even strategic ones, it is important to inform the native population about the contributions of immigrants to the wellbeing of society. In this respect Austria will have to learn from the traditional immigration countries overseas, where the media play an important role in informing the general public about the economic benefits accruing from immigration. However, this may partly be the result of a better informed media, as research into the role of immigration in socio-economic development is abundant and outcomes are readily available – a result of a long tradition of generous funding of migration research and a policy of transparency.

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