LABOUR MIGRATION FLOWS: EU8+2 *VS* EU-15

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Abstract. The aim of this paper is to determine whether, and to what extent, the migrations from the EU-8+2 to the EU-15 were motivated by differences in earnings and productivity and to what extent by differences in welfare state generosity during the period of the transitional arrangements. On these grounds, a distinction emerges between "favourable" and "unfavourable" migrations on one hand and immigration net winners and losers on the other hand. The obtained results represent an empirical ground for the discussion on the thesis according to which more generous welfare state regimes will be more susceptible to the influx of unfavourable immigrants during the upcoming period of the free movement of labour, while the less generous welfare state regimes will be a magnet for the favourable immigration influx within the EU-27.

Keywords: welfare state, economic immigrants, welfare state immigrants, the European Union, enlargement, convergence, unemployment.

Reference to this paper should be made as follows: Josifidis, K.; Supic, N.; Beker Pucar, E.; Srdic, S. 2014. Labour migration flows: EU8+2 *vs* EU-15, *Journal of Business Economics and Management* 15(1): 41–55.

JEL Classification: D60, F22.

Introduction

The EU-15 welfare states are faced with economic and demographic challenges that call into question not only the sustainability of current levels of social spending but also the very concept of social welfare. The application of the principle of freedom of movement opens labour market and social protection systems for workers from new member states. The removing of borders for workers from new member states is not only an economic issue but also has strong political, cultural, and sociological dimensions that often blur the individual and collective rationality of preferences towards the types of immigration policies. Different economic and political reasons have resulted in adopting different approaches, both in terms of speed and legislation, when regulating migration inflows from the new member states.

Based on these assumptions, the authors of this paper try to answer the questions: whether the generous EU-15 welfare states have become a magnet for workers from the poor EU-8+2 countries, what is the net impact on earnings and social spending of domestic workers, and whether it is possible to reconcile the free movement of labour and existing regimes of welfare states?

1. Literature survey

The growth of international migration and the crisis of welfare state in the West Europe during the latest decades have resulted in a number of studies of this issue. The literature in this field is becoming more diverse with the inclusion of various aspects of migration as well as aspects of the welfare state in the analysis. The importance of studying the link between migration and welfare state has increased, keeping in mind the structural character of current crisis of public finance in most EU-15 countries (Josifidis *et al.* 2010). In addition, the process social convergence towards more market mechanisms that is evident in the EU (Attia, Bérenger 2009) reinforced the need for studying this topic.

The theoretical-empirical analysis of the importance of migration for the welfare states in Western Europe resulting from the eastern enlargements we could find in Sinn (2004). The paper promotes the thesis that migrations are generally desirable since they provide gains from trade and specialization for all countries involved, but this happens only when migrations are followed by a flexible labour market and if they are not artificially induced by the welfare state benefits.

Favell (2008) points out the emergence of the "new migration system in Europe", which is characterized by the temporary liberalization of movement, introduction into the informal labour market, a new culture of immigration, and transnational networks. Muysken and Ziesemer (2011), using a vector-error-correction model, showed, in the case of the Netherlands (1973–2009), that immigration helps to alleviate the aging problem in the long run as long as immigrants are able to participate in the labour force at least as much as the native population.

Barbone *et al.* (2009) showed that migration flows lean toward an increased concentration of both low and high skilled workers. Based on data from the 2006 European Union Survey of Income and Living Conditions, the authors found no evidence in favour of the assumption that immigrant workers pay fewer taxes and gain more benefits from welfare states. Boeri and Monti (2007), using data from the European Union Statistics on Income and Living Conditions EU-SILC 2004–2006, showed above average representation of migrants in the population of beneficiaries of non-contributory transfers while their representation in the population of contributory transfer beneficiaries is below the average of domestic population.

Based on data of the European Community Household Panel (ECHP), Giacomo De Giorgi and Michele Pellizzari (2009) found that the generosity of welfare states can act as a magnet for migrants from new member states. We could find similar conclusions with Warin and Svaton (2008). By using gravity models, they tried to answer the question of what drives migration into the EU-15: welfare state programs or positive

economic trends? It was established that both economic and welfare state effects play a significant role in making decisions on immigration. Razin and Sadka (2004) emphasize the importance of studying long-term (non)financial aspects of migration. The authors suggest that it is not possible to understand the impact of migration on welfare states in the real sense by merely examining the net fiscal burden that migrants impose on the public finance system.

2. Theoretical framework

2.1. Initial concepts

The theoretical framework developed in this paper represents an attempt of the expansion and/or restriction of the neoclassical explanation of migrations with the concept of institutional rigidities of the welfare state and the concept of bounded rationality.

The labour market is not observed as an autonomous mechanism that determines the size and dynamics of migrations. In addition to the labour market, the welfare state is also an important factor that determines the migration flows. In the case of welfare states, the institutionalization of links between corporate capital and unions has a more permanent character in comparison to the institutionalization that exists in the labour market. As a result, the changes in economy, which are important for migrations, are more quickly reflected on the labour market than in the welfare state.

The decisions regarding migration policies are characterized by a high degree of uncertainty arising from the socio-economic complexity of the migration process. This phenomenon could be explained by the concept of bounded rationality – decision-making under uncertainty. The choice of migration policy is a collective decision while the choice of the country of immigration is an individual decision. Positive experiences with migration form preferences toward the liberal policies on migration where negative experiences form preferences toward restrictive rules. Consequently, the attitude of domestic workers regarding the different types of migration policy is based on experiential rather than anticipative rationality. Compared to domestic workers, migrant workers on average make more rational decisions. The change of country influences the economic status of immigrant workers and their families in the most direct way; hence a decision to migrate is based on a detailed assessment of costs and benefits compared with inert collective decisions.

2.2. "Favourable" and "unfavourable" immigrants

The key motives of migrations are associated with the improvement of immigrant's status in the destination country compared to the origin country. Generally, it could be achieved in two ways: by employment or by using non contributory social scheme – the welfare state programs independent of their employment status. As a result, it is possible to distinguish the two main types of migrations: economic migration as favourable and welfare migration as unfavourable migration from the perspective of the destination country.

For economic migrants, the labour market serves as a primary factor and the welfare state registers as a secondary factor in migration. A flexible labour market plays the role of a magnet for economic migrants. The ease of obtaining a job and a more prominent dispersion of earnings which reflects productivity attracts young and educated workers. Social insurance serves as the key channel through which economic migrants are eligible to participate in the programs of the welfare state. The pressure that social security places on the welfare state is really small due to the establishment of relative reciprocity between the paid contributions and compensations an employee can achieve through the acquired social rights.

For welfare migrants, the welfare state is the primary factor for resettlement and the labour market is secondary. The generous welfare programs attract immigrants who expect benefits from the welfare state more than they could expect in terms of benefits from paying taxes and contributions. Social aid (non contributory scheme) is often the key source of income for immigrants who do not qualify for contributory benefits (including payments for the unemployed) because they do not have enough work experience in the destination country to qualify for participation in the social insurance system (Boeri, Monti 2007). Unlike the system of social insurance, social assistance programs cover the family members of immigrant workers as well, which further increases social spending.

2.3. "Favourable" and "unfavourable" immigration regimes

Challenges. A key challenge for the welfare state in the EU-15 is the sustainability of current levels of social spending in terms of free movement of labour and capital (social dumping) and aging domestic population (demographic deficit). The common market, in the context of the welfare state, is associated with the emergence of social dumping: the capital is moving towards the countries with lower taxes and contributions – social spending and the workers towards the countries with more generous social spending. This way, the sources of financing for the welfare state programs are reduced while at the same time the number of potential beneficiaries increases. The dimensions of social dumping are conditioned by the speed of convergence of earnings and the non contributory social programs between the departure and destination countries.

Approaches. Generally, it is possible to distinguish between two basic ways of implementing immigration policy: liberal and restrictive. The key characteristic of liberal migration regimes is an open doors principle, applicable to all immigrants. In the long term, liberal migration policy should lead to a convergence of various economic and social models following the logic of the common market. The negative aspect of the liberal regimes is associated with the threat of spillover effects (so called social dumping) among countries, characterized with different economic and social conditions. As a result, the liberal regime is acceptable to the countries with similar levels of economic and social development.

In the case of restrictive migration policy, labour markets and welfare states are closed for the foreign workers. The main advantage of this approach is the prevention of the

spillover effects of economic and social problems among countries. In the long run, the implementation of restrictive policies leads to the creation of rigid structures which can threaten the global competitiveness of the economy and the sustainability of the welfare state. When there are the significant economic and social disparities among countries, the restrictive regimes are applied.

The immigration policy is part of the public rather than the economic policy. Therefore, the choice of the immigration regime depends on the perception of the effects of migration flows from the viewpoint of the interests of labour and capital.

1. Domestic workers. The position of domestic workers, as individuals, according to immigrant workers is not unanimous. The assessment is created according to the matrix of competitiveness/complementarity of qualifications of both the immigrant and domestic workers. The negative impact of migrations on earnings and employment of domestic high skilled workers is less than in the case of low skilled workers. Regarding the impact on the welfare state, the domestic workers, regardless of the level of qualifications, prefer the migration of the skilled labour force. Highly skilled migrants are net financiers and low skilled migrants are the net beneficiaries of the welfare state. Generous welfare states attract immigrants; however, the immigrants in turn have an effect on the generosity of the welfare state. In contrast to the preferences of individual workers, unions generally have negative attitudes towards foreign workers. Migrations enhance the redistribution of earnings from labour towards capital by reducing earnings and increasing productivity. Also, the so-called "crowding out" effect is noticeable – the shift in demand for labour, which may displace the least skilled workers from the labour market.

2. Corporate capital. Unlike domestic workers, who may be net losers and net winners, the corporate capital realizes almost exclusively net benefits from immigrant workers. Migrations increase the flexibility of the labour market so the employers end up with a more productive and cheaper labour force. Also, immigrant workers create additional demand for products on the market. Due to the ambivalence: the positive and negative impacts on workers and the uniform – positive effects on the corporate capital, migrations, in general, result in the redistribution of income from labour towards capital. As a result, most advocates of liberalization of migration flows are the representatives of the capital.

3. The institutional framework. Harmonizing the interests of labour and capital in relation to the immigration policy is conducted in the given institutional framework. The institutional framework emphasizes the role of government in shaping immigration policy. The state, through its institutions, not only performs alignment and transmission interests of labour and capital in the migration policy, but is in some sense an independent entity. Political institutions cannot be independent: they can form a policy consistent with the interests of the state and remain intact under social pressures and interest.

Selections. During the process of selection among different types of immigration policy, the domestic workers, opposed to corporate capital and the state, are not anticipatory rational. Their preferences are primarily derived from past experiences. Positive expe-

riences speak in favour of liberal immigration regimes while negative experiences are directed towards more restrictive rules.

The convergence of earnings and social spending in the country of emigration in relation to earnings and social spending in the last country in which the barriers of free movement of workers were lifted has a strong impact to the beliefs of domestic workers that the similar effects of liberalization of migration flows are reinforced. Consequently, the liberal migration policy is selected. In the case of divergence – the restrictive rules are preferred.

In this paper we use the concept of relative sigma convergence. Sigma convergence exists when the dispersion of earnings/social security spending in the observed group of countries decreases over time.

Relative sigma convergence:

$$\sigma_{Wt+T} = \left[\frac{\sqrt{\frac{1}{N}\sum_{i=1}^{N}\left(\Delta W_{it} - \Delta \bar{W}_t\right)^2}}{\frac{1}{N}\sum_{i=1}^{N}\Delta W_{it}} \right], \ \sigma_{SPEt+t} = \left[\frac{\sqrt{\frac{1}{N}\sum_{i=1}^{N}\left(\Delta SPE_{it} - \Delta \bar{SPE}_t\right)^2}}{\frac{1}{N}\sum_{i=1}^{N}\Delta SPE_{it}} \right], \ (1)$$

where: $\Delta W_{it}, \Delta SPE_{it}$ – is the deviation of net earnings/non-contributory in the source country i in relation to the average of the destination countries j; ΔW_t, ΔSPE_t – the average deviation of net earnings/non-contributory social spending in the i source country in relation to the average of the i group of countries. $\frac{1}{N}\sum_{i=1}^{N}\Delta W_{it}, \frac{1}{N}\sum_{i=1}^{N}\Delta SPE_{it}$ – is the average value of the deviations of net earnings/non-contributory social spending in the group of i source countries towards the destination countries j; N-number of source countries included in the analysis.

Consequences. The sustainability of the welfare state can be endangered as well as supported by the liberal migration policies. The free movement of workers accompanied by a larger influx of welfare immigrants rather than economic immigrants – the sustainability of social programs is under threat. On the other hand, restrictive migration policies close the welfare state in the context of the potential opportunities as well as hazards of the free fluctuation of workers among countries. The demographic pressure increases due to lower immigrant influx, which threatens the sustainability of social spending and simultaneously reduces the risk of social dumping.

3. Results

In the EU, the right of free movement of workers is supplemented by a system of co-ordination of social security i.e. the rights of workers in the acquisition, accumulation, and transfer of social security benefits, including their payment. Consequently, the full application of the principle of free movement of workers has an impact not only on the labour market but also the programs of the welfare state.
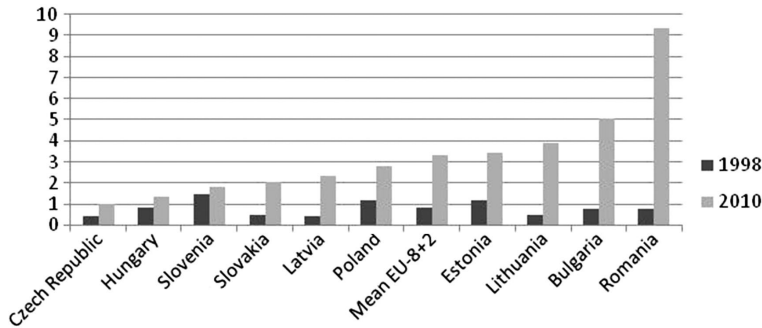
Fig. 1. The migration rate of workers from the EU-8+2 to the EU-15 countries, 1998–2010
Source: Authors' calculation based on Eurostat database 2012.

In Figure 1, we can see the evolution of the immigration rate of workers from the EU-8+2 into the EU-15. Thus, in 2010, the workers from the NMS in the EU-15 accounted for about 3% of the EU-8+2 total populations. This is four times more than the situation in 1998. The impact of enlargement on the immigration rate is most evident in the poorest NMS countries: Romania and Bulgaria. With the exception of Romania and Bulgaria, the highest rate of immigration after the enlargement was recorded in the Baltic countries, Poland and Slovakia.

Migration of workers from the EU-8+2 to the EU-15 is motivated by the welfare as well as economic reasons. Among the NMS and the EU-15 countries there are significant differences in the amount of earnings and generosity of social programs. For example, in 2004, the average earnings (purchasing power parity) of workers from the NMS amounted to one third of average earnings of workers from the EU-15. The situation was almost the same with the non-contributory social programs. Over time, these differences have been decreased but are still high enough to attract workers from the NMS. The impact of economic and welfare factors on the migration flows of workers from the NMS to the EU-15 countries could be estimated by using the analysis of Spearman's rank correlation coefficient. The ranking is conducted by comparing the earnings, non-contributory social spending and the rate of immigration of workers from the EU-8+2. Differences in earnings/social spending are expressed through the rate of depreciation relative to the EU-15 average.

From Table 1, it can be seen a statistically significant correlation between earnings/ social spending and immigration rate. In the period of 2004–2010, the immigration rate of workers from the EU-8+2 was higher in countries where the earnings and non-contributory social spending are significantly below the EU-15 average. The value of estimated correlation coefficient is in the range of $0.5 < |r| < 0.8$ indicating a medium-strong, positive correlation. By comparing the values of correlation coefficients based on net earnings and social spending it could be concluded that in the period 2004–2010 migrations were greatly determined by differences in earnings rather than social spending. It gives the migrations a dominantly economic character.

Table 1. Spearman's rank correlation coefficient of social spending, net earnings and immigration rate of the EU-8+2 countries relative to the EU-15 average, 2004–2010

	2004–2010		2010	
	1-W to IR	1-SPE to IR	1-W to IR	1-SPE to IR
Correlation (corrected)	0.70	0.63	0.84	0.53
t-Test (n>10)	2.75	2.26	4.42	1.75
Degrees of Freedom	8	8	8	8
Critical 2-sided T-value (5%)	2.31	2.31	2.31	2.31
Critical 1-sided T-value (5%)	1.86	1.86	1.86	1.86
D-square value (calculated)	50.00	62.00	26.00	78.00
D-square value (expected)	165.00	165.00	165.00	165.00
Standard Deviation	55.00	55.00	55.00	55.00
z-Test	–2.09	–1.87	–2.53	–1.58
Probability	0.036**	0.060**	0.01***	0.1*
Observations	10	10	10	10

Source: Authors' calculation based on Eurostat database 2012.

Figure 2 shows the ratio of net earnings in the EU-8+2 to the EU-15. The EU-8+2 countries are characterized by lower net earnings compared with the EU-15 average. To illustrate this, the workers from the NMS on average had 60% lower earnings compared to the workers in the EU-15 in 2010. However, over time the gap is reduced, mostly in the Baltic countries (over 10 percentage points) and the lowest in Poland and Bulgaria (less than 1 percentage points). The impact of enlargement on reducing the earnings gap was positive in all countries. The highest impact was recorded in Baltic countries and Slovakia (over 8 percentage points) and the lowest in Hungary (less than 2 percentage points).
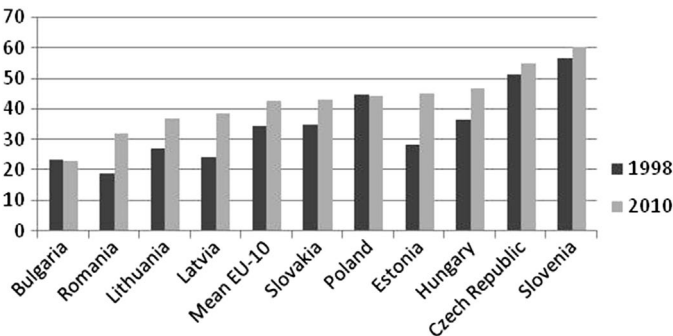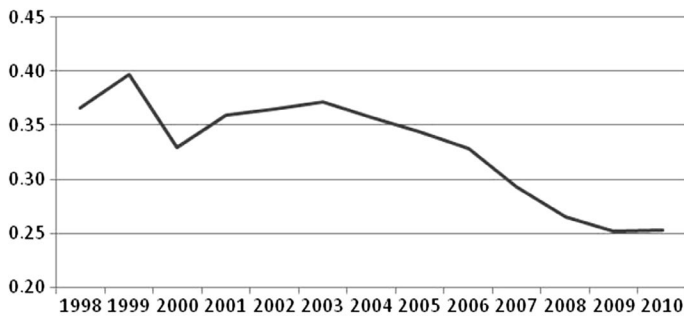

Fig. 2. Net earnings ratio expressed in purchasing power parity, in the EU-8+2 according to the average net earnings in the EU-15, 1998–2010
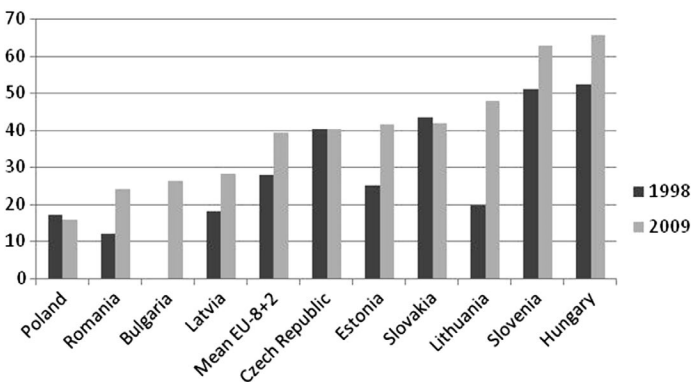*Source:* Authors' calculation based on Eurostat database 2012.

Figure 3 presents the dynamics of sigma convergence in the NMS in the period from 1998 to 2010. In the analysed period, the standard deviation of earning gaps among the EU-8+2 and the EU-15 countries declined by 15% and the coefficient of variation by 33%. The convergence had an upward trend – in the period from 1998 to 2010, the average earnings in the EU-8+2 increased compared to the average of EU-15 by 9%.

The data illustrated in Figure 4 clearly indicates that the NMS are significantly lagging behind the EU-15 in terms of non-contributory social spending. For instance, socially vulnerable groups in the NMS received, on average, 60% less social transfers compared to the EU-15 average in 2009. Over time, however, this gap is reduced. The negative trend was recorded only in three countries; however it did not exceed 2 percentage points. The five remaining countries recorded an average growth of non-contributory social programs of over 15 percentage points. Regarding the impact of enlargement on the level of non-contributory social spending to the average of the EU-15, the negative results are evident in the three countries: Slovenia (–6.20 percentage points), Czech Republic (–1.37 percentage points) and Poland (–0.31 percentage points).

Fig. 3. Sigma convergence of net earnings ratio expressed in purchasing power parity, in the EU-8+2 according to the average net earnings in the EU-15, 1998–2010
Source: Authors' calculation based on Eurostat database 2012.

Fig. 4. Ratio of non-contributory social spending in the EU-8+2 to the average of the EU-15, 1998–2009
Source: Authors' calculation based on Eurostat database 2012.
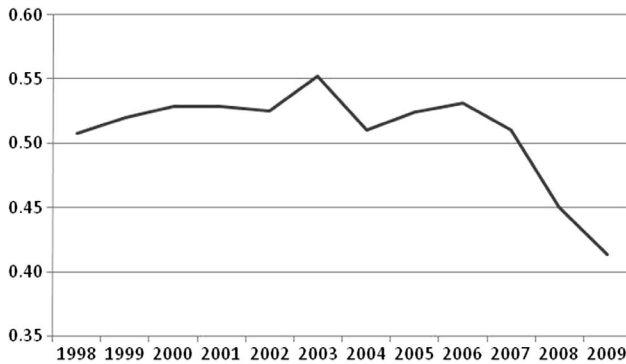
Fig. 5. Sigma convergence of non-contributory social spending expressed in purchasing power parity, in the EU-8+2 according to the average net earnings in the EU-15, 1998–2009
Source: Authors' calculation based on Eurostat database 2012.

In summary, Figure 5 indicates the reduction of gap between the NMS and the EU-15 average in the area of non-contributory social spending. In the period from 1998 to 2010, the standard deviation of the ratio of non-contributory social spending was reduced by 8% while the coefficient of variation decreased by 36%. Similar to net earnings, the sigma convergence of social spending had an upward trend – towards higher levels of social spending. The growth of average non-contributory social programs in the NMS compared with the EU-15 average was 40% in the period 1998 to 2009.

4. Discussions

4.1. Immigrants

In retrospect, it is clear that the fears of the great wave of immigrants from the East were exaggerated. Thus, Dobson and Sennikova (2007) comparing migration levels, after 2004 enlargement, with the differences in wage and unemployment levels between EU-8 and EU-15, found that it is difficult not to conclude that the wrong question is being asked. The question should not be 'why so many workers from EU-8 have moved west', but 'why so few'?

In the total migration flows of the workers from the NMS to the EU-15, the economic migrants have a dominant share. The data on the qualification and age structure of the immigrants indicate the tendency of a positive selection of immigrants in the EU-15. On average, the immigrants are better educated, more productive, have higher entrepreneurial potential and they are younger than the average population of the country of origin.

Table 2 illustrates the age structure of migrants from the EU-8 +2 in the EU-15 compared to the age structure of the population in the countries of origin and destination. The sample includes the three EU-8+2 countries with the highest rate of immigration (Romania, Bulgaria and Poland) connected with two major immigration countries for each of them. The analysis was restricted to the population aged from 24 to 35 who are considered as a part of the population with the most important demographic and economic potential. On average, the share of immigrants aged 24 to 35 in the total

Table 2. Percent of EU 8+2 citizens, from 25 to 34 years living in selected EU-15 countries comparing to situation in country of origin and country of destination

	Germany	Italy	Bulgaria
		Bulgaria	
Bulgarians	32,55	19,98	13,78
Germans	11,3	–	–
Italians	–	10,18	–

	Italy	Spain	Romania
		Romania	
Romanians	28,61	29,30	15,79
Italians	10,18	–	–
Spanish people	–	11,05	–

	UK	Germany	Poland
		Poland	
Poles	23,64	26,72	16,55
British	13,54	–	–
Germans	–	11,3	–

Source: Eurostat 2013 and Office for National Statistics 2013.

number of immigrants is about two, for some countries even three, times greater than the proportion of the same age group of natives in the total population. Similar results are obtained when the comparison is done with respect to the country of origin. Favourable age structure of immigrants is an additional argument in favour of the claims of the dominant economic character of migration in the enlarged EU.

The main incentive for migrants from the NMS to the EU-15 is earning gap i.e. employment opportunities. The analysis of Spearman's rank correlation coefficient has shown that the correlation of differences in net earnings and the rate of immigration are stronger than the relationship between the difference in social spending and immigration rate. In addition, the convergence of net earnings and social spending towards higher levels greatly weakens the incentives of welfare rather than economic immigrants.

Although it is not possible to fully reject the differences in non-contributory social programs as a motive for migrations from the EU-8+2 in the EU-15, this kind of incentive is not crucial for the majority of immigrants. The results in the paper have shown that the correlation between migration rate and net earnings is greater than the correlation between migration rate and non-contributory social spending. In addition, the age and education structure of immigrants from the NMS deviates from the typical description of welfare migrants.

Similar to earnings, the social spending in the NMS increased throughout the entire analysed period. Parallel increases in social spending and immigration rates refer to a

less prominent welfare feature of migrations. If immigration flows were predominantly made up of the welfare motivated immigrants it would lead to a decline in the number of socially dependent population in the country of origin and the dynamics of social spending would slow down.

4.2. Immigration regimes

The first countries that opened their labour market for workers from the NMS were the United Kingdom, Ireland and Sweden. Regarding the labour market and welfare state, there are significant differences among them. On one hand, the United Kingdom and Ireland are characterized by no generous welfare state, flexible labour markets and weak unions. The combination of these factors opens the doors to economic immigrants and closes the door to welfare immigrants. On the other hand, Sweden is characterized by a generous welfare state, rigid labour market, and strong unions. It is an environment favourable to economic immigrants but also very attractive for the welfare immigrants.

What are results of implementing similar – liberal approach to the migration policy in countires with different economic and welfare state structure, especially regarding degree of labor market flexibility? Although, labor-market flexibility is still vague a concept (Pissarides 1997) it is possible to find theoretical arguments as well as empirical findings that are useful for understanding and predicting the relationship between labor market flexibility and labor mobility. In general, the country with flexible labor markets can reallocate labour across firms more easily relative to the country with rigid labour markets (Cuñat, Melitz 2012). Thus, Blanchard and Portugal (2001) on the example of USA, a country with very flexible labour market, and Portugal, a country with very flexible labour market, have shown that labor flexibility/rigidity market has a significant impact on flows of workers in the context of job creation, destruction and reallocation. As a result, it is reasonable to expect that immigration flows have different implications for the labor market, and consequently on the system of social protection, depending on the degree of labor market flexibility. Flexible labor market should be more attractive to economic immigrants and vice versa rigid labour market with generous social spending should be more attractive to welfare state immigrants. In this context to what extent are illustrative the examples of UK, Ireland and Sweden.

In the case of Great Britain and Ireland there is no strong evidence of the negative impact of migration flows from the EU-8 on the labour market performances. The research on this issue in the UK (Gilpin *et al.* 2006; Lemos, Portes 2008; Reed, Latorre 2009) did not reveal any significant indication that the migration caused further decline in employment and earnings of domestic workers. Moreover, if there is a connection between the amount of immigration flows from the EU-8 and the earnings and employment of domestic workers, it would be positive rather than negative. We have similar observations in the case of Ireland (Doyle *et al.* 2006; Barrett *et al.* 2006). The absence of a negative impact on earnings and employment of domestic workers in the UK and Ireland could be primarily explained by the high rates of economic growth in countries of immigration – above the euro zone average, the effect of the "over qualification" of immigrant workers as well as employment in the sectors for which the domestic workers are not interested. In the period of greatest influx of immigrants from the NMS into

the UK and Ireland (from 2005–2008), immigrants from the EU-8 had a higher rate of employment than the domestic workers, migrant workers from the EU-15 and third countries. At the same time, the earnings of workers from the NMS were below the average of domestic workers.

In the case of Sweden, the economic impact of free migrations on the labour market and welfare state was similar to the UK and Ireland experiences. Unlike the UK and Ireland, Sweden has not introduced restrictions on workers from the EU-8 regarding the use of the welfare state programs. However, migration flows from the NMS did not lead to disturbances in the labour market and the welfare state. The number of immigrants from the NMS in Sweden was doubled when compared to the situation before enlargement in 2004 but was still low compared to the domestic population (less than 1%). In comparison to the UK and Ireland, Sweden was far less attractive for immigrants from the NMS. It could be primarily explained by easier entry into the labour market, the lower cost of living and the fact that English is the official language. Moreover, the lack of Diaspora in Sweden, for workers from the NMS, provides difficulties for potential welfare migrants who need somewhere to stay before they can obtain the rights for social assistance.

The last enlargement was followed by the change of course of immigration policy in the UK and Ireland (from liberal to restrictive) whereas Sweden has kept the same approach. The restrictions for the migrant workers from Romania and Bulgaria could be explained by fact that the UK and Ireland, during the past liberal regime, have created a Diaspora of economic migrants from the EU-8, which seems to be sufficient to meet demand for new workers from the EU through a positive migrant network effect. In addition, the structure of potential migrants from Romania and Bulgaria is less attractive; the earnings and social spending gap is more expressed, and also there were a relatively high percentage of illegal immigrants from Romania which increases the risk of negative migrant network effects.

Conclusions

The analysis has shown that the EU-15 countries, with lower social spending, a more flexible labour market with weaker unions, and a smaller Diaspora of workers from Eastern Europe, were faster in applying free migration regimes towards the workers from the NMS. Economic immigrants have a dominant share in the total migration flow. On average, migrants from the NMS are younger and better educated than the average in the country of origin. At the same time, the relatively high cost of living and access to labour markets in the countries of immigration, on one hand, and increase in social spending and earnings in the countries of emigration, on the other hand, reduce the benefits of welfare migration and increase economic migration flows. There is no strong evidence that migrations had a negative linear impact on earnings and employment of domestic workers due to, first of all, the effects of over qualification of the immigrant workers. As a result, the observed migration flows are acceptable from the welfare state perspective: the risk of demographic deficit is reduced without additional pressure on social protection system.

The new course of immigration policy, (the example of the EU and Ireland regarding the workers from Romania and Bulgaria), keeping in mind a generally positive impact of migration flows on the EU-15 economies, could be explained by reaching a critical level of economic Diasporas, which, through the migrant network effect, can attract a sufficient number of quality economic migrants in the future. The pressure of domestic workers to take more restrictive migration policies is associated with a large number of immigrant populations. Their fear is not economically rational since the West labour markets and the welfare states are not endangered with Eastern migrations. Consequently, the central issue of the EU-15 welfare states concerning the migration of workers from the NMS is the composition of migration flows (economic versus welfare state) which is strongly influenced by the convergence of earnings and social spending between source and destination countries.

Acknowledgement

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