

Causes and Consequences of Labour Immobility

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Labour mobility is important !

- ▶ Mobility contributes to an optimal allocation of economic resources that generates high output and welfare
- ▶ Mobility ensures a quick adjustment of labour markets (of labour supply to the needs of labour demand), especially on the regional level
- ▶ „European Year of Workers‘ Mobility“: important initiative, but should interact with efforts to harmonise immigration policies
- ▶ The rapid increase in the demand for skilled workers cannot be satisfied by EU natives only, even if mobility barriers could be overcome
- ▶ Labour migrants are typically more mobile than the native population
- ▶ More and more EU unskilled workers will remain unemployed, if not more non-EU skilled immigrants help generating jobs for them
- ▶ Economic immigration policy is absolutely necessary for future economic growth

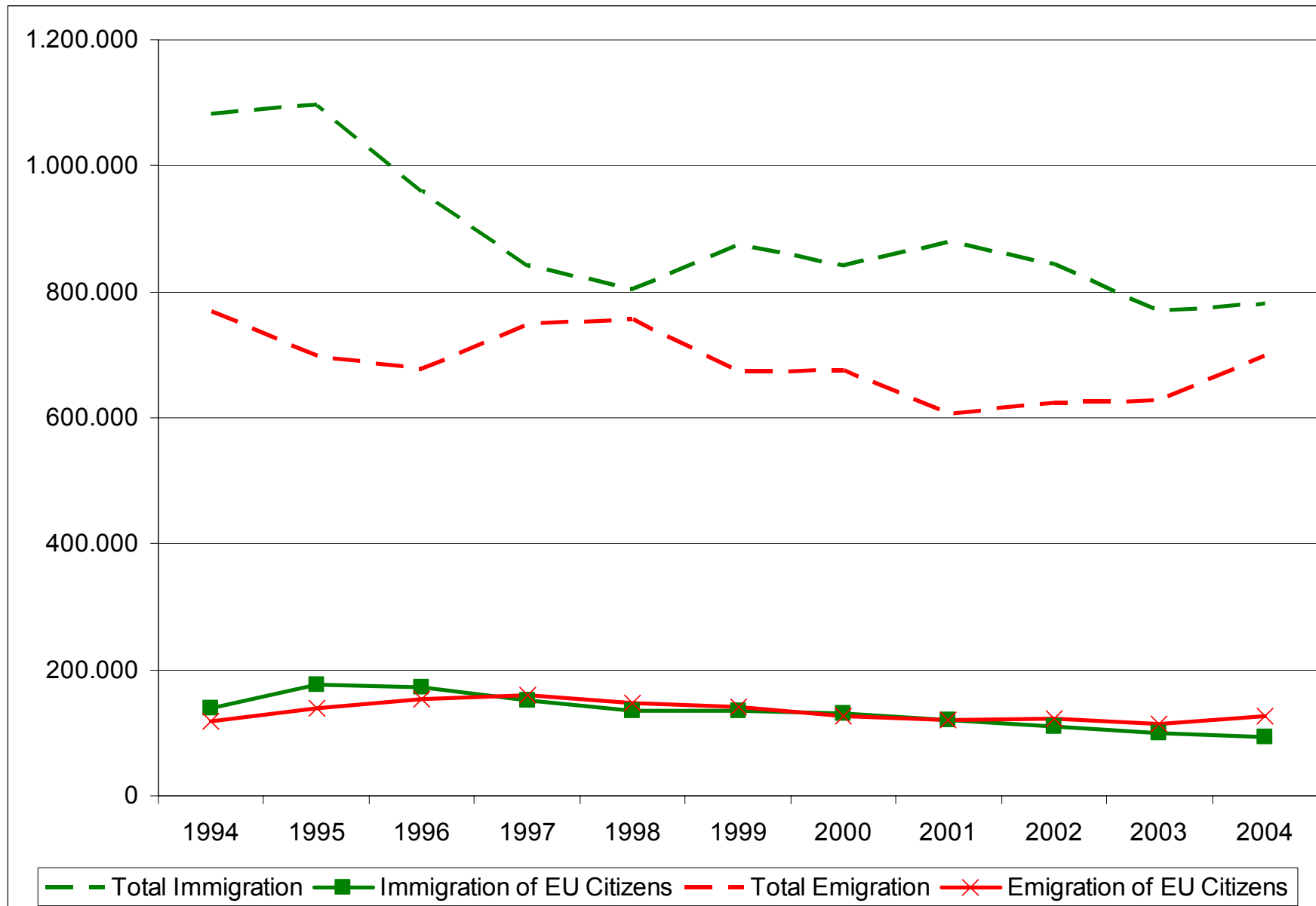
Causes of low labour mobility in EU-15 (I)

- ▶ Labour mobility across member states and within the EU-15 countries has been low and is still on decline,
 - >> due to (among others) the following causes:
 - ❑ Strong ageing of the work population
 - ❑ Rise of female employment and dual work households (difficult joint mobility decisions)
 - ❑ Continuous rise in home ownership
 - ❑ Limited portability/compatibility of social security entitlements
 - ❑ Lack of innovation dynamics in EU-15 (compared to the US)
 - ❑ Decline in the number of available new jobs (due to lack of growth)

Causes of low labour mobility in EU-15 (II)

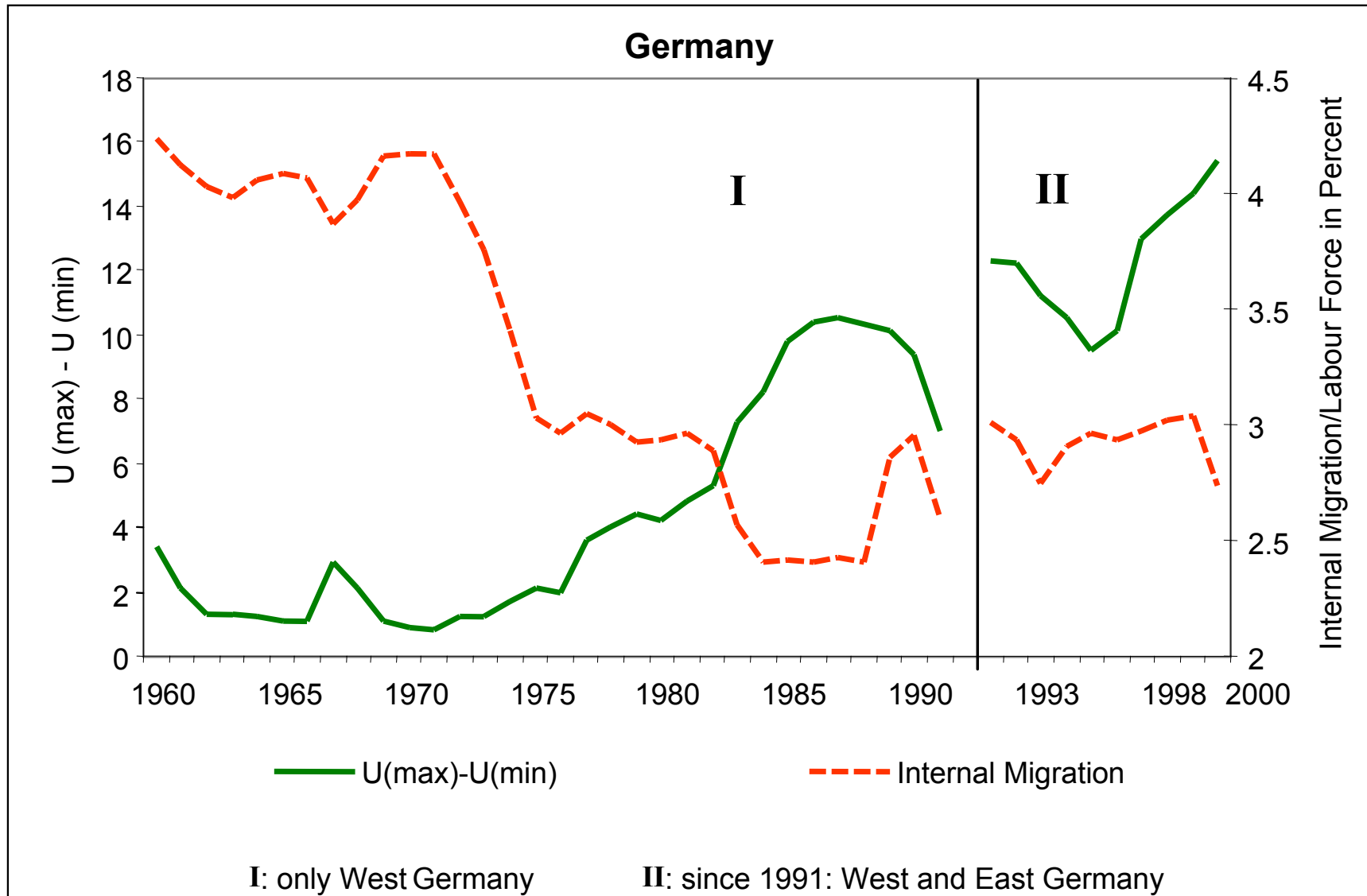
- ❑ Lacking transparency of EU-wide (online) job markets
- ❑ Ambivalent effects of new commuting perspectives through e.g. fast trains, cheaper airlines: can stimulate or prevent mobility decision
- ❑ Mass unemployment effects: social network relevance grows, while at the same time mobility incentives are too low
- ❑ Too many low-skilled, too few high-skilled within the labor force
- ❑ Stagnation/decline of labour migration relevance (no active immigration policy) adds to economic growth problem
- ❑ Wage compression at the national level influence regional mobility

Germany: Only small share of EU immigrants and emigrants (inflow/outflow, 1994-2004)



Source: German Federal Commissioner for Migration, Refugees and Integration, Migrationsbericht 2005

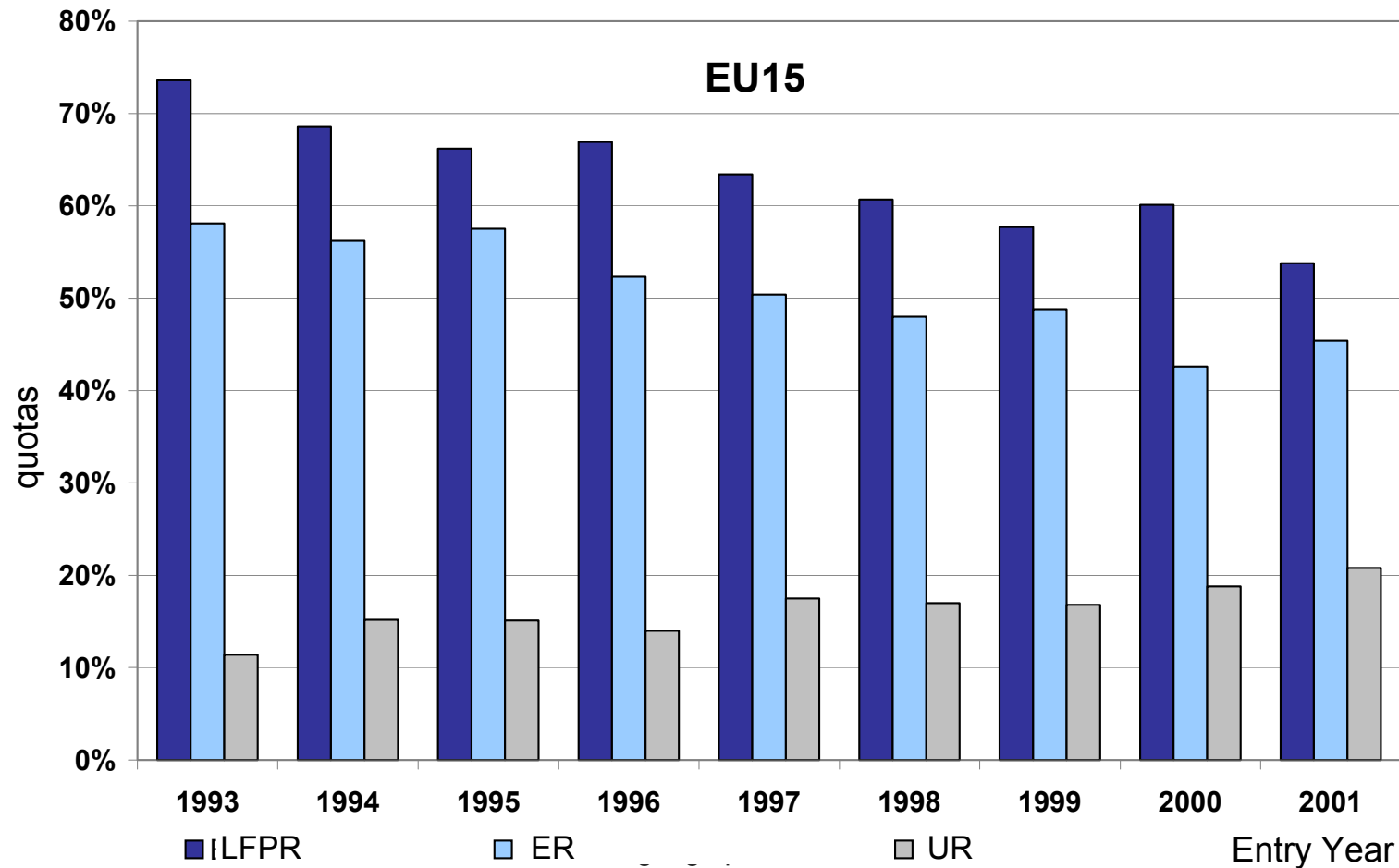
Germany: Internal migration declines in spite of higher unemployment dispersion



Source: Statistical Office Germany, own calculations

Labour market integration by cohorts of immigrants:

Share of labour migrants and hence mobility on decline



LFPR = labor force participation rate = proportion of the total number of persons in the labor force to the total population 15-65 years old.

ER = employment rate = proportion of the total number of employed persons to the total number of persons in the labor force

UR = unemployment rate (OECD)

Source: EuroStat 2002

New mobility line-up in EU-25:

Economic gap stimulates East-West labour migration

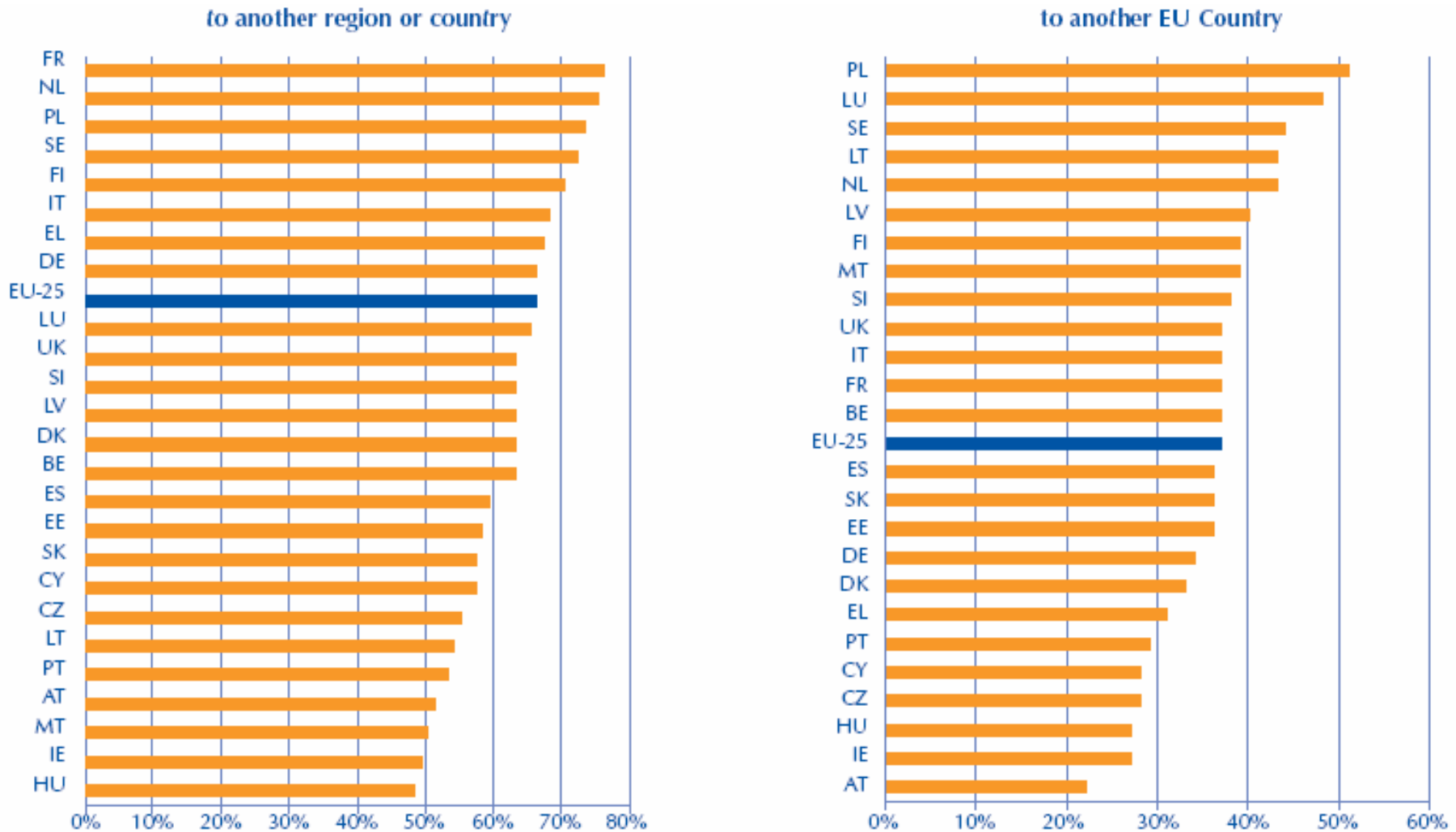
- ▶ Economic gap between old and new EU member states stimulates East-West migration within the EU
- ▶ Building of ethnic networks in the process of East-West migration will act as a flywheel for further migration (reduced risk of giving up social contacts)
- ▶ Empirical studies show positive overall economic effects of reduced access restrictions for Eastern EU nationals (e.g. UK, Ireland, Sweden) which attract better educated migrants
- ▶ Up-holding massive labor market access restrictions is the wrong strategy (Germany, Austria) in the long run

New mobility line-up in EU-25: Domino effects of East-West EU mobility

- ▶ New migration flows include chances and risks:
market adjustment in Western Europe vs. market disturbance in the East in the middle of the ongoing transition processes
- ▶ Domino effects of East-West EU mobility:
lack of qualified labour supply e.g. in Poland forces firms to hire workers from Ukraine, since rising wages to prevent Polish workers from migration would immediately reduce cost advantages and hence chances to take away business from Western Europe

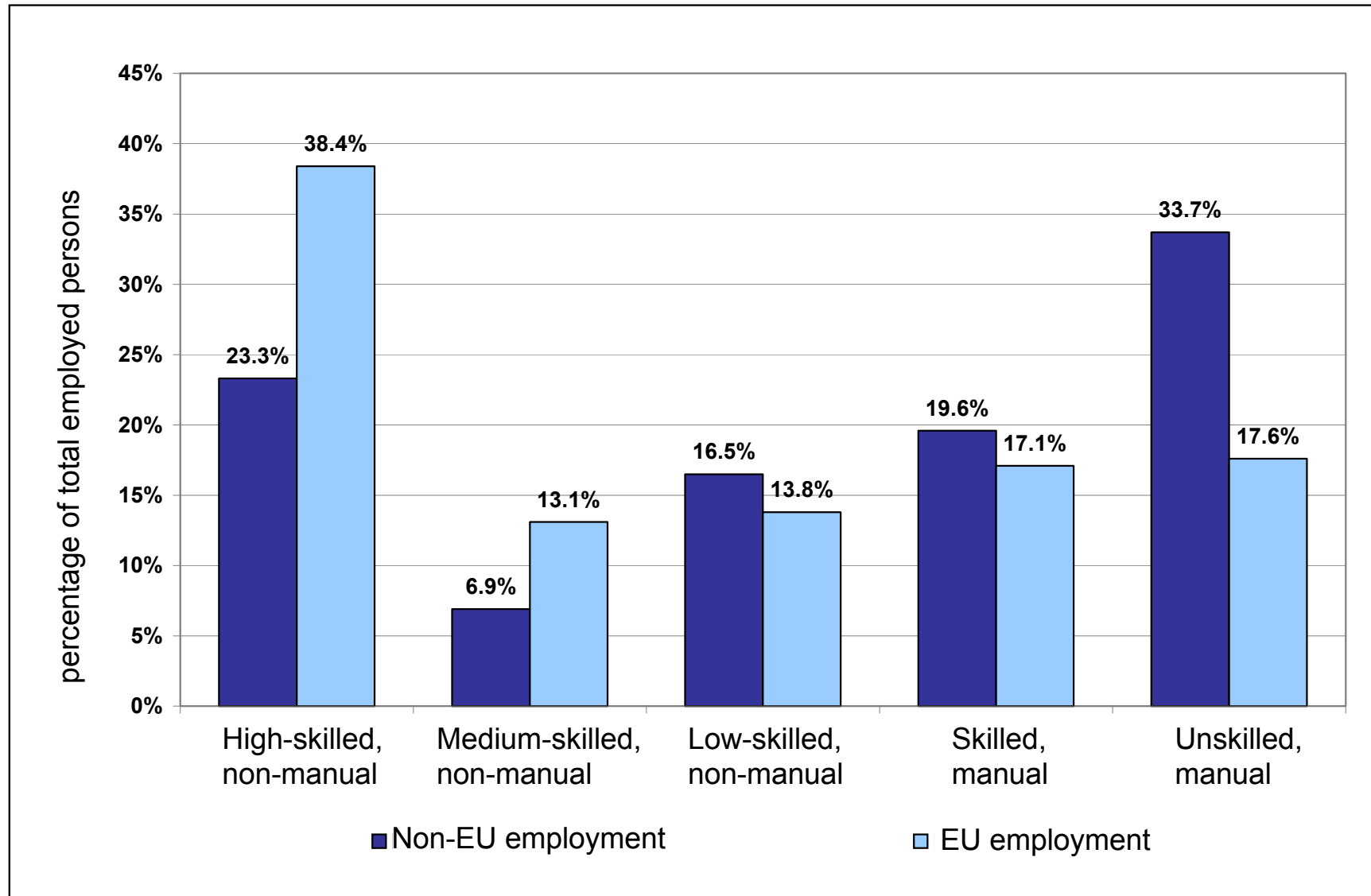
Percentage of people ready to move to find a job if they were unemployed (by country):

East Europeans more likely to move to another country
EU-15 more likely to move within country



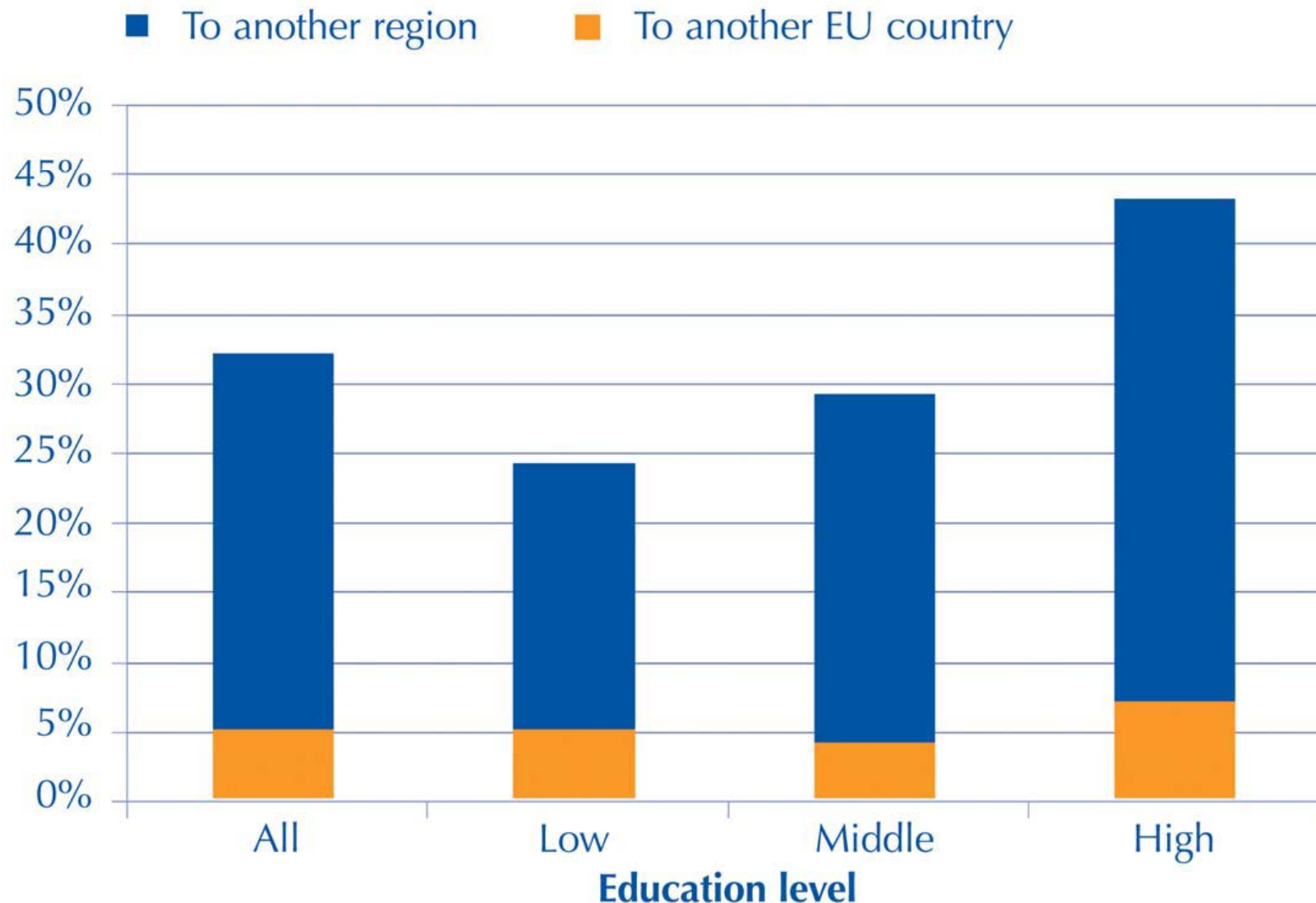
Source: Eurobarometer 64.1 on geographical and labour market mobility. September 2005

Employment structure in the EU – too many low-skilled, too few high-skilled



Source: EuroStat 2002

Proportion of people who have moved outside their region of origin at least once by level of education (EU-25): **Low across-border labour mobility of low AND high skilled**



Source: Eurobarometer 64.1 on geographical and labour market mobility. September 2005

Large education gap in mobility decisions

► **Within-country mobility**

Incentives to move are larger for **more educated workers**:

- successful search for the best regional opportunities in the face of growing high-skill labour demand
- reduced necessity to move across-border due to use of modern technical devices (e.g. laptops, video-conferencing) and new commuting possibilities through cheaper travelling

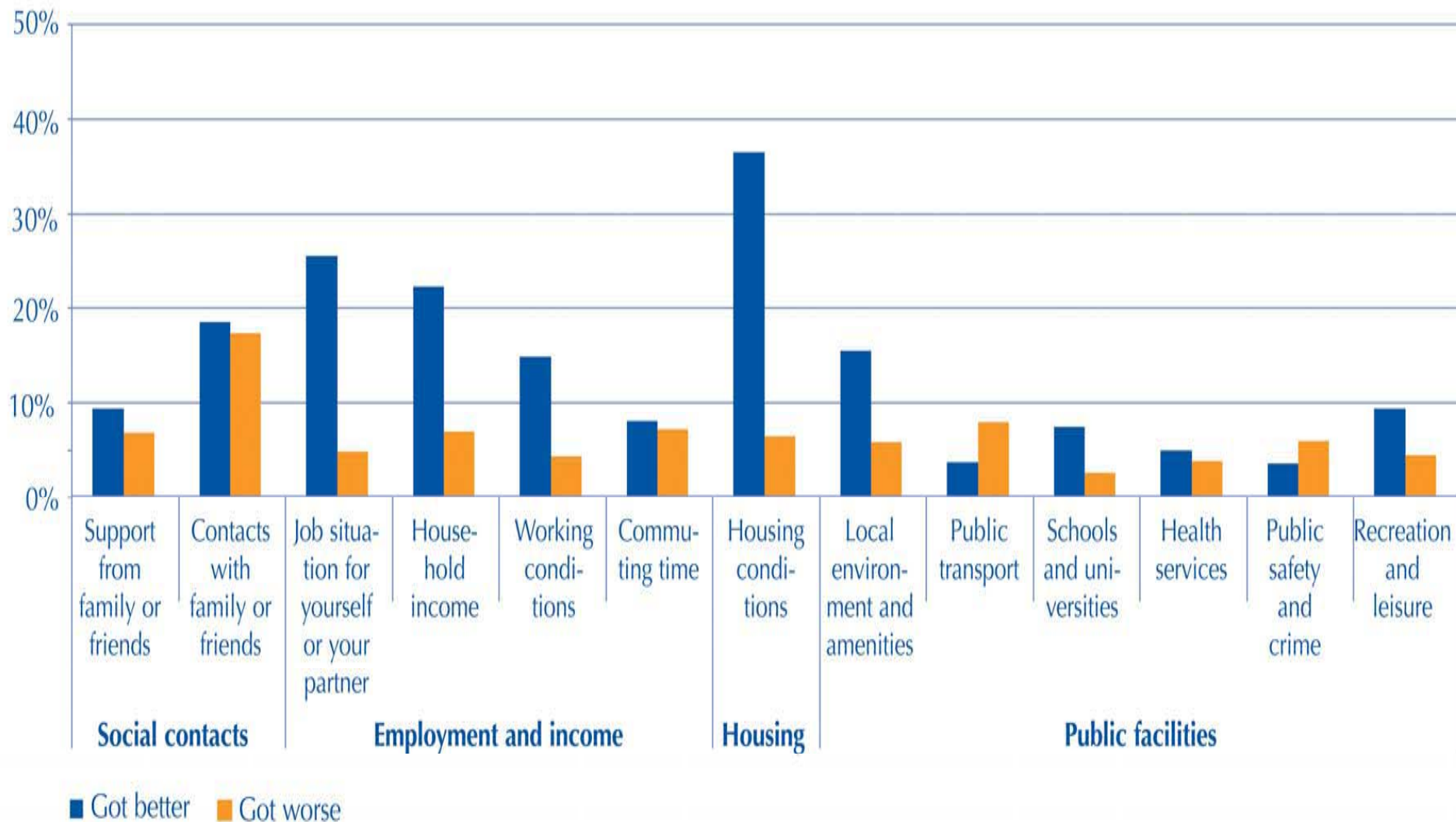
► **Across-country mobility**

Incentives to move greater for **less educated workers**:

- do not face similar problems of diploma recognition etc.
- larger mobility benefit in case of previous “working poor” situation or unemployment
- larger ethnic migrant networking benefit (in case of lacking language skills etc.)

Changes for the better / the worse after last migration to another region or country (EU-25):

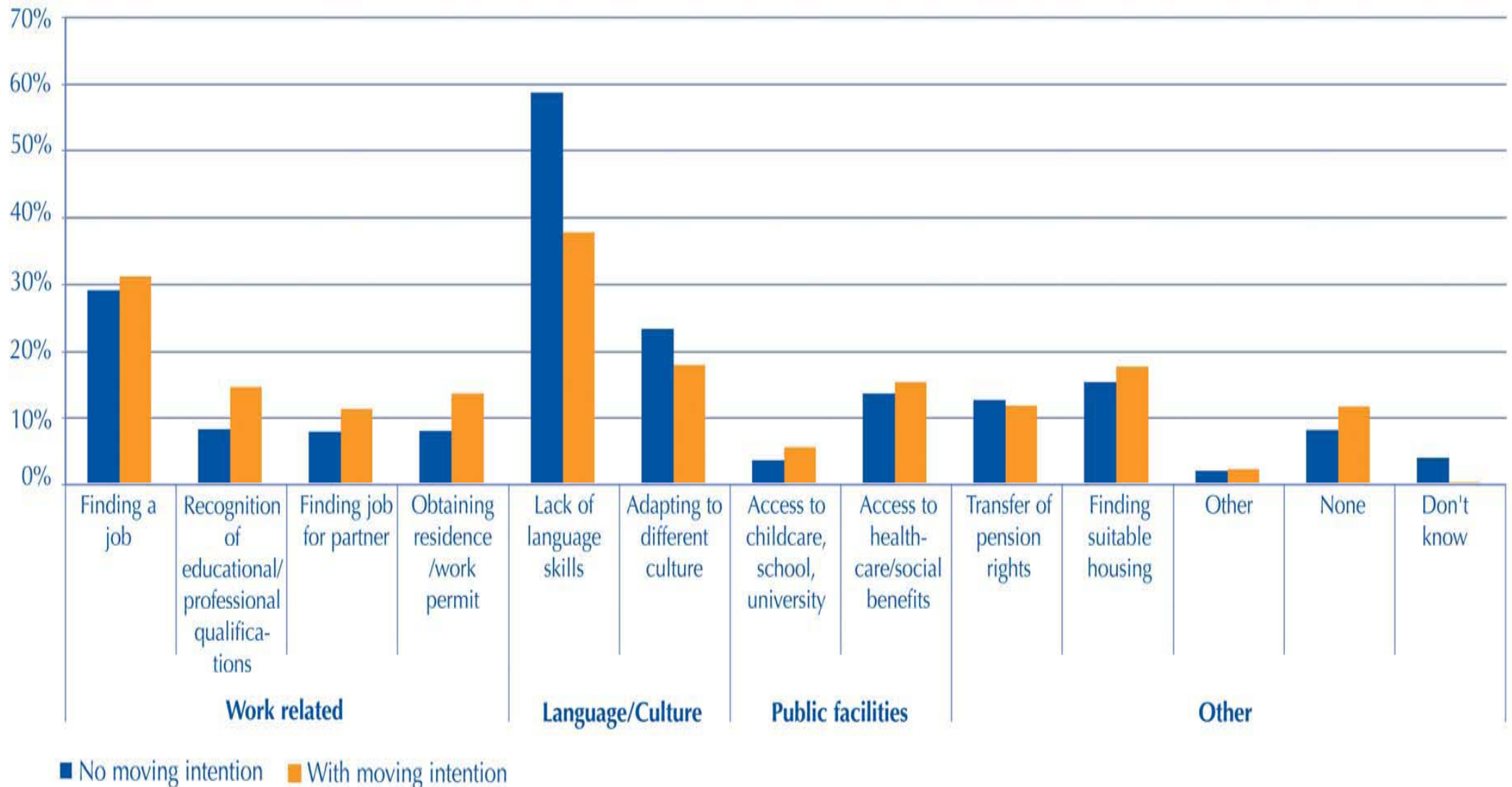
Job situation, income and housing got better, but no clear mobility incentive noticeable



Source: Eurobarometer 64.1 on geographical and labour market mobility. September 2005

Expected difficulties in case of move to another country within the EU (EU-25):

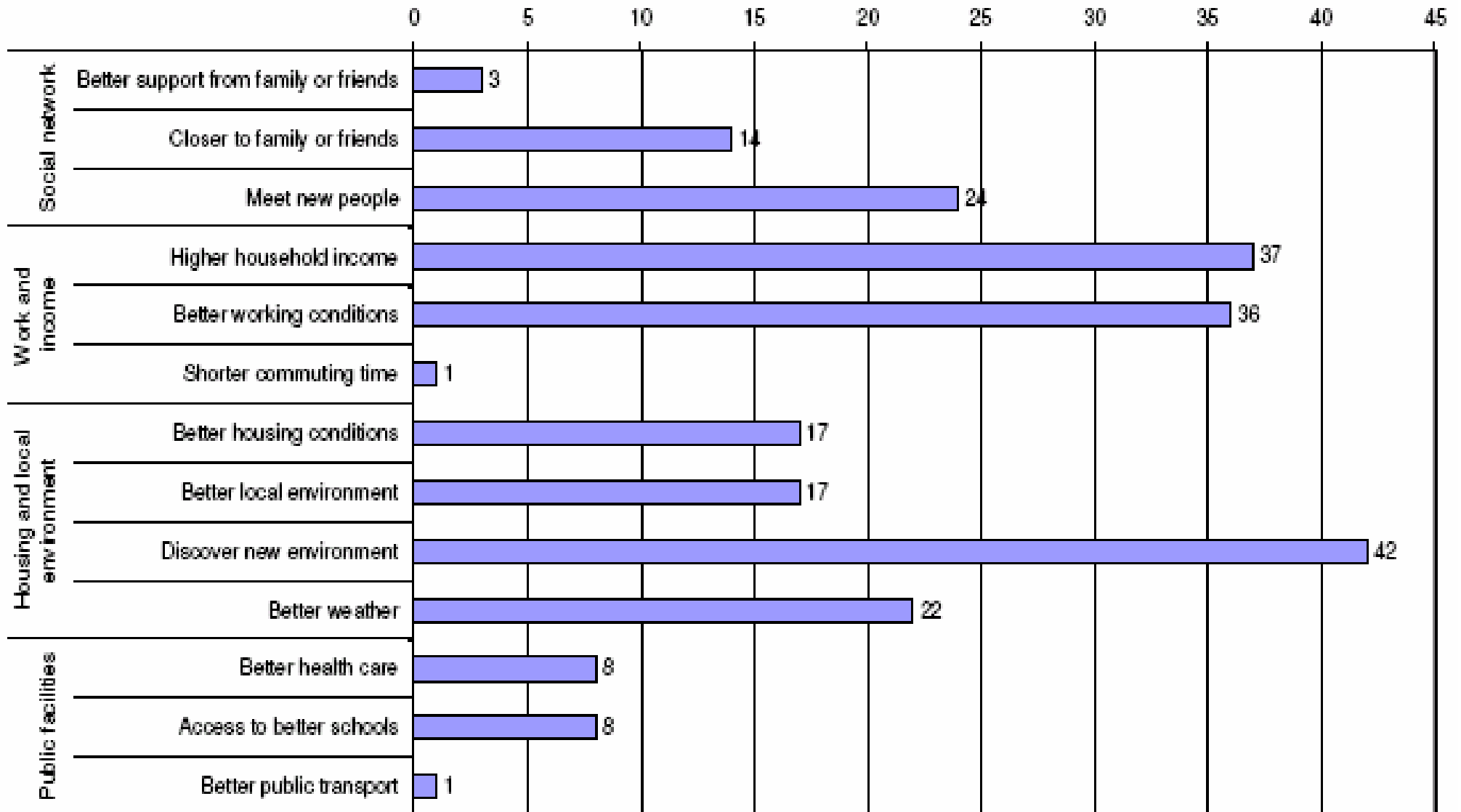
Finding a job, lack of language/cultural skills predominant



Source: Eurobarometer 64.1 on geographical and labour market mobility. September 2005

Encouraging factors to move to another EU country (only people with moving intentions):

Higher income, better job predominant



Source: Krieger / Fernandez (2006): Too much or too little long-distance mobility in Europe? EU policies to promote and restrict mobility

Mobility in the last three years, by reason and distance (heads of households, EU-15 less LUX, SWE):

Hardly any job-related move

	Percent
No move	79.44
Job-related move, same area	0.67
Job-related move, other area	0.83
House-related move, same area	5.87
House-related move, other area	0.60
Personal reason move, same area	3.58
Personal reason move, other area	0.62

Notes: EU15 less Luxembourg and Sweden, 1995-2001, survey weights.

Source: Wasmer et al. (2005), The Macroeconomics of Education

Across-border labour mobility in the EU and US:

Southern Europeans less mobile, no mobility barriers in the US

EU (Labour Force)				US (Labour Force)		
Year	1992	1996	1999	Year	1990	2000
EU-12	2.2%	2.2%	2.5%	USA	35.3%	33.6%
EU-15	n.a.	2.2%	2.6%	California	36.2%	28.0%
France	3.8%	3.7%	3.5%	New York	17.8%	16.1%
Spain	0.8%	0.9%	1.0%	Texas	32.4%	30.4%
UK	2.2%	2.1%	2.2%	Florida	61.1%	55.6%
Germany	2.8%	2.8%	2.7%	Illinois	25.7%	23.0%
Italy	0.2%	0.1%	0.2%			

Source: Wasmer et al. (2005), The Macroeconomics of Education

Mobility rate outside the area in the last three years (active 15-64 population, head of household): **North-South mobility differences in EU-15**

Country	Any reason	Job-related reason
Denmark	5.4%	2.0%
Netherlands	2.9%	1.0%
Belgium	1.3%	0.3%
France	4.2%	2.5%
Ireland	1.0%	0.3%
Italy	1.1%	0.5%
Greece	0.8%	0.6%
Spain	0.9%	0.5%
Portugal	0.7%	0.1%
Austria	1.5%	0.6%
Finland	5.8%	2.4%
Germany	2.1%	0.8%
UK	7.2%	2.7%
Total	2.5%	1.1%

Notes: EU15 less Luxembourg and Sweden, 1995-2001, survey weights. Source: Wasmer et al. (2005), The Macroeconomics of Education

A political strategy against EU-15 labour immobility?

- ▶ A coherent EU strategy needs to find a fair balance between
 - a) the **necessity to stimulate regional and across-border labour mobility** to cope with challenges of globalisation and technological change
 - b) the **necessity to minimize negative mobility effects** in terms of e.g.:
 - ❑ potential brain drain in the new EU countries
 - ❑ special brain drain in ageing EU-15 societies, whose young generations might try to avoid social security system pressures through mobility
 - ❑ potential further birth rate decline as a consequence of mobility driven short-term employment
 - ❑ significant societal, infrastructure and ecological costs

A strategy against labour immobility?

- ▶ From the economic perspective:
 - ✓ expanding public and private spending on Innovation, Research and Development (R&D) is a crucial mobility incentive
 - ✓ harmonisation of education and qualification certificates is overdue
 - ✓ portability of social security entitlements has to be pushed
 - ✓ financial mobility incentives might be worth thinking about
 - ✓ a unified labour immigration policy of the EU should be part of any mobility strategy

A strategy against labour immobility?

- ▶ However: limited effect of mobility strategies has to be taken into account
- ▶ Even if policy measures might work to reduce risks and costs of labour mobility, “smooth factors“ such as
 - cultural environment and cultural differences
 - individual situation: housing, care for children and elderly family members etc.

will still interfere with rational economic calculus and potentially prevent mobility

- ▶ Furthermore: mobility strategies cannot solve the problem of lacking economic perspectives in many EU regions
- ▶ Thus: strategies towards mobility of people should be accompanied by EU-wide efforts (on the supranational, national and firm level) to enhance future virtual working environments
- ▶ Virtual mobility of labour could be an important goal of a pro-active EU labour policy!

IZA – Creating the Future of Labor

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