WIFO

ÖSTERREICHISCHES INSTITUT
FÜR WIRTSCHAFTSFORSCHUNG

WORKING PAPERS

Immigration: The Potential Impact on EU Society

Gudrun Biffl

253/2005

Immigration: The Potential Impact on EU Society

Gudrun Biffl

WIFO Working Papers, No. 253
May 2005

E-mail address: Gudrun.Biffl@wifo.ac.at
2005/132/W/0

Immigration: The Potential Impact on EU Society

Gudrun Biffl

Contents

Gudrun Biffl*

Presentation at the Brussels Economic Forum, The Charlemagne Building (Room S3-S2-S1), Brussels, 21 and 22 April 2005, Session N°3: Labour and Capital Flows and Outsourcing – Rising to the Challenges, Part 1: Labour Migration: The Economic Impact

Abstract

There is no simple answer to the question of the potential impact of migration on EU society. EU migration policy is expected to meet the requirements of economic and social policy, in particular of the Lisbon Agenda, as well as national cultural, political, strategic and security imperatives. The problem is complicated by different national traditions in social organisation, which are deeply rooted in history and which resulted in different migration models within the EU. As with employment, educational and social policy issues, the need to reach a common understanding about possible routes to eventual convergence, will call for coordination of the migration policies of the Member States (MS).

Moreover, an issue in its own right is immigration as a tool to counter the negative impact of population ageing on economic growth and the pressure on public funds. While we know that immigration alone cannot solve the problem of population ageing, it can be an important policy instrument, complementary to other measures to raise the activity rate of older persons, and of prime age women. Its impact will depend on the level, composition and duration of inflows as well as the necessary measures which are to form an integral part of migration policy.

Another aspect of migration concerns the internationalisation of production and its contribution to the diversification of the productive structure of the EU and its member states. Thus migrants impact on the supply side – the production potential of the economy – as well as on the demand side – the level and composition of consumption. Further, migration may also contribute to the growth of the informal economy, an aspect of concern in MS with high shares of the informal sector in GDP.

Yet another question to be resolved is the role of migration in the flow of trade in goods and services within an enlarged Europe and between the EU(25) and the rest of the world. After the fall of the Iron Curtain, the EU(15) gave precedence to trade over migration as an economic growth and development tool (Europe agreements of 1991). This has resulted in a

* This paper has been written in the Melbourne Institute of Applied Economic and Social Research, University of Melbourne; I gratefully acknowledge the support I received as a visiting fellow on the occasion of my study leave from WIFO.

significant rise in trade flows between the EU and CEECs in the 1990s and the early years of 2000, to a lesser extent to the rest of the world in response to globalisation.

Increased trade was linked to substantial industry restructuring in the EU and the CEECs, resulting in regional specialisation of production. Increased factor mobility largely took the form of investment capital flows from West to East rather than labour flows from East to West. The limited flow of workers from West to East tended to be highly skilled and complementary to FDI flows. Only a small fraction of this worker flow was migration in migration policy terms, i.e., a natural person moving to another country and having an employment contract in that host country with a domestic employer. The major part constituted trade in services, in particular intercompany transfers of natural persons to a subsidiary or affiliate.

This takes us to a highly contentious subject in the EU, namely, the distinction between migration on the one hand and trade in services (mode 4) on the other. The definitions are not always clear. Migration/labour market experts define those entering the country, even temporarily, as migrants, to whom the prevailing working conditions and wages of the receiving country should apply. On the other hand, trade specialists regard those entering the country temporarily as service providers rather than as migrants regardless of the terms on which they are employed. Thus trade specialists have a broader interpretation of trade, encompassing the services of all temporary migration. The distinction between migration and trade in services is crucial for the application of the labour market regulatory mechanisms and for the impact on the economy and society at large. The application of the terms of employment and regulations of the country of residence to all workers, including temporary migrants, ensures a level playing field between native and migrant workers. In contrast, if the regulations and working conditions of the country of origin of the service provider apply, wages and working conditions of the receiving country may be put at risk, if there is a large difference between the MS. This may not be a cause of concern in the case of highly skilled – even though it may reduce the incentive to invest in higher education as the individual returns to investment in human capital are diminished. It will, however, be a matter of concern if low-skill intensive services are provided which put the wages and employment opportunities of unskilled workers at risk. While it is a way to increase economic growth in the low-wage new MS of the EU, it may jeopardise social cohesion in EU-MS with industrial relations systems which place a high priority on small differentials between various skill levels.

Both migration and trade have an impact on the labour market. The challenge ahead will be to promote economic growth while at the same time ensuring social cohesion. Given the strictures of EMU 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. The success of the implementation of a system of continued learning and up-skilling would show up in a slow-down of the widening wage scales and in the reduction of unemployment, thus promoting social cohesion, while at the same time contributing to the sustainability of economic growth.

Introduction

Immigration gained momentum in the EU in the late 1980s and early 1990s, slowed down somewhat in the mid 1990s and picked up again in the late 1990s. The forces driving the pace and pattern of migration were partly its association with the intensified process of international economic integration and partly family reunion and humanitarian programmes.

In Europe, Germany emerges as the principal immigration country with an annual inflow of migrants of 685,000 in 2001 (excluding ethnic Germans)[1], followed by Switzerland (99,500), the Netherlands (94,500) and Austria (74,800). In 2001, the annual inflow of migrants into the EU(15) amounted to 1465,700 and surpassed thus the inflow of permanent migrants into North America (1314,700) (Table 1). Net immigration is, however, lower as outflows are also substantial; significant cross-border flows are becoming a normal feature of any modern globalised society.

Some EU-MS (Austria, Germany, the Netherlands and Sweden) have a percentage of immigrants at least as high as the United States, i.e., approximately 12 percent of the population (measured in terms of the proportion of foreign-born in the population[2]) (*OECD,* 2005). Luxembourg and Switzerland have even higher shares, close to or higher than 20 percent, not dissimilar to the traditional immigration countries overseas, i.e., Canada, Australia and New Zealand. The percentage of foreign-born exceeds 10 percent in most old, and in some Southern European MS (Belgium, France, Ireland, Greece). But also the new MS in the East are attracting increasing numbers of migrants, the leading country being the Czech Republic with 4.5 percent foreign-born in 2001 (Table 2).

In Western Europe, net immigration has become the principal component (more than 60 percent) of population growth since the late 1980s[3]. A significant part of immigration is labour migration. In general, worker flows have tended to increase since the middle of the 1980s. And yet labour migration represents the smaller share of migration flows – about 40 percent in the EU(15)[4]. Family reunification and refugees account for the major share of

---

[1] See *Zimmermann* (1995).

[2] These figures are somewhat higher than those on the basis of foreign nationality; they provide better insight into immigration as they are not affected by naturalisation policies, which differ significantly between EU-MS.

[3] Immigration is less important in Australia and America, accounting for only a third and a quarter respectively of total population growth.

[4] It is even smaller in the USA with some 20 percent.

inflows of immigrants into the EU. Foreign labour plays, however, an important and growing role in the functioning of labour markets and is subject to complex institutional regulations, which differ according to policy targets and migration model.

In what follows, we first take a look at the various migration models in the EU and the impact of migration on the labour market. Secondly, we address the question of the role accorded to migration in socio-economic development. So far the EU has tended to give priority to free trade in goods and services as a tool of economic development rather than migration. The impact of this policy preference on the labour market outcomes will be analysed in the context of Eastern enlargement of the EU. Thirdly, the implications of a free flow of services mode 4 for economic policy are considered in the context of the limited capacity of MS to regulate the inflow of third country unskilled migrants who are in the main family members with the right to family reunion and refugees. In the concluding section, the potential role of migration to achieve the Lisbon objectives is touched upon in the light of an increasing fragmentation of industrial production and provision of services. The latter will represent a major challenge for the implementation of national/regional adjustment policies.

This paper does not assume that the EC will undertake revolutionary reforms in the area of services mobility but rather that it will resort to a stepwise co-ordinated reform process in an endeavour to preserve the European Social Model. Nor does it assume that the transition agreements between Western EU countries, in particular neighbouring MS to the new MS in Central and Eastern Europe, will be abandoned in the short to medium term. Instead, we base our paper on the vision of Europe developed by the European Council at its Lisbon Summit in March 2000, i.e., a Europe which aspires to become the most competitive knowledge economy in the world by 2010. Immigration will play a role in the Lisbon Agenda, in particular by increasing the inflow of highly skilled migrants to speed up the re-skilling process of the European work force towards a knowledge society in an information age.

Convergence of Migration Policies in the EU

As the EU moves beyond a Single Market towards a common European social system and labour market, policy coordination will need to encompass not only employment, education and social policy but also migration policy (Greenbook on the administration of economic migration, KOM(2005)XXX). By coordinating migration policy, the EU seeks to raise the skill composition of the workforce, increase the flexibility of labour markets (adjustment speed to fluctuations in labour demand) and to reduce the negative impact of population ageing. At the same time, integration measures, based on liberal democratic values, will need to be applied to reinforce economic, social and political stability through preserving social cohesion across the EU.

Migration policy reform will have to take into account the history of migration in the various MS, i.e., acknowledge the path dependence of change. In order to gain insight into the challenge of policy coordination in the field of migration, an overview of the major migration models in place in the EU(25) is warranted. At least three systems may be identified, with different focal points of migration policy. Each has preserved its basic structure and orientation, even though a certain convergence in migration policy has taken place since the 1980s.

- The Nordic model:

  This was introduced as early as 1954 and featured free mobility of labour to its citizens within Scandinavia. The understanding was that economic gains could be maximised by regional integration, i.e., by going beyond free trade and allowing free mobility of both factors of production, capital and labour. Sweden became a net importer of labour from other Scandinavian countries, in particular from Finland, during its industrialisation phase in the 1970s. In the early 1980s, the net inflow of migrants from Finland abated as the latter managed to catch-up with Sweden in terms of factor prices and productivity.

  Immigrants of third countries were rare until the mid 1980s, since the Nordic countries did not adopt temporary migration programmes on a large scale but implemented incentive mechanisms instead, which were to raise the activity rates of their native populations[5]. As international refugee flows increased in the 1980s, however, the Nordic countries accepted significant numbers of them, becoming the major source of immigration in the 1990s and early 2000s, together with family reunion; the Nordic country with the highest intake of immigrants is Sweden, with a proportion of foreign born in the population in 2001 of 12 percent, followed by Norway with 7.3 percent and Denmark with 6.8 percent; Finland has the smallest proportion of foreign-born with 2.5 percent. The proportion of EU citizens in total population is comparatively low, the levels being comparable to the EU average; the proportion of EU citizens is highest in Norway (2.3 percent), followed by Sweden (2 percent). The majority of EU citizens residing in a Nordic country are citizens of another Scandinavian country. The largest number lives in Sweden (some 170,000 in 2001), i.e., 1.8 percent of the total population (2/3 from Finland). The other Scandinavian countries have even smaller proportions of citizens of another EU-country residing on their territory (Table 3, for more detail see *Biffl,* 2001A).

- The temporary worker model:

  This migration model originated in Switzerland and was adopted by founding members of the European Community, the most prominent being Germany, as well as EFTA countries, the most important in terms of migration flows is Austria. The EFTA countries gave priority to free trade rather than free labour mobility as an economic development tool. Migration focused on the satisfaction of perceived temporary labour needs and

[5] Today, the Nordic countries have the highest activity rates in Europe, while they were not dissimilar from the rest of Europe in the mid 1960s. This shows that policy reform to meet the requirements of the labour market in a situation of population ageing is possible and produces the expected results.

was meant to increase the flexibility of the labour market; an increase of the size of the population through permanent migration was not the objective.

The temporary worker model allowed larger inflows of migrants than the Nordic model and indeed the third immigration model, which was the result of colonial ties and/or cultural/ethnic or other strategies. As it turned out, the majority of temporary migrants settled, putting pressure on the receiving countries to develop integration policies to avoid creating a permanent underclass which could jeopardise social cohesion.

Today, the countries which adopted the temporary migration model have the highest share of immigrants in their populations, Switzerland taking the lead with 22.4 percent foreign-born, followed by Germany and Austria with 12.5 percent. While EU citizens represent the bulk of immigrants in Switzerland, they are only a minority in Germany and Austria (less than 2 percent of the population). Targeted immigration to satisfy labour market needs has become a comparatively small part of immigration, while family reunion and refugee intake have become the major source.

The new MS in the East have ceased to be major source countries of migrants both to Western Europe and the rest of the world as they have entered a favourable long-term economic growth path; as their economies are catching-up, they increasingly attract third country migrants. In order to get some control over migration flows, they adopted a migration policy modelled after the foreign worker model of Switzerland, Germany and Austria (*Lubyova*, 2001).

- Immigration resulting from colonial and/or cultural/ethnic ties, or other political strategies:

  The third immigration model is the result of colonial ties as in the case of Great Britain, France, the Netherlands, Belgium and, more recently, Portugal. This model will most likely not produce massive migratory flows in the future. However, a steady flow of immigrants from these regions may be expected to continue to enter into their respective EU-MS because of former ties. In terms of a migration policy framework, it is helpful to think of this type of immigration as receiving preferential treatment with the potential of unexpected large inflows.

  The substantial immigration of ethnic Germans (Aussiedler), Pontean Greeks from Central- and Eastern European countries, and Ingrians from the Baltics to Finland, often labelled as 'return' migration, may also be included in this type of migration model, as this group of immigrants tends to receive preferential treatment in the receiving countries. These latter flows have to be seen in the light of the fall of the Iron Curtain and the ensuing socio-economic re-integration of Europe.

  The countries in this third group of migration models represent the bulk of the member countries of the former European Community. At some 10 percent foreign-born in their populations around 2001, they tend to be at the upper end of immigration in the EU, whereby Germany has a somewhat higher share and the UK a lower one (8.3 percent).

> Even though free mobility of labour between MS was in principle possible in the private and public sector in the European Community since 1968, only a small proportion of EU citizens reside in any of the old European Community member states, i.e., some 2 percent of the respective populations, with the exception of Belgium. As Belgium is the major seat of EU administration, it should not come as a surprise that it has a large number of EU citizens.

The main reasons behind migration differ between the various models, affecting the timing, direction, volume and composition of immigration. However, the migration models converged and became more complex over time, particularly since the 1980s. Traditional immigration countries like France introduced short-term labour migration programmes while temporary migration countries like Germany implemented settlement programmes. As a result, the distinction between basically two types of immigration, settlement versus short term migration, by country is no longer applicable in Europe.

The limited mobility of EU citizens within the EU is a matter of concern to some policy makers as it is seen as a potential threat to economic and productivity growth and one reason for the sustained large pockets of unemployment. It suggests that mobility costs between MS are substantial. These arise for various reasons – including the need to overcome language and cultural barriers, the limited portability of various social security rights, in particular pension rights, the problem of recognition of skills and competences across borders, and a limited understanding of the functional mechanisms of the various labour markets represent additional barriers, particularly for persons with unstandardised skills. This explains why migrants tend to be at the lower and upper end of the skill spectrum, where the international transferability of skills is relatively easy[6].

The planning and control of migration flows has become increasingly difficult, given the rights to family reunion, to refuge and to settlement after a certain period of legal residence. While there is general belief that migration flows are mainly determined by the demand of receiving countries, the reality is that the at times massive movements of people would hardly occur in the absence of push factors, i. e., emigration pressure from source countries. The rise of refugee movements since the 1980s stems from the simultaneous presence of political and environmental push factors in the donor countries and economic pull factors in the receiving countries. The migration pressure from poor to rich countries is increasing, encompassing a larger number of countries (nationalities, ethnicities) of emigration and a larger number of destination countries including emigration countries. Immigration has ceased to take place in countries and regions of low unemployment and is now a common feature also in high unemployment regions like Spain and the new MS in Central and Eastern Europe. Economic links and technology have created a transnational space for the mobility of capital and created new conditions for the mobility of labour.

[6] For a more detailed account of the degree of transferability of skills see *Biffl* (2001B).

So far, Europe has tended not to pick the brains of the world in its migration policy, giving priority to education and training of its own population and supplementing its work force at the lower end of the skill spectrum. The Lisbon agenda, however, introduces a new feature to European migration policy, i.e., a strategy to raise the inflow of highly skilled migrants from **outside** the EU. In the global market of the highly skilled, the EU 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 may lose some of its own highly skilled to the rest of the world in the course of globalisation while managing 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).

The impact of migration on the economy and the labour market

Even though migration may be the result of a variety of factors, the challenge of migration policy in Europe has been to strike a balance between economic efficiency and equity, between social and humanitarian objectives and political stability. Population ageing added another dimension, as a result of which Europe takes to immigration as a population policy.

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

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

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

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

In the case of the temporary worker model, migrants are brought in mainly to enhance the competitiveness of export industries. Migrants are thus channelled into industries which produce tradeables, e.g., manufacturing with a low capital to labour ratio, in particular, labour intensive industries like clothing, leather and textiles as well as tourism. To a lesser extent migrants flow into non-tradeables, in particular construction, personal, health and domestic services. The last three services tend to have limited possibilities for rationalisation and thus productivity growth in the technical sense, e.g., the patient/nurse ratio cannot be reduced by technology to the same extent as business oriented services or the production of manufactured goods, if the quality of the service is to be preserved[7].

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

Immigrants also impact on the **income distribution**. Research indicates that migration has contributed to a rise in unemployment and/or a widening of wage differentials in skill segments in which migrants are concentrated and which face a decline in relative demand, i.e., where labour supply growth as a result of immigration outpaces labour demand growth (*Faini et al.,* 1999). In the EU, immigration tends to result in a redistribution of income away

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

from unskilled and secondary workers towards highly skilled professionals and property owners. The redistribution process is limited in situations of full employment and solidaristic wage policies. In phases and regions where labour resources are underutilised, however, concentrations of immigrants may be a concern, particularly in the absence of adequate labour market and social policy to counter deprivation and poverty of the jobless.

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

A new feature of immigration emerged in the 1990s as rising numbers of illegal migrants entered the EU who endeavoured to improve their economic situation by migrating even if it meant working in the informal sector (*Ghosh,* 1998, 1999). The existence and rise of **informal sector** production of goods and services and the creation of jobs and incomes in the non-observed economy in the EU may in fact promote illegal migration (*OECD,* 2002A, *ILO,* 2002)[8] (Graph 1). The rising share of informal labour in total employment is associated with the introduction of measures to raise labour market flexibility, e.g., casual and contract labour. The instruments 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 countries where access to formal sector jobs is difficult due to quota regulations and other institutional barriers to entry.

Even though the European models of migration so far do not encourage skilled immigration from third countries, the skill composition of migrants has become somewhat bipolar, particularly since the 1990s. Highly skilled migrants tend to be concentrated in business oriented services, above all in banking, insurance, in the information-communication technology sector, in utilities (above all in electrical engineering), as well as in education and research. Their inflow has to be seen in the context of deregulation of the services sector. The general understanding is that the inflow of highly skilled migrants, which until now is more a

---

[8] The ILO claims that the bulk of new employment in recent years, especially in transition countries, has been in the informal sector (*ILO,* 2002, 1).

result of liberalising market access than of successful reorientation of migration policy, will have adverse effects on the earnings of competing workers, regardless of whether they are native- or foreign-born (*Borjas,* 2005, *OECD,* 2002B, *Biffl,* 2002). It will, however, contribute to productivity and economic growth of Europe, thereby moving along the roadmap of the Lisbon Agenda. As to the un- and semiskilled migrants, they continue to flow in large numbers as a result of family reunion and refugee intake. Their employment opportunities are declining as whole segments of manufacturing production are reallocated to CEECs. They contribute to the rising surplus of unskilled workers, who turn to the growing services sector for employment, but are often not able to compete due to the lack of necessary skills. As a result, they increasingly turn to working on their own account, or join the ranks of the unemployed and socio-economically excluded.

The Single Market and Eastern Enlargement: why trade took precedence over migration

Economic integration in Europe in the 1990s as well as globalisation at large, have been associated with increased international mobility of capital but less so of labour (*Solimano,* 2001). This may be the result of a general view that trade has in the main positive consequences, while migration gives rise to increased inequalities and results in winners and losers. This view is reflected in the fact that countries tend to impose restrictions on labour mobility while at the same time removing barriers to the free flow of goods and services across borders (GATS), thus discriminating against labour mobility in favour of international trade. This raises the question as to whether this belief is in fact valid, i.e., that trade and migration have different impacts on economic growth, the labour market, prices and income distribution. As it turns out, the answer theory provides is inconclusive as to the net effect. Only empirical research can establish what the net effect is. Depending on a variety of factors including comparative advantage, the net effect may vary between countries and regions (*Samuelson,* 2004, *Swenson,* 2005, *Andersen – Sorensen,* 2005).

In the context of the impact of migration versus trade in Europe, it is worthwhile to analyse the policies chosen and their consequences. With opening up of the CEECs at the beginning of the 1990s, a significant increase in trade and a substantial increase of FDI, primarily to the neighbouring transition countries, took place. But there was comparatively little migration.

In contrast, the implementation of the Single Market and the Single Currency has not given a significant boost to labour mobility of EU citizens within the EU, but instead to Intra-EU trade and trade with third countries. In the 1990s, Intra-EU(15) trade remained fairly stable at around 60 percent of all EU trade. However, trade between the EU(15) and CEECs increased from about 3 percent of all trade outside the EU(15) in the early 1990s to some 8 percent in 2003. Both increased intra-EU(15) trade and extra EU(15) trade were of equal importance for the substantial boost in international trade of the EU(15). From 1993 to 2003, the share of imports/exports of goods and services in percent of GDP increased from 27 percent to almost 40 percent of GDP (Graphs 2 and 3).

Similarly, the share of EU citizens living and working in another EU country remained fairly stable at a very low level during the 1990s – on average 2 percent of the population/work force; while migration from CEECs increased initially, after the fall of the iron curtain, but was prevented from rising further in the mid to late 1990s by legal restriction on access to formal EU labour markets. Within the EU, Germany was offered the largest quota of temporary work to migrants from CEECs. This restrictive migration policy of the EU is in stark contrast to policy in the traditional immigration countries overseas, particularly Australia and Canada, which were and still are reaching out to citizens of CEECs, particularly highly skilled ones, to settle abroad.

This raises the question of why trade was given precedence over migration in the context of Eastern enlargement. Research into trade and industry specialization in the enlarged European trading zone shows the following facts – the relatively high educational attainment level of the work force and the complex and advanced manufacturing base of the CEECs, the huge differences in wages at all skill levels in EU-MS compared to the transition countries, and low transportation costs due to the geographic vicinity. These facts opened up opportunities for lower production costs against which no immigration scenarium of the EU(15) could compete.

The opening-up of CEECs had in effect reduced suddenly the competitiveness of various stages of manufacturing production in the West which could hardly be matched by increasing migration at the going wage levels and technology. A more promising road for producers to maximise economic gains was to outsource certain elements of production. This allowed the EU to take advantage not only of the significantly lower wages and the production potential in transition countries, augmented by foreign direct investment, but also to access their markets. The specialisation in production on either side of the border and the resulting increase in inter- and intra-industry trade increased both economic and productivity growth, with little labour movement.

Thus, the policy rationale in favour of trade rather than migration was an economic one. Migration was promoted only where complementarity between trade and migration was obvious, for example, where highly skilled labour moved with FDI, in particular professionals and managers.

As a result, in the course of the 1990s, low to medium skill labour-intensive production lines were relocated from West to East, while high-skill labour-intensive and capital intensive production expanded in the West. This process of vertical fragmentation of production exploits comparative advantages more intensively than intra- and inter-industry trade both within the EU(15) as well as between the EU(15) and developing countries. This process of fragmentation induces productivity increases, not only from specialisation and economies of scale, but also from differences in technology and, of course, wages[9]. Thus, fragmentation occurs to take advantage of factor price differences between countries with different endowment structures (Heckscher-Ohlin model) and with a different comparative advantage resulting from technological differences (the Ricardian motive for trade). In addition, scale economies and economies of specialisation in component production may have induced outsourcing, the latter being the focus of attention of new trade theory.

As a result of international fragmentation of production, the pattern of output and trade changes in the countries involved in the production process. This has important effects on employment and its composition by industry, occupation and skills as well as on wages. Relative factor demand increases for those factors that are intensively used in the expanding sectors and decreases for those factors intensively used in declining sectors. It should be noted that outsourcing of labour-intensive phases of production has the same effect as sector-specific skill-biased technical change in that it reduces the demand for low skilled relative to high-skilled labour. It shows up as a rise in sector productivity without capital deepening, i.e., technological advance is not the driving force behind productivity growth. Thus, by setting unskilled labour free, fragmentation has a similar effect as technical progress.

Fragmentation is not only factor saving but also cost saving, allowing to lower the price of the final product and/or raise profitability. By reducing the wages of unskilled workers relative to highly skilled workers, a substitution away from the more expensive high skilled to the now cheaper low skilled workers may take place, thus increasing their employment. Whether the factor saving effect or the substitution effect dominates, is an empirical question. The reduction in production costs will, however, raise the competitiveness of the product in the world markets. This may promote output growth and contribute to employment growth, offsetting the job losses resulting from fragmentation.

As labour migration did not change much during the 1990s, the labour market outcomes of the EU(25) are largely the result of the interaction of labour and product markets. In the case of Austria, *Egger et al.* (2001) show that the overall effect of outsourcing to CEECs on the volume of employment was comparatively large while, given the limited downward flexibility of wages, the impact on relative wages was relatively small. The welfare gains from outsourcing would have been greater if a reallocation of labour from declining to growing sectors had been possible. *Andersen – Sorensen* (2005), in a more general analysis, point out that a high degree of international integration of product markets is inevitably linked with greater wage inequality, irrespective of whether countries are similar or not. The arguments of *Samuelson* (2004) are in the same vein.

Given that increased trade is overall welfare enhancing, equity considerations suggest that policies may need to be applied to compensate the losers from increased internationalisa-

[9] For a detailed account of fragmentation of industrial production in Austria see *Egger et al.* (2001), for a more global view see *Arndt – Kierzkowski* (2001).

tion. This could take various forms – reskilling, providing incentives to employers to employ more unskilled workers, and earned income tax credits to raise the income of the working poor.

Implications of the international fragmentation of the provision of services

A new feature of worker movements, which can be expected to grow in importance, is the flow of temporary workers as service providers. The EU objective is to promote further free movement of services between the MS (COM 2004/002 final – 2004/0001 COD, i.e., the so-called Bolkestein Directive). Although this would boost the temporary movement of natural persons across borders, it would feature as trade promotion rather than employment and labour market policy.

While gains from such services sector reform may be substantial and possibly comparable to economic gains from the earlier commodity trade liberalisations, a note of caution is called for. The services sector is huge – accounting for more than half of all jobs in any EU-MS and on average close to 70 percent of GDP in the EU, and so is its degree of complexity. It encompasses not only private sector services but a large number of public sector services, including education, health and social services, in essence what may be referred to as the European Social Model. Without venturing into the complexities of the current debate in Europe and, indeed, the rest of the world (*Winters et al.*, 2003, *OECD*, 2002C, *Drake-Brockman,* 2003)[10], it has to be borne in mind that public services suffer from "cost disease", in particular in education, health, social and cultural services. Due to limits to rationalisation, these services become relatively more expensive compared to goods and services more amenable to productivity growth. Health, education, social and cultural services are to a large extent provided by the public sector, often in cooperation with NGOs and NPOs (non-profit organisations) that promote welfare and social cohesion, one of the pillars of the Lisbon process.

In this connection, any reform in the provision of these kind of services across borders will need to be based not only on providing easy access and quality for the benefit of consumers but also ensuring decent working conditions for the service providers. It was above all concern for the quality of the service provided - and potential market failure – which was at the origin of the state taking over regulation of social services. This concern is manifest in several ways – in industrial relations and labour market regulation, affecting working conditions, the professionalisation of work through human capital investment, and through the impact of welfare services by regulating access to service providers where the quality of the service may be at risk.

---

[10] Increased services mobility is on the WTO agenda in the context of GATS (General Agreement on Trade in Services).

In the face of widely differing systems of welfare and social policy (*Biffl,* 2004), the concern about the present Bolkenstein Directive is that it allows service providers to move temporarily across the border, on the basis of inferior terms of employment than in the receiving country, as the terms of employment of the country of origin are meant to apply. This conflicts with labour migration regulation requiring migrant workers, temporary or permanent, to be employed on the terms, including welfare provisions, applying to other workers in the host country. In addition, labour supply increases in skill segments and occupations with above average unemployment are not to be exacerbated by immigration; this is the reason for requiring employers to prove that no resident with the necessary skills is willing to do the job at the going wage and working conditions, before an employment permit is granted to third country migrants, i.e., the domestic employer wishing to recruit from abroad, has to undertake an employment test.

The basis of the concern of EU-MS vis-à-vis liberalisation of general services mobility is that the protection of worker rights will be difficult if not impossible in the case of temporary movement of natural persons who provide a service in another country, given their limited knowledge of legal provisions across MS[11]. It is the receiving country, not the sending country, which has an incentive to ensure that health and safety regulations, consumer and worker protection legislation and human rights are observed. As long as welfare and social security systems are not harmonised, implementation of the country of origin principle will be difficult. The liberalisation of services mobility will require co-operation across many parts of government within and between MS, integrating the social partners and other interest groups. The EU experience will be monitored closely by the rest of the world, as services mobility mode 4 is high up on the WTO agenda, with the objective of extending service provision beyond the current movement of highly skilled service providers to include low-skilled services.

Before discussing the potential impact of migration on society, it is helpful, from an analytical point of view, to clarify the present somewhat muddled picture arising from different regulatory regimes applying to the issue of temporary movement of natural persons as service providers. In the EU, migration of persons of third countries is regulated by institutions in the receiving countries, on matters as diverse as the right of residence, access to the labour market (in the case of temporary migrants mostly on the basis of employment tests) and social and integration policies. In contrast, trade in services of mode 4 (movement of natural persons to the country of the consumer) is in the main a financial issue (payment of a service or a salary based on transfer price rules between the client/consumer and the supplier). However, frequently, labour market authorities do not distinguish between services mobility,

---

[11] The ETUC (European Trade Union Confederation) and the CEEP (Centre of Enterprises with Public Participation) challenge the primacy of the internal market over other elements of Community Law, in particular the 'acquis communitaire' regarding legislation concerning labour, consumer protection and services of general interest. http://wwwetuc.org/a/381, last modification January 18th 2005.

where persons are providing intra-company services, and migration, where persons are transferred to take up employment in the host country. In both cases employment tests are not applied.

This is where the issues are muddled. Intercompany transferees, i.e., employees of a foreign enterprise with a commercial presence in the country where the service is offered, will provide a temporary service while remaining under the direction of the enterprise in the country of origin. Others, constituting the majority of highly skilled professionals and managers in multinational enterprises, move between parent and affiliate companies in foreign countries, receive their salary from the receiving or sending enterprise, depending on administrative procedures in the receiving country. The numbers of third country migrants under these arrangements are small, and as such of limited concern for immigration policy makers. However, this may change if free mobility of services is extended to foreign temporary work/personnel leasing agencies for virtually any kind of service. In those circumstances, migration and labour market policy makers may find it increasingly difficult to plan short and medium term migration flows in response to labour market needs.

Where large differences in wages and working conditions exist between the country of the foreign service provider and the receiving country, the pressure on wages and working conditions in the receiving country can be expected to increase if the service provider is not bound to the working conditions and wages of the host country but to those of the country of origin. This will be a priority issue to be determined by migration and trade policy planners in the EU, possibly in the context of local services markets. A feature of the movement of such service providers is that it will bring about a fragmentation in the provision of services, not dissimilar to the international fragmentation of production of manufactured goods in the 1990s. In response, economic and labour market policy will need to find ways to assist those groups of workers who lose their jobs as a result of increased specialisation inherent in the process of fragmentation. Such assistance will very likely require further education and training to facilitate intersectoral movement of labour.

Concluding observations

As migratory processes do not only have an economic dimension but also political, cultural, social, humanitarian and even strategic ones, it is particularly difficult to anticipate fully the potential impact of migration on Europe at a time of major changes, both economic and social.

Policy co-ordination in the field of migration will be a particularly challenging task, as a result of different migration histories and models, which tend to discriminate between immigrants from various regions of the world. This flows out of the history of immigration and the particular strategic and political ties with the source countries of the major immigrant groups, especially from former colonies.

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. Another is the adaptation/convergence of asylum procedures, and most recently the co-ordination of the prosecution of illegal migration and clandestine work.

The reduction of illegal immigration will remain a major 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 those workers who are effectively excluded from formal employment. This may seriously impair the productive potential of EU-MS with high informal sectors.

In order for immigration to be accepted by the host society, public education may be necessary to show that there are economic advantages associated with immigration/ emigration.

A system of controlled migration is a prerequisite for maximising the economic advantage associated with migration. Even in cases of temporary worker migration, social cohesion has to be ensured by accompanying integration measures, in particular housing and language courses.

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 aging 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.

Unlike earlier experience of substantial South-North migration in the 1950s, 1960s and 1970s, the opening up of CEECs was accompanied by relatively small migration flows. Migration may in the future play an important role in economic integration but as a facilitator of specialised production processes and trade rather than as a substitute for trade.

If immigration to the old EU member states 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 would 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 governments and other relevant parties in the development of a system of lifelong learning.

References

Andersen, Torben M., Allan Sorensen, 2005, Product Market Integration, Wages and Inequality, Centre for Economic Policy Research, Discussion Paper No. 4963, London.

Arndt, Sven W., Henryk Kierzkowski (Eds.), 2001, Fragmentation: New Production Patterns in the World Economy, Oxford University Press.

Baumol, William J., 1967, Macroeconomics of unbalanced growth: the Anatomy of Urban Crisis, American Economic Review 57: 416-26.

Biffl, Gudrun, 2001A, Migration Policies in Western Europe and the EU-Enlargement in: OECD (Ed.), Migration Policies and EU Enlargement: The Case of Central and Eastern Europe, Paris.

Biffl, Gudrun, 2001B, Migration Policies and EU Enlargement, Intereconomics, Review of European Economic Policy, August 2001.

Biffl, Gudrun, 2002, Die Kosten des österreichischen Bildungssystems und der Wert der Ausbildung, Austrian Institute of Economic Research (WIFO) Monthly Report, 75(6).

Biffl, Gudrun, 2004, Diversity of Welfare Systems in the EU: A Challenge to Policy Coordination, European Journal of Social Security, Volume 6/2.

Blume, Kraen, Ejrnaes, Mette, Nielsen, Helena, Würtz, Allan, 2003, Self-employment among immigrants: A last resort? Working Paper No. 2003-13, University of Aarhus, Denmark.

Drake-Brockman, Jane, 2003, Regional approaches to services trade and investment liberalisation, Pacific Economic Papers, No. 337.

Egger, Peter, Michael Pfaffermayr, Yvonne Wolfmayr-Schnitzer, 2001, The international fragmentation of the value added chain: The effects of outsourcing on productivity, employment and wages in Austrian manufacturing, Study of the Austrian Institute of Economic Research (WIFO), Vienna.

Faini, Riccardo J., De Melo, Jaime, Zimmermann, Klaus F. (Eds.), 1999, Migration. The Controversies and the Evidence, Cambridge University Press, Cambridge, UK.

Ghosh, Bimal, 1998, Huddled Masses and Uncertain Shores: Insights into Irregular Migration, Kluwer Law International, Martinus Nijhoff Publishers, The Hague, Boston and London.

Ghosh, Bimal , 1999, "Social and Economic Consequences of Irregular Migration", in Manfred Matzka & Doris Wolfslehner (Eds.), Beiträge zur Analyse der europäischen Zuwanderungspolitik und der internationalen Zusammenarbeit, Vol. 1, Juridica Verlag, Vienna, 57-68.

ILO, 2002, "Decent Work and the Informal Sector", International Labour Conference, 90th Session 2002, Geneva.

Lubyova, Martina, 2001, Status of Foreign Residents and Foreign Workers in Selected Central and Eastern European Countries, in OECD (Ed.) Migration Policies and EU Enlargement: The Case of Central and Eastern Europe, 2001, Paris.

OECD, 2002A, "Measuring the Non-Observed Economy", A Handbook, Paris.

OECD, 2002B, International Mobility of the Highly Skilled, Paris.

OECD, 2002C, The relationship between regional trade agreements and the multilateral trading system: services; Working Party paper of the Trade Committee, TD/TC/WP(2002)27, Paris.

OECD, 2004, Trends in international migration, SOPEMI 2003, Paris.

OECD, 2005, Jean-Christophe Dumont and Georges Lemaître, Counting Immigrants and Expatriates in OECD Countries: A New Perspective, Social, Employment and Migration Working Paper (forthcoming).

Samuelson, Paul A, 2004, Where Ricardo and Mill rebut and confirm arguments of mainstream economists supporting globalisation, Journal of Economic Perspectives, Vol. 18(3):135-146, Summer 2004.

Solimano, A., 2001, "International Migration and the Global Economic Order", The Samuelson World Bank Policy Research Paper, Washington D.C., 2720.

Swenson, Deborah, 2005, Outsourcing price decisions: Evidence from U.S. 9802 imports, National Bureau of Economic Research, Working Paper Nr. 11184, Cambridge, MA.

Winters, L.A., T.L. Walmsley, Z.K. Wang, R. Greenberg, 2003, Liberalising Temporary Movement of Natural Persons: An Agenda for the Development Round, The World Economy, 26(8):1137-1161.

Zimmermann, Klaus F., 1995, Tackling the European Migration Problem, Journal of Economic Perspectives, 9(2), pp. 45-62.

Tables and Graphs

Table 1: Inflows of foreign population in selected OECD countries
In 1,000

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Inflow data based on population registers:										
Austria	..	..	..	..	..	..	59.2	72.4	66.0	74.8
Belgium	55.1	53.0	56.0	53.1	51.9	49.2	50.7	68.5	65.6	66.0
Czech Republic	..	..	..	5.9	7.4	9.9	7.9	6.8	4.2	11.3
Denmark	16.9	15.4	15.6	33.0	24.7	20.4	21.3	20.3	22.9	25.2
Finland	10.4	10.9	7.6	7.3	7.5	8.1	8.3	7.9	9.1	11.0
Germany	1207.6	986.9	774.0	788.3	708.0	615.3	605.5	673.9	648.8	685.3
Hungary	15.1	16.4	12.8	14.0	13.7	13.3	16.1	20.2	20.2	19.5
Japan	267.0	234.5	237.5	209.9	225.4	274.8	265.5	281.9	345.8	351.2
Luxembourg	9.8	9.2	9.2	9.6	9.2	9.4	10.6	11.8	10.8	11.1
Netherlands	83.0	87.6	68.4	67.0	77.2	76.7	81.7	78.4	91.4	94.5
Norway	17.2	22.3	17.9	16.5	17.2	22.0	26.7	32.2	27.8	25.4
Sweden	39.5	54.8	74.7	36.1	29.3	33.4	35.7	34.6	42.6	44.1
Switzerland	112.1	104.0	91.7	87.9	74.3	70.1	72.4	83.9	85.6	99.5
Inflow data based on residence permits or an other source:										
Australia										
Permanent inflows	107.4	76.3	69.8	87.4	99.1	85.8	77.3	84.1	92.3	88.9
Temporary inflows	..	93.2	115.2	124.4	130.2	147.1	173.2	194.1	224.0	340.2
Canada										
Permanent inflows	252.8	255.8	223.9	212.9	226.1	216.0	174.1	189.9	227.3	250.3
Temporary inflows	60.5	57.0	58.9	60.4	60.9	63.7	68.1	75.5	86.2	..
France	116.6	99.2	91.5	77.0	75.5	102.4	139.5	114.9	126.8	141.0
Greece	..	..	..	..	..	..	38.2	..	..	..
Ireland	..	..	13.3	13.6	21.5	23.5	20.8	21.6	24.1	28.0
Italy	..	..	..	..	..	..	111.0	268.0	271.5	232.8
New Zealand	25.5	28.9	26.5	46.7	58.6	52.0	38.7	36.2	38.8	62.1
Portugal	13.7	9.9	5.7	5.0	3.6	3.3	6.5	10.5	15.9	14.2
United Kingdom	175.0	179.2	206.2	228.0	224.2	237.2	287.3	337.4	379.3	373.3
United States										
Permanent inflows	974.0	904.3	804.4	720.5	915.9	798.4	654.5	646.6	849.8	1064.3
Temporary inflows	..	..	1468.8	1433.3	1636.7	..	2141.4	2363.4	2741.3	2948.3
EU	*1727.6*	*1506.0*	*1308.8*	*1304.5*	*1211.2*	*1155.6*	*1247.1*	*1358.1*	*1416.3*	*1465.7*
EEA	*1856.9*	*1632.2*	*1418.4*	*1408.8*	*1302.7*	*1247.7*	*1346.2*	*1474.2*	*1529.7*	*1590.7*

Source: OECD-SOPEMI.

Table 2: Inflows of foreign workers in selected OECD countries
In 1,000

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Australia										
Permanent settlers	40.3	22.1	12.8	20.2	20.0	19.7	26.0	27.9	32.4	35.7
Temporary workers	14.6	14.9	14.2	14.3	15.4	31.7	37.3	37.0	39.2	45.7
Austria	57.9	37.7	27.1	15.4	16.3	15.2	15.4	18.3	25.4	27.0
Belgium	4.4	4.3	4.1	2.8	2.2	2.5	7.3	8.7	7.5	7.0
Canada	70.5	65.5	67.7	69.7	71.5	75.4	79.5	85.4	93.7	93.1
Denmark	2.4	2.1	2.1	2.2	2.8	3.1	3.2	3.1	3.6	5.1
Finland	..	..	..	..	..	..	..	..	10.4	14.1
France										
Permanents	42.3	24.4	18.3	13.1	11.5	11.0	10.3	17.1	18.4	22.2
APT	3.9	4.0	4.1	4.5	4.8	4.7	4.3	5.8	7.5	9.6
Germany	408.9	325.6	221.2	270.8	262.5	285.4	275.5	304.9	333.8	373.8
Hungary	24.6	19.5	18.6	18.4	14.5	19.7	22.6	29.6	40.2	47.3
Ireland	3.6	4.3	4.3	4.3	3.8	4.5	5.7	6.3	18.0	36.4
Italy	..	..	..	..	..	166.5	182.0	219.0	145.3	92.4
Japan	108.1	97.1	111.7	81.5	78.5	93.9	101.9	108.0	129.9	142.0
Luxembourg	15.9	15.5	16.2	16.5	18.3	18.6	22.0	24.2	26.5	
New Zealand										
Permanent settlers	..	..	..	..	..	4.8	5.1	6.7	9.8	13.8
Temporary workers	..	..	..	..	..	25.4	29.5	32.5	43.1	54.6
Portugal	..	..	..	2.2	1.5	1.3	2.6	4.2	7.8	6.1
Spain	48.2	7.5	15.6	29.6	31.0	30.1	53.7	56.1	74.1	41.6
Switzerland	39.7	31.5	28.6	27.1	24.5	25.4	26.4	31.5	34.0	41.9
United Kingdom										
Long Term	9.9	9.4	10.2	11.7	11.4	16.3	20.2	25.0	36.2	50.3
Short Term	26.3	24.5	23.0	26.1	29.4	27.4	28.0	28.4	30.7	30.8
Total	36.3	33.9	33.2	37.8	40.8	43.7	48.2	53.4	66.9	81.1
United States										
Permanent settlers	116.2	147.0	123.3	85.3	117.5	90.6	77.5	56.8	107.0	179.2
Temporary workers	175.8	182.3	210.8	220.7	254.4	..	430.7	525.7	635.2	688.5
EU	*623.8*	*459.2*	*346.2*	*397.1*	*393.8*	*418.7*	*445.7*	*497.9*	*581.7*	*603.9*
EEA[1]	*663.4*	*490.7*	*374.8*	*424.2*	*418.3*	*444.0*	*472.1*	*529.4*	*615.7*	*645.7*
North Amerika	*186.7*	*212.5*	*191.0*	*155.0*	*189.0*	*166.0*	*157.0*	*142.2*	*200.7*	*272.3*

Source: OECD. – [1] Above countries only.

Table 3: Foreign born as a proportion of the total population in selected OECD countries
In percent of total population

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Australia	23.0	22.9	22.9	23.0	23.3	23.3	23.3	23.3	23.6	23.1
Austria	..	..	..	..	..	..	11.1	10.7	10.4	12.5
Belgium										10.7
Canada	..	..	..	..	17.4	..	..	..	..	19.3
Czech Republic										4.5
Denmark	4.0	4.1	4.3	4.7	4.9	5.2	5.4	5.6	5.7	6.0
Finland	..	..	..	2.0	2.1	2.3	2.4	2.5	2.6	2.8
France	..	..	..	..	..	..	..	10.0	..	..
Germany										12.5
Greece										10.3
Hungary	..	..	..	2.8	2.8	2.8	2.8	2.9	2.9	3.0
Ireland										10.4
Luxembourg	..	..	..	..	..	..	..	..	..	32.6
Mexico	..	..	..	..	..	..	..	..	0.5	0.5
Netherlands	..	9.0	9.0	9.1	9.2	9.4	9.6	9.8	10.1	10.4
New Zealand	..	..	..	..	..	..	..	..	..	19.5
Norway	..	5.0	5.4	5.5	5.6	5.8	6.1	6.5	6.8	6.9
Poland										2.1
Portugal										6.3
Slovak Republic										2.5
Spain										5.3
Sweden	9.6	9.9	10.5	10.5	11.0	11.0	10.8	11.8	11.3	11.5
Switzerland										22.4
Turkey										1.9
United Kingdom										8.3
United States	..	..	8.7	8.8	9.3	9.7	9.8	10.3	11.1	11.1

Source: OECD-SOPEMI, *OECD* (2005).

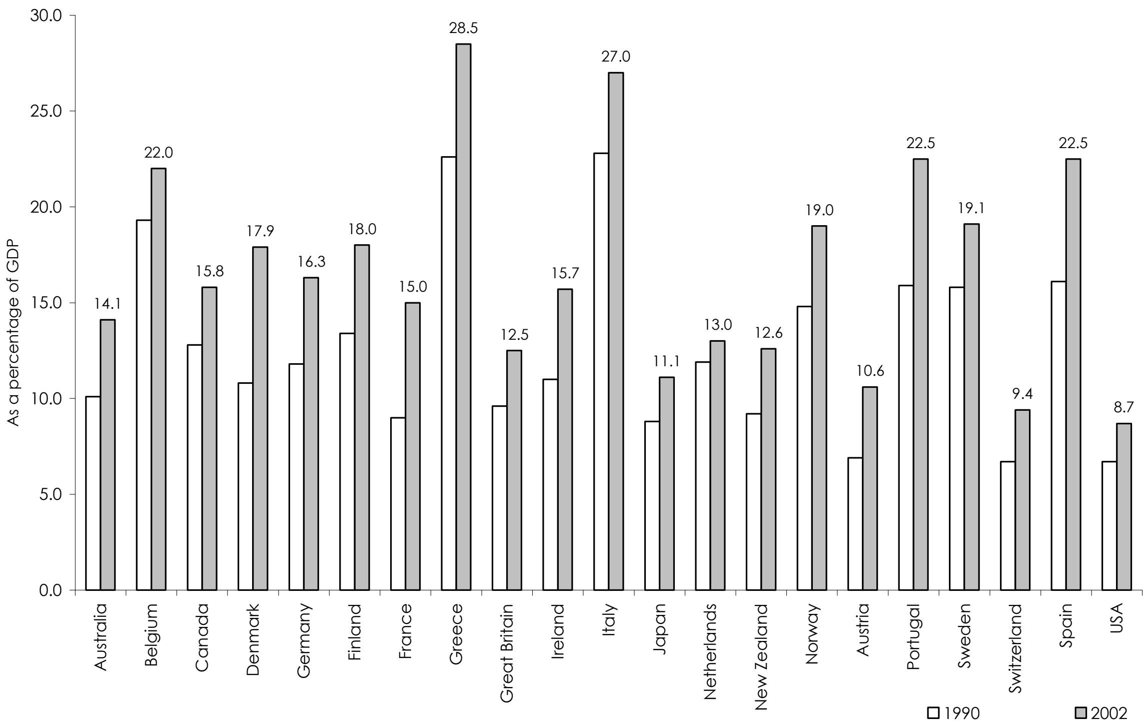
Table 4: Foreigners or foreign-born as a proportion of the labour force in selected OECD countries
In percent of total labour force

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Stocks of foreign labour force										
Austria	9.1	9.3	9.7	9.9	10.0	9.9	137.5	10.0	10.5	11.0
Belgium	7.8	8.1	8.4	8.5	8.6	8.8	8.8	8.9	..	..
Denmark	2.6	2.7	2.9	3.0	3.1	3.3	3.4	3.4	3.4	3.5
Finland	..	..	1.0	1.1	1.2	1.3	1.4	..	1.6	1.7
France	6.0	6.1	6.3	6.2	6.3	6.1	6.1	5.8	6.0	6.2
Germany	8.0	8.9	8.9	9.0	9.1	8.9	..	8.8	8.8	9.1
Hungary	0.3	0.4	0.5	0.5	0.5	0.5	0.6	0.7	0.9	0.9
Ireland	3.0	2.7	2.5	2.9	3.5	3.4	3.3	3.4	3.7	4.6
Italy	1.4	1.5	1.5	1.7	2.6	2.4	2.7	3.6	4.1	3.8
Japan	0.1	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Luxembourg	49.2	49.7	51.0	52.4	53.8	55.1	57.7	57.3	57.3	61.7
Netherlands	3.5	3.3	3.3	3.2	3.1	2.9	3.2	..	..	..
Norway	2.3	2.4	2.5	2.5	2.6	2.8	3.0	4.7	4.9	..
Portugal	1.3	1.4	1.6	1.8	1.8	1.8	1.8	1.8	2.0	2.0
Spain	0.9	0.8	0.8	0.9	1.0	1.1	1.2	1.2	2.7	3.4
Sweden	5.3	5.1	5.0	5.1	5.1	5.2	5.1	5.1	5.0	5.1
Switzerland	18.3	18.5	18.9	18.6	17.9	17.5	17.4	17.6	17.8	18.1
United Kingdom	3.6	3.4	3.4	3.4	3.3	3.6	3.9	3.7	4.0	4.4
Stocks of foreign-born labour force										
Australia	..	25.3	24.8	23.9	24.6	24.8	24.8	24.6	24.5	24.2
Canada	..	..	..	..	19.2	..	..	..	..	19.9
United States	..	..	9.8	9.7	10.7	11.3	11.7	11.7	13.0	13.9

Source: OECD-SOPEMI.

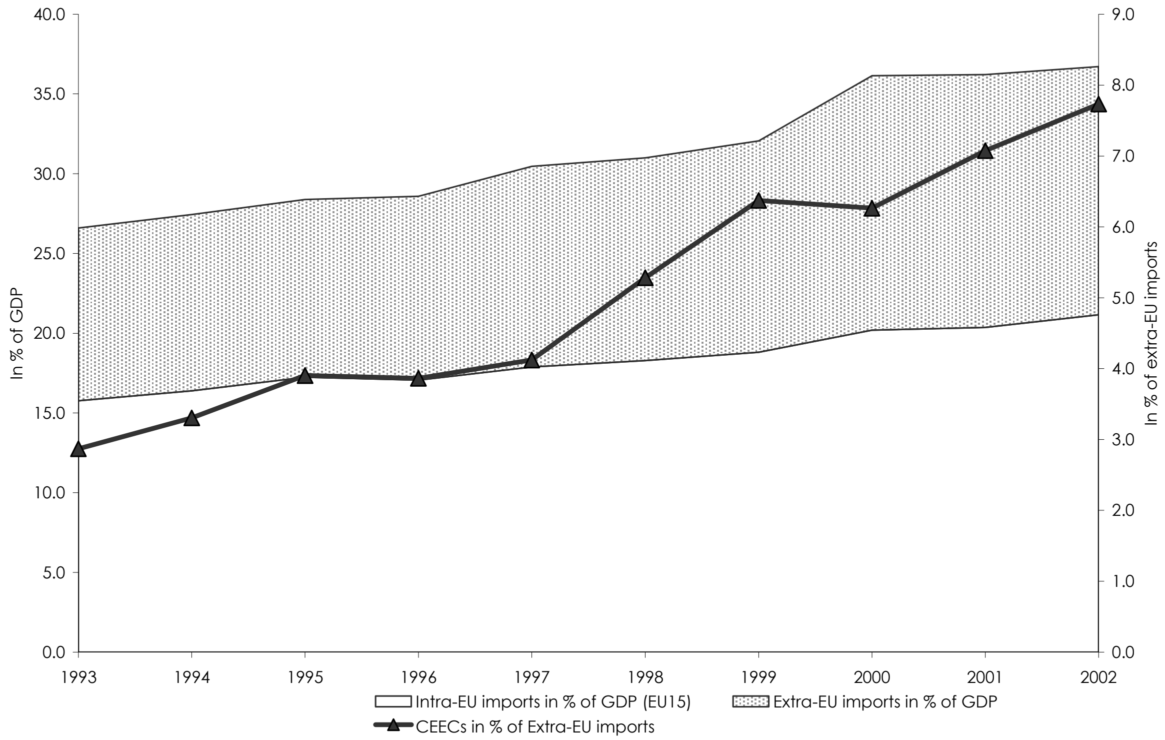
Graph 1: Growth of the informal economy as a percentage of GDP in Western Industrialised Countries

1990-2002



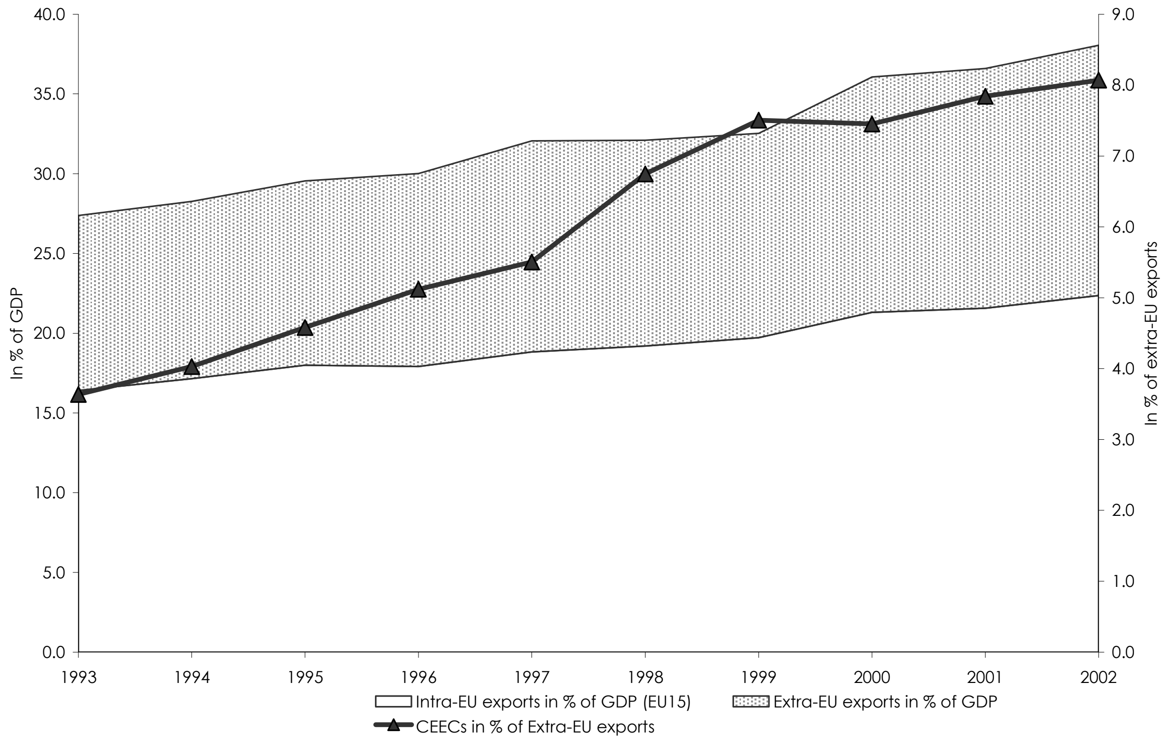
Source: *Schneider – Enste* (2000), *Schneider* (2003), Institut der deutschen Wirtschaft Köln.

Graph 2: Intra- and extra-EU(15) imports as a percentage of GDP and proportion of imports from CEECs of extra-EU(15) imports in the 1990s



Source: OECD, WIFO-calculations. CEECs: CZ, HU, PL: 1993-2002; SK: 1998-2002.

Graph 3: Intra- and extra-EU(15) exports as a percentage of GDP and proportion of exports to CEECs of extra-EU(15) exports in the 1990s



Source: OECD, WIFO-calculations. CEECs: CZ, HU, PL: 1993-2002; SK: 1998-2002.

Medieninhaber (Verleger), Hersteller: Österreichisches Institut für Wirtschaftsforschung • Wien 3, Arsenal, Objekt 20 • A-1103 Wien, Postfach 91 • Tel. (43 1) 798 26 01-0 • Fax (43 1) 798 93 86 • http://www.wifo.ac.at/ • Verlags- und Herstellungsort: Wien

Die Working Papers geben nicht notwendigerweise die Meinung des WIFO wieder

Verkaufspreis: EUR 8,00 • Download kostenlos:
http://publikationen.wifo.ac.at/pls/wifosite/wifosite.wifo_search.get_abstract_type?p_language=1&pubid=25566